



INTER-STATE TRANSACTIONS
AND STATUTORY FORMS
UNDER CST ACT

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Objectives :

- Concept of Interstate Sale.
- Essentials of Interstate Sale.
- Stock/ Branch Transfers.
- Statutory Forms.
- Non Taxable Transactions.
- CST VI Return.

Meaning of 'Inter State Sale':

Section 3 of CST Act defines Inter-State sale or purchase as follows :

- A sale or purchase of goods shall be deemed to take place in the course of inter-State trade or commerce
 - if the sale or purchase
 - a) occasions the movement of goods from one State to another



(or)

b) is effected by a transfer of documents of title to the goods during their movement from one State to another.

- Thus, inter-state sale can be as per ---section 3(*a*) or section 3(*b*).

The Charging Section is 6(1).

Essentials of Inter State Sale:

- The Supreme Court has held the following three essentials for an Inter state sale:
 - i. There must be a sale.
 - ii. The goods must be actually moved from one state to another.
 - iii. The sale and movement of goods must be part of the same transaction.
- M/s. Kelvinator of India Ltd Vs. State of Haryana (1973).
- Consideration is also present.

Section 3(a):

- As per section 3(a), 'Inter State sale' takes place if the sale *occasions movement of goods* from one State to another.
- In *CST v. Suresh Chand Jain* - (1988) 70 STC 45 (SC), it was held that a sale can be said to be in the course of inter-state only if two conditions concur viz.
 - (i) sale of goods and
 - (ii) a transport of those goods from one State to another.
- The Purchaser issues C-form to the Seller.

Meaning of the word "Occassions":

- It means :
 - Causes (or)
 - is the immediate cause of.
- Decided in the First Coffee Board Case.
- Buyer and the Seller may be in the same state.

Ex: The buyer may have construction site in another state and asks the seller to send goods directly to the site.

Case Law: Cement Marketing Vs. State of Mysore (1963)(SC)

Section 3(b):

- **Sale by transfer of documents:**

Section 3(b) provides for Inter-State sale by transfer of documents of title to goods during the movement from one State to another.

- It is linked with section 6(2) & section 9(1) of the Act.

- ***Eg.:*** A of Delhi sells goods to B of Hyderabad, while the goods are in transit, B sells the goods by transfer of documents to C of Bangalore.
- In this case there are two Inter State Sales.
 - Sale by A to B is under 3(a)
and sale by B to C is under 3(b).

What is 'Document of Title of Goods' :

- When the goods are handed over to the carrier, he hands over a receipt to the seller. The seller sends the receipt to buyer.
- The buyer gets delivery of goods on submission of the receipt to the carrier at other end.
- The receipt of carrier is 'document of title of goods'.
- The words 'document of title' is defined under section 2(4) of Sale of Goods Act.

Cont..


- Such document is usually called
 - (*a*) Lorry Receipt - LR in case of transport by Road .
 - (*b*) Railway Receipt - RR - in case of transport by rail.
 - (*c*) Bill of Lading - BL - in case of transport by sea.
 - (*d*) Air Way Bill - AWB - in case of transport by air.
- It is called 'document of title' as one who submits the same
 - is entitled to get delivery of goods,
 - if document is in his name or endorsed in his name

Transfer of Document

- Transfer of Document is a symbolic delivery of goods to the purchaser.
 - It carries with it full ownership of goods. Delivery of 'document of title' is equivalent to the delivery of goods themselves.
- *JV. Gokal and Co. (P.) Ltd. v. Assistant CST - 1960*

Stock Transfer/Branch Transfer:

- One of the basic and obvious conditions of Inter-State sale is that there should be a sale.
- If a manufacturer sends goods to his branch in other State, it is not a 'sale' as you cannot sell to yourself.
- Similarly, if a dealer sends goods to his Agent in other State who stocks goods on behalf of the dealer, it is not a sale.

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- Such agent is usually called 'Consignment Agent'.
 - Goods are despatched to another State on consignment basis and the person despatching goods retains ownership of goods.
 - Since no sale is involved, there is no 'Inter State Sale'.
 - It is covered in Section 6(A).

Treatment of Stock Transfer as Interstate Sale:

- **Stock transfer can be only of standard goods where buyer is not known.**
 - Stock transfer can be only of standard goods.
 - They should be sold off the shelf.
 - Stock transfer of tailor made goods for a specific customer is a bogus stock transfer.
 - If buyer is identifiable before goods are dispatched, it is 'Inter State' sale and not a 'stock transfer'.

Cont..

