



Circular No.: IEX/MO/304/2018

Date: 14th October, 2018

Details of REC Settlement and Invoice procedures

Dear Members,

In pursuance of Rules, Bye-Laws and Business Rules of the Exchange and in continuation to circulars 302, Members of the Exchange are notified as under:-

1. Members may kindly be informed that the Government of India has **operationalized Section 51 for Tax Deduction at Source (TDS) and Section 52 for Tax Collection at Source (TCS)** of the Central Goods and Services Tax, 2017 ("CGST Act") with effect from 1st October 2018. Presently these sections will be applicable on Renewable Energy Certificate (REC) and Energy Saving Certificate (ESCerts) segment only.
 - a) TCS will be applicable @ 1% (IGST 1%, or CGST 0.5% + SGST 0.5%) of the invoice value (applicable for all sellers of REC & ESCerts).
 - b) TDS (as applicable) will be @ 2% (IGST 2%, or CGST 1% + SGST 1%) of the invoice value, where the total value of supply per invoice is more than Rs.2.50 Lacs (applicable only for specific category of buyers only as mentioned in b (v) below).
2. **The following process will be followed for REC GST settlement of TCS and TDS –**
 - a. **Tax Collection at Source (TCS)**
 - i. All sellers will have to be registered under GST Act. In case if they are not registered they will not be allowed to trade on the exchange platform.
 - ii. Exchange will collect TCS at the rate of 1% (CGST+SGST or IGST) of the Invoice value of RECs or ESCerts traded on its platform.
 - iii. TCS will be deducted from the sell proceeds of the seller and will be deposited with the Government as required under the said Act. The sellers can avail the credit of TCS deducted by the Exchange.
 - iv. To facilitate the process, to be followed for TCS purposes, IEX GST Portal is being launched which would perform various functions as detailed in circular number 303 dated 14/10/2018.

b. Tax Deduction At Source (TDS)

- v. TDS deduction will be applicable to the Members/Clients of the exchange, who falls under any of the following categories:
 - A.** An authority or a board or any other body,
 - (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government, with fifty-one percent or more participation by way of equity or control, to carry out any function;

 - B.** Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860);

 - C.** Public Sector Undertakings (PSUs).
 - i. TDS (as applicable) will be @ 2% (IGST 2%, or CGST 1% + SGST 1%) of the invoice value, where the total value of supply per invoice is more than Rs.2.50 Lacs (applicable only for specific category of buyers as per details mentioned above).
 - ii. In case any of buyer's covered under any of the category specified above, they shall submit a declaration, atleast 3 working days in advance of the day of trading, that TDS, as per section 51 of the GST Act 2017, is applicable on them along with their GST TAN registration details.
 - iii. In respect of sellers mapped with buyers liable to deduct TDS, Pay Out shall be net of TDS (and TCS as per para 2 (a) above). However, full Pay in along-with GST will be collected from such TDS responsible buyer.
 - iv. The Exchange will hold the TDS amount deducted from the sellers, on behalf of buyers who are liable to deduct TDS to comply with Section 51 of the GST Act. The buyer clients shall deposit TDS as required under the GST regulation and furnish the TDS Certificate to the exchange with a copy to the seller within 5 days from the date of actual deposit of the TDS.
 - v. The Exchange will verify TDS certificate details and reimburse the TDS amount to the buyer through respective member/client settlement account.
3. The Members shall note that in case of pay out (less TCS and TDS (if applicable)), exchange will release the payout only after digitally signed invoices is uploaded by the sellers. Exchange shall make payment of invoices uploaded upto 2.00 PM on the same day and in case it is uploaded after 2.00 PM or on a Bank Holiday the payment shall be released on the next Bank working day.

4. As Exchange allows pay in / pay-out on net basis to the Trader/Proprietary Members, it shall be responsibility of Trader/Proprietary Member to release pay out to the seller only after confirmation of receipt of digitally signed invoice is provided by the Exchange to them. Detailed explanation is given in **Annexure I**.
5. However, netting off across different contracts (Solar, Non Solar and Non Solar Old contracts) shall not be allowed.
6. Sellers and buyers are advised to strictly adhere to the rules provided in the GST Act. It is further stated that the Exchange would only be facilitating settlement of GST amount between the buyers and sellers. All claims arising out of GST transaction such as (non-filing of returns by the seller) etc need to be settled between the buyers and sellers directly. Exchange shall not be liable towards any claim raised by members/clients or by GST authorities.
7. Please note that the procedure has been formed to comply with the GST Act 2017 in the interest of all parties concerned and it is utmost important that all participants agree to this process. Therefore only those parties who agree to above settlement process should participate on the exchange platform, and those who participate in the REC / ESCert trading on the Exchange Platform post issuance of this circular shall be deemed to have accepted this procedure.

