

FAQs - II		
S. No.	Questions	Answers
General FAQs		
1.	What is meaning of 'Petroleum Operation'?	As per The Petroleum Tax Guide, 1999 (NELP-VIII) issued by Ministry of Petroleum & Natural Gas, Govt. of India, "Petroleum Operations" means as the context may require, Exploration Operations, Development Operations or Production Operations or any combination of two or more of such operations, including construction, operation and maintenance of all necessary facilities, plugging and abandonment of wells, environmental protection, transportation, storage, sale or disposition of Petroleum to the delivery point, site restoration and all other incidental operations or activities as may be necessary.
2.	What is meaning of Supply of Services required for Petroleum Operations?	The activities involved under petroleum operations are defined under Petroleum Tax Guide, 1999. The services required in connection with such activities would be treated as services required for petroleum operations. Such services include, survey, data acquisition, data-interpretation, drilling, well-logging, mud services, cementing services, construction of offshore well platform, construction of process platform, pipe-laying, onshore processing facilities, hiring of rigs, hiring of offshore supply vessels/multipurpose supply vessel, hiring of survey vessel etc.
Downstream related FAQs		
3.	Whether invoice can be issued only with MRP amount without providing details of CGST/SGST/IGST?	No. As per provisions of Section 33 of CGST Act, 2017 read with Rule 46 of CGST Rules, 2017 the Tax invoice is required to be issued with appropriate contents including break up of taxes.
4.	Whether prices are required to be revised in GST?	Yes, considering the Anti Profiteering provisions of Section 171, the benefits due to reduction in tax rates as well as Input tax credit are to be passed on to the Customer.
5.	What would be the GST applicability if RO dealer supplies lube at free of cost?	Since lube is supplied at free of cost (therefore no consideration involved), it would not be treated as supply (as per section 7 of CGST Act, 2017) under GST and hence, not leviable to GST. However, input tax credit of GST paid on such lube at the time of purchase is required to be reversed u/s 17(5)(h) of CGST Act, 2017.
6.	Whether RO dealer is required to mention GSTIN on invoices raised for supply of MS/HSD?	In case of supply of exempt goods (which includes non-taxable goods like MS/HSD), if invoice is issued in any other Act then it would be treated as bill of supply as per the provisions contained in provision 2 of Rule 49 of CGST Rules, 2017. Hence, RO dealer can continue with existing practice for raising of invoice.
7.	What is applicability of GST in case of ware house material which are already procured by Centralized Procurement Office (CPO)?	If material procured is to be used in same state, it would not attract GST. However, GST would be levied in case material is supplied for use in units located in another state, as units in different states are distinct entities as per section 25(4) of CGST Act, 2017 and supplies between distinct persons even without consideration are treated as supply in terms of Para 1 of Schedule-I of the CGST Act, 2017.
8.	Whether ITC of GST paid can be taken in case of hospitality (storage/handling)	ITC in respect of hospitality of MS/HSD would not be available as they are out of GST and are non-taxable

	with OMC for MS/HSD/SKO supplies?	supplies. However, ITC in respect of hospitality of SKO would be available.
Upstream related FAQs		
9.	If a foreign bidder is coming into India for execution of works contract and having no permanent resident/business in India, whether such bidder has to obtain GST Registration in India?	If the foreign bidder requires to come to India for execution of LSTK works contract, then as per Sec 24 of CGST Act, such Foreign Bidder would be required to obtain Registration mandatorily in India. Such registration would be required even if such bidder is not having permanent resident/business in India.
10.	Whether a foreign drilling contractor coming into India with operator for providing drilling services, would be required to obtain GST Registration?	Yes. Such Drilling Contractor who is coming into India along with operator of rig for providing drilling services, then GST registration (under section 22 of CGST Act, 2017) would be required to be obtained (as taxable supplies are being made from India).
11.	What would be the rate of GST on ocean freight for transportation of materials brought from foreign port to Offshore for petroleum operations?	As per Sl. No. 9(ii) of Notification No. 8/2017-Integrated tax (Rate), the rate of GST in case of ocean freight would be 5%.
12.	Whether the drilling contractor is required to have offshore GST registration or can operate through Maharashtra GST Registration?	As per GST Law, if the location of supplier and place of supply is in different State, then IGST would be applicable. In this case, the location of supplier being in the State of Maharashtra and Place of Supply being in Offshore, the IGST may be discharged through Maharashtra GST registration. Further, the goods such as drilling rig, spares, consumables etc. required for such drilling services in Offshore, may be transferred under cover of Delivery Challan as such movement is not a supply.
13.	How many GST registration are required for a foreign bidder/contractor?	The number of GST Registration may depend on nature & place of supply as well as the States from where taxable supplies are being made, etc.
14.	Whether GST @ 18% would be applicable on offshore LSTK works contract services where the value of goods and services are indicated separately in the contract?	Offshore LSTK works Contract pertaining to immovable property is a works contract service under GST Law (and not dependent on whether goods and services separately indicated in contract). In such case, the total value of contract (including value of material) would attract GST (presently 18%). Here, the contractor would be eligible to take the credit of GST paid on materials and services used in execution of such LSTK works contract.
15.	What are the conditions under which concessional rate @ 5% shall apply on supply of specified goods for petroleum operations?	For availing the concessional rate of GST of 5%, the conditions as per customs Notification No. 50/2017-Cus and GST Notification No. 03/2017-Integrated Tax (Rate) are as under: (i) The goods should be covered under list annexed with notification (specified goods), (ii) Goods should be required for petroleum operations, (iii) Submission of EC issued by DGH to Customs/GST Authorities, and compliance of other conditions prescribed.
16.	Whether the input tax credit of GST paid @ 5% on material will be available against 18% GST charged on total value of works contract services?	Yes, the credit of GST paid on input @ 5% (against Essentiality Certificate issued by DG, Hydrocarbons) would be available for set off against the GST payable on total value of works contract as per section 16 of CGST Act, 2017.
17.	In case of composite contracts say for overhaul/repairs, whether separate GST for material and services will be applicable or it shall be treated as	Under GST Act (section 2(30)), the nature of contract is one of the factors to decide the pre-dominant nature of the contract so as to decide whether the supply is of goods or of services. In the instant case, the contract

