Tax Talks

Journal no 12

Scenarios where a Delivery Challan can be used instead of GST Tax Invoice for transportation of GOODS.

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1. Transportation of Goods for Job Work

- Legal Provision: Rule 45 and 55 of the CGST Rules, 2017.
- Details:
  Goods can be sent by the principal (owner of goods) to a job worker for processing, repair, or any work that transforms or enhances the goods.
- Documentation:
  - A Delivery Challan must accompany the goods.
  - Details such as description, quantity, and purpose (e.g., "For Job Work") must be mentioned.
- Key Consideration:
  The principal must report such goods in Form ITC-04.

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2. Goods Sent for Testing or Approval

- Details:
  Goods can be transported for quality checks, testing, or approval before finalizing a transaction. This is often done when goods need to be certified or validated by the buyer or an external agency.
- Documentation:
  - Delivery Challan with the description of goods and the purpose (e.g., "For Testing/Approval").
  - The location of the testing/approval center must be mentioned.
- Key Consideration:
  No GST liability arises unless the goods are eventually supplied or sold.

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3. Movement of Goods for Repairs or Return of Goods

- Details:

  Goods needing repair or servicing can be transported under a Delivery Challan. Similarly, repaired goods being returned to the original owner may also use the same process.

- Documentation:

  - Delivery Challan mentioning "For Repairs" or "Return after Repairs."
  - Reference to the original invoice, if available, should be included.

- Key Consideration:

  The repaired goods should ideally return to the sender within a reasonable time.

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4. Transportation of Semi-Finished Goods Between Two Branches

- Details:

  Manufacturing businesses often need to transfer semi-finished goods to another branch or facility for further processing.

- Documentation:

  - Delivery Challan mentioning "For Further Processing" or "Semi-Finished Goods."
  - Include details of both branches' GSTIN and addresses.

- Key Consideration:

  GST may apply if the transfer is between branches registered in different states (treated as distinct persons).

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5. Stock Transfer Between Branches Registered Under the Same GSTIN (If in the Same State)

- Details:
  Goods moved between two locations of the same GST registration in a single state can be done without a tax invoice.
- Documentation:
  - Delivery Challan mentioning "Stock Transfer."
  - The GSTIN of the sender and receiver must be the same.
- Key Consideration:
  This avoids treating the movement as a "supply," provided both branches are under the same GST registration.

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6. Goods Being Transported Without a Supply (e.g., Exhibitions or Demonstrations)

- Details:
  Goods moved for display or promotional purposes at exhibitions or for demonstrations do not constitute a supply since there is no consideration involved.
- Documentation:
  - Delivery Challan stating "For Exhibition" or "For Demonstration."
  - Include details of the event/location where the goods will be displayed.
- Key Consideration:
  Such goods must be brought back or accounted for in case of damage or loss.

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General Points for All Scenarios:

1. **Mandatory Details in Delivery Challan:**
   - Date and number of the challan.
   - Names, addresses, and GSTINs (if applicable) of both consignor and consignee.
   - Description and quantity of goods.
   - Purpose of transport.
   - Place of delivery and vehicle details (if applicable).
2. **E-Way Bill:**
   - An E-Way Bill is mandatory if the value of the goods exceeds ₹50,000 or as per state-specific thresholds, even when using a Delivery Challan.
3. **Retention and Record-Keeping:**
   - Delivery Challans must be retained by the consignor, consignee, and transporter for audit purposes.

Disclaimer:

The information provided in this article is for general informational purposes only and does not constitute legal or tax advice.

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