This circular will come into effect from October 2018 REC trading session.

**For and on behalf of
Indian Energy Exchange Limited**

**Akhilesh Awasthy
Director- Market Operations**

----- Corporate office-----

Indian Energy Exchange Limited

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8. Annexure I

Member ID	S1KA0ABC000		Member Name	ABC Energy Trading Ltd.									
Trade Date	Entity ID	Symbol	Total Buy Quantity	Total Sell Quantity	Price (Rs)	Trade Obligation (Rs)	Actual Fees (Rs)	Total Tax on Exchange Fees (Rs)	GST @ 12% on Trade (Rs)	TCS @1% to be paid by exchange to govt.	TDS @ 2% (if applicable)	Total Obligation (Rs)	Remarks
9/26/2018	N2UP0ABC0001	RENONSOLAR	0	30	1000	30000	600	108	3600	300	0	32592	1) On receipt of invoice from the seller client, Member will first release the payout money to the seller out of the payin money held by him due to internal netting. 2) When total value of invoice received exceeds payin amount held by the member, Exchange will release the money for pay out to the member. 3) The Pay out to the seller client shall be as per the net amount payable as mentioned in the Obligation report. 4) TCS deducted in the process by the exchange shall be deposited to the Government and will be filed with the GST authority. Seller client can avail credit of the same. 5) TDS (as applicable) is to be paid by the PSU buyer and TDS certificate shall be separately made available to seller client by the exchange.
9/26/2018	S1TG0ABC0002	RENONSOLAR	10	0	1000	-10000	200	36	-1200	0	0	-11436	
9/26/2018	W2GJ0ABC0004	RENONSOLAR	0	40	1000	40000	800	144	4800	400	800	42656	
		Total	10	70							Payout 1	63812	
Trade Date	Entity ID	Symbol	Total Buy Quantity	Total Sell Quantity	Price (Rs)	Trade Obligation (Rs)	Actual Fees (Rs)	Total Tax on Exchange Fees (Rs)	GST @ 12% on Trade (Rs)	TCS @1% to be paid by exchange to govt.	TDS @ 2% (if applicable)	Total Obligation (Rs)	Remarks
9/26/2018	S1TG0ABC0002	RESOLAR	10	0	1000	-10000	200	36	-1200	0	0	-11436	1) Member will have to make the pay in obligation on the trade day. 2) Member will be required to release the pay out only after receipt of the invoice by the seller. The Pay out to the seller client shall be as per the net amount payable as mentioned in the Obligation report. 3) TCS deducted in the process by the exchange shall be deposited to the Government and will be filed with the GST authority. Seller client can avail credit of the same.
9/26/2018	S1TG0ABC0003	RESOLAR	20	0	1000	-20000	400	72	-2400	0	0	-22872	
9/26/2018	N2UP0ABC0004	RESOLAR	0	10	1000	10000	200	36	1200	100	0	10864	
		Total	30	10							Payin 1	-23444	
Trade Date	Entity ID	Symbol	Total Buy Quantity	Total Sell Quantity	Price (Rs)	Trade Obligation @ 1000 (Rs)	Actual Fees (Rs)	Total Tax on Exchange Fees (Rs)	GST @ 12% on Trade (Rs)	TCS @1% to be paid by exchange to govt.	TDS @ 2% (if applicable)	Total Obligation (Rs)	Remarks
9/26/2018	N2UP0ABC0005	RENONSOLAR-OLD	0	30	1500	30000	600	108	3600	300	0	32592	1) On receipt of invoice from the seller client, exchange will release the pay out to the member as per the amount payable as mentioned in the Obligation report. In case of non solar old as per the order of CERC, Rs. 500 will be paid less to the seller. 2) Rs. 500 will be deposited with CERC. 3) The Pay out to the seller client shall be as per the net amount payable as mentioned in the Obligation report. 4) TCS deducted in the process by the exchange shall be deposited to the Government and will be filed with the GST authority. Seller client can avail credit of the same.
											Payout 2	32592	

* In the same trading session Member ABC Energy Trading Ltd. will have three separate obligations as per the type of contracts (symbol) traded.