- **Important Case Laws:**

- M/s. Hyderabad Industries Vs. State Of Andhra Pradesh.(2011).
- M/s. Ashok Leyland Vs. State of Tamilnadu(2004)(SC).
- M/s. Electric Construction & Construction Equipment Ltd. Vs. State of Haryana.(1990) (.P&H HC Division Bench).
- M/s. Kerala State Electronics Development Corp. Ltd Vs. State of Kerala.(2006) (Kerala HC DB).

No tax is payable under this Act on –

- Direct Exports. [Section 5(1)].
- "High Sea Sales". [Section 5(2)]
- In-Direct Exports .[Section 5(3)].

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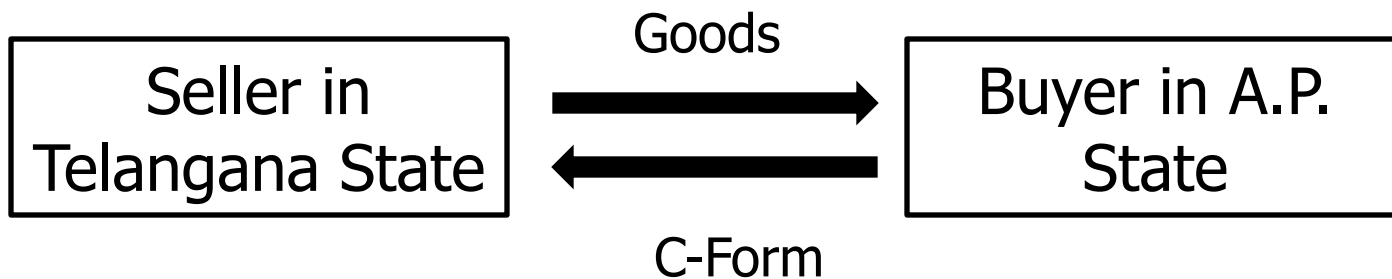
- Sales in Transit [Section 6(2)].
- Interstate sale of goods to any foreign diplomats/ mission/consulates/United Nations, etc. . [Section 6(3)].
- Branch Transfers [Section 6(A)].
- Sale of goods to SEZ [Section 8(6)].

Various forms under CST

- Form – C : Concessional Form
- Form- E1 : Transit sale – First seller
- Form- E2 : Transit sale – Second seller
- Form – F : Stock transfer / Branch transfer
- Form – G : Form of Indemnity Bond
- Form – H : Indirect Exports
- Form – I : SEZ Sales
- Form – J : Sales to United Nations / Consulates / Diplomatic Missions etc.

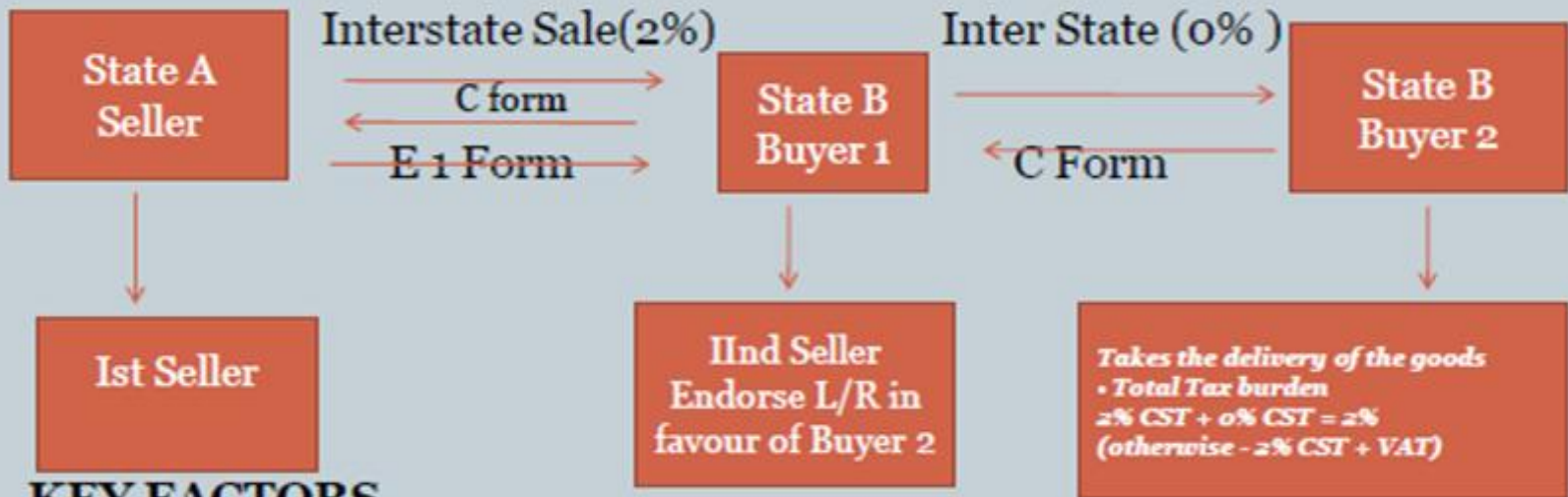
C- Form:

- Presently concessional rate against C form is 2%
- Submission of C Form is mandatory.
- Frequency for obtaining C form is on quarterly basis.



