



No. CWC/FD- Taxation/GST/2019-20/19854 Dated: 28<sup>th</sup> October, 2019

**GST CIRCULAR-18**

**Sub: GST on realization of Auction sale proceeds from long standing abandoned Cargo/ time barred bonds**

- 1.0 As per accounting policy no. 15(a)(iii), in case of time barred bonds/long standing cargo, income from warehousing services is recognized on its realization out of the sale proceeds.
- 2.0 As and when the long standing/abandoned cargo is auctioned, CWC is under an obligation to collect applicable GST based on the type of cargo under its respective HSN & pay the same to the GST authorities. The Auction Proceeds is to be appropriated in accordance with the provisions made u/s 150 of the Customs Act, 1962, wherein the 1<sup>st</sup> Charge is of the Expenses of such Auction or Sale, followed by Freight & Other Charges, if any payable for such Cargo, as the 2<sup>nd</sup> Charge, followed by the Custom Duty as the 3<sup>rd</sup> Charge, while the 4<sup>th</sup> Charge is that of the Custodian Charges, followed by the Amount due from the Owner of such Goods to the Central Govt., if any, as the 5<sup>th</sup> Charge and then the Remainder, if any left, would go to the Owner of Goods.
- 3.0 Accordingly, after allocating or disbursing the Auction Expenses, Freight & Transportation Expenses, Custom Duty etc., the CWC's Dues on account of Warehousing Charges Accrued & due upto the Date of Disposal of such Bonds, together with GST at the Rates applicable would be adjusted. Recovery of warehousing charges by CWC for providing warehousing services is subject to GST as a

separate service by CWC. CWC needs to pay the applicable GST on recovery of warehouse charges.

If in this Process, CWC has realized Full Amount of Warehousing Charges together with the GST due thereon, the Full Amount of GST realized from the Auction Proceeds would be treated as Payable to the GST Department. However, in case, CWC could not realize its Dues including the GST in Full, the GST Payable would be computed on Reverse Calculation Basis, treating the Amount realized by CWC as inclusive of GST.

- 4.0 The unclaimed surplus of auction proceeds transferred by CWC to the miscellaneous income Account after passage of 3 years from the date of such auction is not on account of Custodian Charges, which could thus not be treated as warehousing charges, and same would, therefore, not be liable to GST as there is no service element involved.

This is issued with the approval of Director(fin.)



( Amit Puri )

General Manager(Tax & CA)

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1. All the Regional Managers of CWC
2. All the AGMs / Managers / (Sr.) Asstt. Manager(Accts.) In-charge of Finance & Accounts Wings of all Regional Offices

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3. All HODs at CWC, Corporate Office, New Delhi
4. All DGMs/AGMs/Managers in Finance, Accounts & Internal Audit Cadre at CWC, Corporate Office, New Delhi
5. PPS to GM(Systems), CWC, CO, New Delhi with a request to place this Circular on CWC's Website
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