

IGST payable on Importation of Tank Containers Lease Services into India: The AAR, Telangana

Fact of the Case

The applicant, M/s Deccan Transcon Leasing Private Limited (DTLPL) are Non-vessel owner container carriers/ Operators (NVOCC) who are based in India but lease containers from suppliers outside the country and in turn use it in transportation of bulk chemicals.

The applicant entered into a lease purchase agreement from M/s. Tankspan Leasing Limited (TLL). In terms of this agreement the applicant pays lease rentals every month and he is entitled for the purchase of the container during the period of lease or at the end of the lease period by paying the agreed rate.

The applicant has sought the advance ruling on the issue in respect of GST to be paid on leasing of tank containers taken from a supplier i.e., lessor who is located outside India and the tank containers do not reach India. As it is financed lease, its supply of goods and tank containers do not reach the Indian Territory.

Decision of the Case

The Coram ruled that the property in goods passes to the applicant only when he exercises the option failing which the property has to be returned back to the lessor at a specific date indicated by him. Therefore during the period of lease the transaction remains a service and the moment the option to purchase the goods is exercised by the applicant it becomes the transaction of sale. Hence the transaction made by the applicant does not fall under Entry 1 (c) of Schedule II to the CGST Act.

The Telangana Authority of Advance Ruling (AAR) held that the Integrated Goods and Service Tax (IGST) payable on importation of tank containers lease services into India.