

Additional Agenda Item – Value for the purpose of levy of GST on transportation of goods by a vessel from a place outside India up to the customs station in India

In the existing Service Tax Law, with a view to provide level playing field to the Indian shipping companies, it has been provided (with the recommendation of the Ministry of Shipping), that in cases where the goods are imported by an importer in India on CIF basis and the service of transportation of goods by a vessel from a place outside India up to the customs station in India is provided by a person located in non-taxable territory (a foreign shipping line) to a person located in non-taxable territory (overseas supplier/ exporter of goods), importer in India shall be liable to pay Service Tax on freight.

2. In view of the representations that where the importer purchases goods on CIF basis, he may not have the invoice issued by the shipping line for freight and may not know the amount of freight charged by the foreign shipping line from the foreign supplier; it was stipulated in the Service Tax Rules that in such cases the importer shall have the option to pay an amount calculated @ 1.4% of the CIF value of imported goods. This provision was stipulated on the basis that freight roughly constitutes 10% of the CIF value of goods on an average. This was done with the approval of FM vide notification No. 16/2017-ST dated 13th April, 2017.

3. In case of GST also, GST Council has decided that the liability to pay GST on such transportation service provided by a foreign shipping line to a foreign supplier shall be of the importer in India and the notifications are being issued accordingly.

4. It is proposed that the similar provision deeming value of such service at 10% of the CIF value may be incorporated in the IGST notification. Considering the nature of the service, this provision is not required in the CGST, SGST or UTGST notifications.