	composite contract and based on principal supply (material/service) applicable single rate of GST shall be applicable?	is for repairs and maintenance (and not for procurement of goods) which is for service, the predominance should be services i.e. a composite supply. Therefore, the entire value would be taxed as a service wherein the service provider would be eligible to avail credit of GST paid on goods and the services, if any.
18.	I am sending goods from my factory as sample to a service provider for providing testing and analysis services. The service provider charges GST on such testing and analysis services. Whether any GST is payable on removal of sample from factory?	The GST is levied on supply of Goods or Services or both. In case of removal of sample from factory, since there is no supply involved (as there is no consideration involved), the GST would not apply, provided the samples return back to factory or Input tax credit availed on such samples is reversed.
19.	In case of purchases from abroad it is required to open Letter of Credit (LC) at the time of placing order. Whether GST is applicable at the time of opening of LC or at the time of actual imports?	The proviso to Section 5 of the IGST Act provides that integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975. Section 12 of the Customs Act, 1962 provides that duties of customs shall be levied on goods imported into or exported from India. Accordingly, the importation of goods will trigger the levy of IGST.
20.	My company provides repair and maintenance services for Floating Storage and Offloading (FSO) or Floating Production Storage and Offloading (FPSO) in the high seas (i.e., beyond 12 NM) waters. Do such services attract any GST?	Yes, as India includes the Exclusive Economic Zone as per section 2(56) of the CGST Act, 2017. The mentioned services are subject to GST at a specified rate. Your company has to charge GST on the supply of services.
21.	Seismic study involves collecting data for identifying prospective wells in the high seas (i.e., beyond 12 NM). Does the service performed trigger any GST?	Yes, as India includes the Exclusive Economic Zone as per section 2(56) of the CGST Act, 2017. The mentioned services are subject to GST at a specified rate. Your company has to charge GST on the supply of services.
22.	My company provides installation, coating and fabrication works for petroleum upstream operators. Are those services subject to GST?	Yes. The mentioned services are subject to GST at a specified rate. Your company has to charge GST on the supply of services.
23.	How the GST liability trigger in case of pipeline transportation where pipeline is operating through different states?	A pipeline is only the medium through which supply is taking place. If in a state there is no other permanent establishment from which supply is taking place, there is no need to obtain a separate registration in that particular state.
24.	Whether we can avail the benefit of the Notification no 3/2017 Integrated Tax (Rate) dated 28.06.2017 for Inter-State movement of Goods mentioned in the list as we will be supplying the goods to Oil India Limited only?	Yes, benefit under Notification No. 3/2017- Integrated Tax (Rate) dated 28.06.2017 can be availed for inter-unit movement of goods within entities of OIL India as well, subject to the fulfillment of the conditions given in the notification.
25.	What will be Company's liability in case a person ought to have taken registration as casual taxable person but he has not taken any registration?	In case such person is liable to registration as a casual taxable person and does not take any registration, he becomes an unregistered supplier, and hence a company will be required to discharge GST on reverse charge basis [subject to Notification No. 8/2017 - Central Tax (Rate)] on procurements from an unregistered vendor in terms of the provisions contained in section 9(4) of CGST Act, 2017.
26.	Whether GST would be payable on PEL/ML fees paid to State Government against issue of exploration/ mining	Yes. It is a right to use the land for exploration/ mining purpose and hence a supply of services by the Government. A Company will be liable to pay GST on