Transit Sales: Section 3(b)

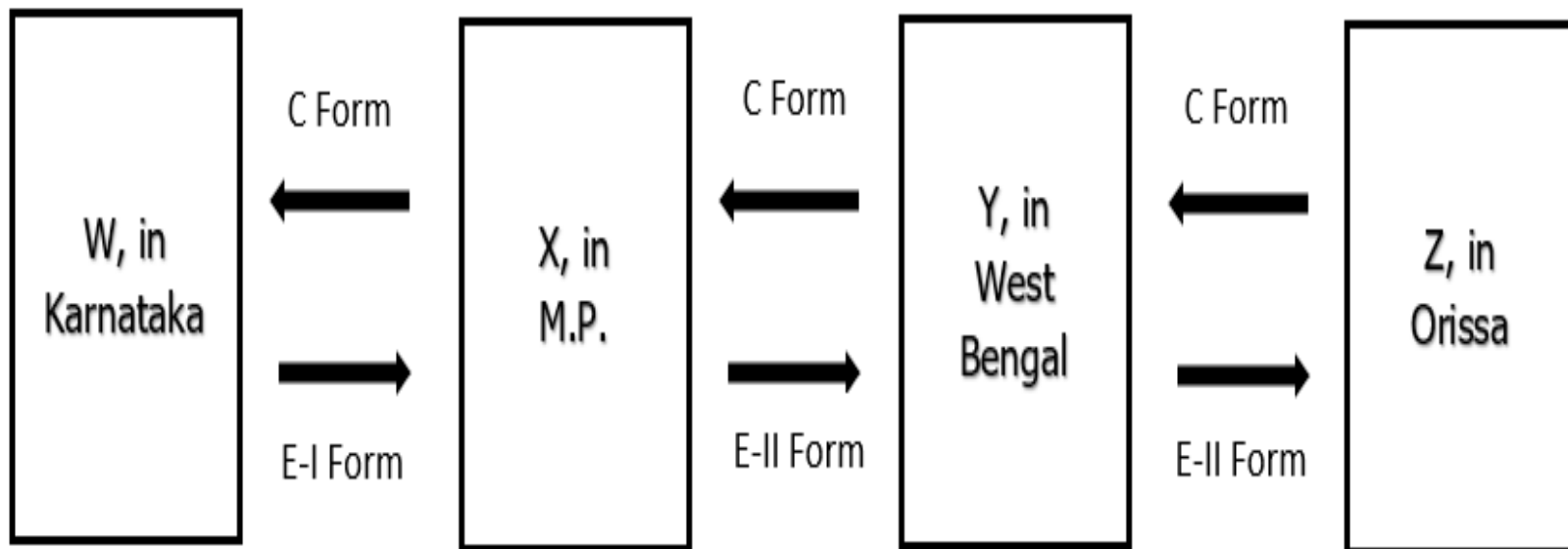
Sale is effected by transfer of documents of title to the goods during the movement from one state to another




KEY FACTORS

- No delivery by the Buyer 1, endorsement on L/R in favour of Buyer 2 by the Buyer 1
- Buyer 2 takes the delivery (interstate sale completes)
- For exemption to Buyer 1 - E-I Form from first Seller & 'C' form from Buyer 2.

E-I / E-II Transaction:

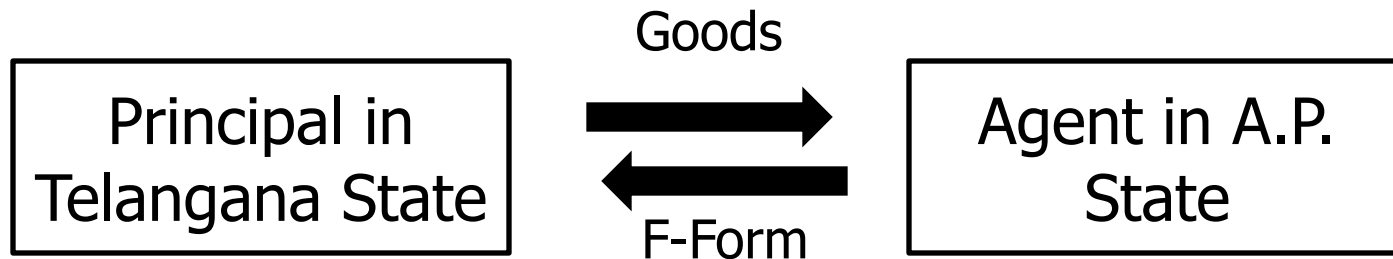


Goods despatched from Karnataka to Orissa. Sale by X to Y and by Y to Z is by transfer of documents.

