

APPLICABILITY OF GST ON OCEAN FREIGHT SERVICES



中国港湾工程有限责任公司
China Harbour Engineering Company Ltd.



STATUTORY PROVISIONS

❖ Notification No. 8/2017-Integrated tax (Rate) dated 28.06.2017

IGST is leviable @ 5% under the clause (ii) of heading 9965 for the services described as under:

"Transport of goods in a vessel including services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India."

Therefore, ocean freight in relation to transportation of goods by a vessel from a place outside India up to the customs station of clearance in India is liable to IGST.

WHO IS RESPONSIBLE TO PAY THE GST LIABILITY

❖ Notification No. 10/2017- Integrated Tax (Rate) dated 28.06.2017

Prescribes that Importer, as defined in clause (26) of section 2 of the Customs Act, 1962, is liable to pay integrated tax for the services specified therein as under:

"Services supplied by a person located in non- taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India."

VALUATION UNDER GST

The relevant Rules 27 to 35 of the CGST Rules, 2017 for determination of value of supply under GST, are conspicuously silent on the method of valuation to be adopted for levying IGST on such ocean freight services.

❖ However, it is important to refer to **CORRIGENDUM** to Notification No. 8/2017-Integrated tax (Rate) dated 28.06.2017 vide **F. No. 334/1/2017-TRU dated 30.06.2017** whereby the following has been inserted:

Where the value of taxable service provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India is not available with the person liable for paying integrated tax, **the same shall be deemed to be 10 % of the CIF value (sum of cost, insurance and freight) of imported goods.**"