M/s. Penna Cement Industries Limited, Lakshmi Nivas 705, Road No. 3, Banjara Hills, Hyderabad-500 034, Telangana (GSTIN 36AABCP2290D1ZP)

Authority for Advance Ruling — Telangana

TSAAR Order No.03/2020, dated 02-03-2020 (A.R.Com/23/2018) Dated **02.03.2020**

Q Questions Before the Authority

- What tax should be charged by the applicant on ex-factory inter-State sales made by them?

F Facts

The applicant manufactures cement at two plants in Telangana and occasionally makes inter-State sales on an ex-factory (works) basis. Under these sales, the goods are made available at the factory gate, and the recipient or its transporter then moves them to the billing address in another State. The applicant contended that, because delivery ends at the factory gate, CGST and SGST should apply, but the further movement to another State points to IGST.

H Ruling

Tax chargeable on ex-factory inter-State supplies made by the applicant	**IGST is chargeable on ex-factory inter-State supplies**	Based on the place of supply under Section 10(1)(a) of the IGST Act, being the location where movement terminates for delivery to the recipient in another State. The order does not separately address other delivery arrangements.

The Authority held that **IGST is chargeable on ex-factory inter-State supplies** . It reasoned that under Section 10(1)(a) of the IGST Act the movement of goods does not end at the factory gate where the recipient or its authorised transporter carries them onward. The place of supply is therefore the destination in the other State, so the supply is inter-State and the supplier must charge IGST.

R Reasoning

The Authority noted that the location of the supplier was undisputed, so the question turned only on the place of supply. It read Section 10(1)(a) of the IGST Act, which refers to movement 'whether by the supplier or the recipient or by any other person', as showing that movement arranged by the recipient is still part of the supply. It concluded that movement ends where the goods are destined in another State, not at the factory gate. It therefore classed the supply as inter-State under Sections 7 and 8 of the IGST Act, which makes IGST applicable under Section 5(1).

P Provisions Relied On

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Section 9(1) of the CGST/TGST Act, 2017 (levy of CGST and SGST on intra-State supplies)

Section 5(1) of the IGST Act, 2017 (levy of IGST on inter-State supplies)

Sections 7(1), 7(2), 8(1) and 8(2) of the IGST Act, 2017 (inter-State and intra-State supply)

Section 10(1)(a) of the IGST Act, 2017 (place of supply of goods where supply involves movement)

Section 97(1) and 97(2)(e) of the CGST/TGST Act, 2017 (application and admissibility for advance ruling)

Section 20(xviii) of the IGST Act, 2017 (as cited in the order)

Rule 104 of the CGST/TGST Rules (form and procedure for advance ruling)

Section 100(1) of the CGST/TGST Act, 2017 (appeal to the Appellate Authority within 30 days)

! For the Practitioner

This ruling helps Telangana manufacturers and suppliers who sell ex-works and let the buyer arrange transport to another State. It settles that such sales are inter-State and attract IGST, so the factory-gate delivery point does not control the tax. It does not decide cases where the supplier itself arranges transport, or where the recipient's billing address and the actual destination differ, since the order refers to both. The ruling binds only the applicant, and the 30-day appeal window under Section 100(1) should be checked before relying on it.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> tsaar_order_no._03-2020_penna_cement_industries_limited_1.pdf

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