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- A dealer who sells goods in transit has to obtain
 - E-I (OR) E-II forms from the seller and
 - C-form from the buyer.
 - It is mandatory to produce both forms to avail exemption.
 - E-I/E-II forms have to be given by the person who first moves goods from one state to another.

F- Form:

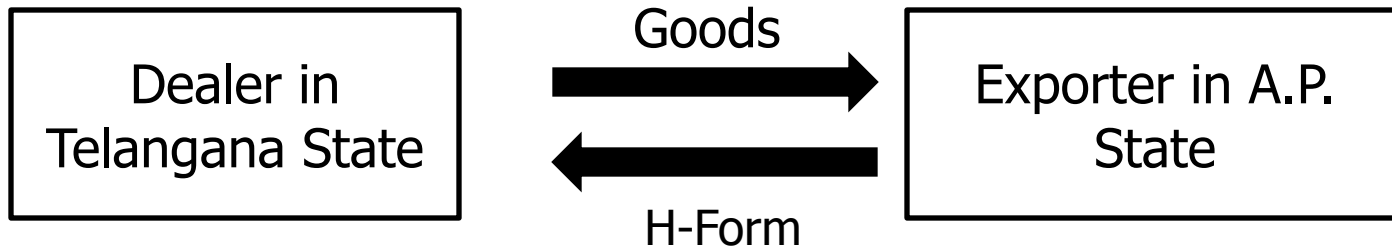
- F-form is received from branch/agent.
- Submission of F Form is mandatory.
- Frequency for obtaining F form is monthly basis.



- For job work also F-Form is essential.

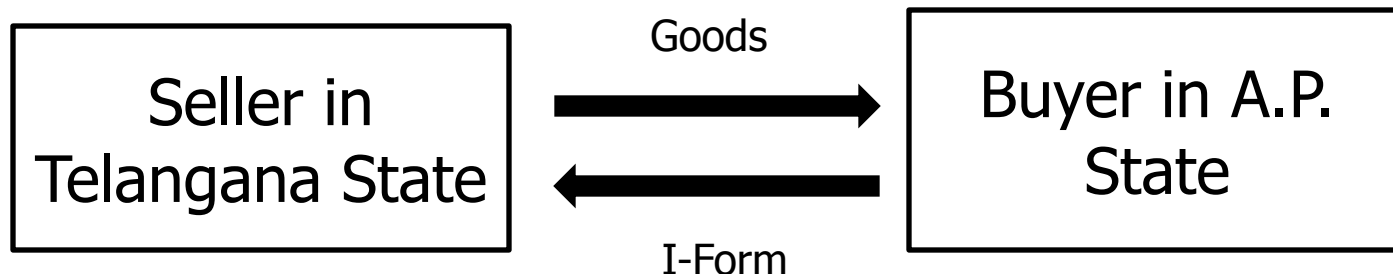
H- Form:

- H-form is obtained from direct exporter.
- Submission of H-Form is mandatory.
- Frequency for obtaining H-Form is quarterly basis.



I- Form:

- I-form is issued by the SEZ buyer.
- Submission of I-Form is mandatory.
- Frequency for obtaining I-Form is quarterly basis.



• Statutory Forms:

• All the Statutory Forms are in 3 Sets.

• Original Form : Submitted to the Assessing Authority to claim Exemption.

• Duplicate Form : Retained with Seller/ Sender of the goods .

• Counterfoil Form : Retained with Purchaser of the goods..

What is High Sea Sale?

- Beyond 200 nautical miles, it is High Seas.
- If a buyer wants to sell his consignment to a third party before arrival of goods.
- But after sailing vessel from load port.
- The ownership of goods is transferred, when goods are on transit.

In High Seas

- All countries have equal right.
 - Reserved for peaceful purposes.

- Any country can use it for ;
 - Navigation;
 - Over-flight;
 - Laying submarine cables;
 - Pipes & Fishing ;
 - Construction of Artificial Islands;
 - Scientific Research etc.

- As per the International Convention.



ALL THE BEST.