	license?	such license fees under reverse charge.
27.	If the freight forwarder is appointed by the foreign supplier who is unregistered under GST, then who is liable to pay GST on value of such freight?	GST is required to be paid by importer on value of such freight in case of supply of services by way of transportation of goods by vessel from place outside India to the customs station of clearance in India, by person located in non-taxable territory.
28.	In case of acquisition of land by Company for E&P activities, the farmers are liable to a compensation for tolerating the act of land acquisition. If compensation is paid as part of consideration for part of land, whether GST will be applicable or not since sale of land is outside GST?	If the land is taken on rent/ lease, question of sale of land does not arise. Hence GST needs to be paid on the entire consideration, whether compensation amount is shown separately or not.
29.	Whether GST is applicable on any subsidy extended by Govt. to the Oil Companies?	As per Section 15(2)(e) of the CGST Act, 2017 value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Any subsidy received from the Government will hence not be taxable and would not be leviable to GST.
30.	If OIL Company has its business establishment outside India, whether service provided by holding company to its outside establishment/ subsidiary will be treated as export of service since both are separate person in GST and whether any service received from outside establishment will be import of service?	Explanation 1 to Section 8(2) of the IGST Act, 2017 specifies that an establishment in India and any other establishment outside India of a person, shall be treated as establishments of distinct persons. Section 2(6) of the IGST Act, 2017 defines export of services and clause (v) clearly excludes the supply of service from a person in India to its establishment outside India, to be an export of service. Thus the service provided by Indian Holding Company to its establishment outside India cannot be treated to be an export of service. Section 2(11) of the IGST Act, 2017 defines import of services as the supply of services from a supplier located outside India to a recipient located in India, where the place of supply of service is in India. Notification 10/2017 - Integrated Tax (Rate) specifies that any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable online recipient shall be taxable under Reverse Charge Mechanism (RCM) and GST will be required to be paid by the person located in the taxable territory. Accordingly, any service received by Indian Holding Company from its establishment outside India will be an import of service and taxable under RCM.
31.	The goods procured for petroleum operation in Offshore (EEZ/CS) are returned to Onshore (State/UT) after usage. Such goods are subsequently sold as scrap by Onshore (State/UT). Whether the Offshore (EEZ/CS) unit would be eligible to avail Credit on transfer of used goods to Onshore (State/UT), if such return of goods takes place after a period of 18 months? Also, it happens only in case of 10-20% goods sent to offshore for petroleum operations	The return of used goods from Offshore (EEZ/CS) to Onshore (State/UT) would be treated as Supply of Goods. In such case, since entire goods sent to Offshore are not returned to Onshore, the Credit may not be available considering limitation period for availing input tax credit. However, in such case based on past experience & documentation thereof, the Offshore (EEZ/CS) may avail credit of identified items expected to be returned to Onshore (State/UT) for sale as scrap and such credit may be reversed immediately so that the same may be re-availed at the time of return of such goods to Onshore after limitation period for availing such credit.
32.	The Vessels which are deployed for petroleum operations in Offshore are	The movement of such stores & spares lying on vessel would not be subject to levy of GST, unless the

	sometimes brought to Onshore for certain purposes where the stores & spares are lying at such vessels. Whether such stores & spares would be subject to GST on each such movement from Offshore to Onshore & vice-versa?	supply is involved.
33.	The specified goods required for petroleum operations are initially procured at concessional rate of GST @5% on submission of Essentiality Certificate (EC) issued by DGH. Such goods are initially stored at Onshore (State/UT) Supply Base for subsequent transfer to Offshore (EEZ/CS). Whether EC would again be required to be submitted for availing concessional rate of GST @ 5% for such subsequent movement?	Such subsequent movement of specified goods procured and stored at Onshore Supply base after initially availing benefit of concessional rate of GST will not be a supply. However if the goods are transferred to a person with a different GSTIN, it will be considered a supply.
34.	Is Floating Storage and Offloading (FSO) or Floating Production Storage and Offloading (FPSO) be regarded as part of petroleum upstream activity or shipping activities, and what is the GST treatment on services provided by FSO and FPSO?	Both FSO and FPSO are regarded as part of petroleum upstream activity and not shipping because they provide storage and offloading facilities for exporting crude oil and condensate overseas via offshore. FPSO also provides additional facilities like water treatment and filterage for the crude oil and condensate before exportation. Even though the exportation of crude oil from FSO or FPSO is subject to export duty and GST at zero rate, the supply of services provided by FSO and FPSO are subject to GST at a standard rate.
35.	My company operates a block (oil field) in the east coast of Peninsular India. Some of the expenditures incurred include lease of barges and tuck boats provided by a transport company. Are those charges subject to GST?	Yes. Lease charges are subject to GST.
36.	The goods procured for petroleum operation in Offshore (EEZ/CS) are returned to Onshore (State/UT) for repair & maintenance of such goods or sometimes for certain manufacturing activities on such goods like mud-chemical preparation job?	The return of such goods for repair & maintenance would be treated as Supply of Service and the GST would be payable on value of repair & maintenance job. In case, if such goods are sent to onshore (State/UT) for certain manufacturing activities to be done on such goods, then such supply being in the nature of job-work, may qualify as Supply of Service subject to other conditions prescribed in relation to job work under GST.

Disclaimer: This FAQ on GST is compiled by GST Technical Facilitation Cell and is based on the provisions of GST laws and has been vetted by GST Policy Wing, D/o Revenue. This FAQ is for training and academic purposes only. The information in this FAQ is intended only to provide an overview in general and specifically related to oil and gas sector and is not intended to be treated as legal advice/ opinion. For greater details, you are requested to refer to GST laws available on cbec-gst.gov.in website.