



The Institute of Cost Accountants of India

Zero-rated Supply, Imports and Exports in GST

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INTERNAL AND INTERNATIONAL TRADE

Internal Trade: Buying and selling of goods and services within the boundaries of a nation are called internal trade. Internal trade is also called domestic trade or home trade.

International Trade: International trade refers to the exchange of goods or services between the countries. It also means the import and export of goods and services.

Difference between Internal and International Trade

Characteristic	Internal Trade	International Trade
Meaning	Buying and selling of goods within the geographical limits of a country.	Buying and selling of goods beyond the geographical limits of a country.
Number of countries involved	Only one country is involved.	Minimum two countries are involved.
Risk	Low degree of risk is involved.	High degree of risk is involved.
Currency of Exchange	Home currency, example: INR.	Foreign currency, example: USD.
Applicability of legal provisions	Related national law provisions.	Related national and international law provisions.
Effect on foreign reserve	No effect on foreign reserve of a country.	Direct impact (positive or negative) on foreign reserve of a country.

Determinants
of Supply
under GST

Nature of
Supply

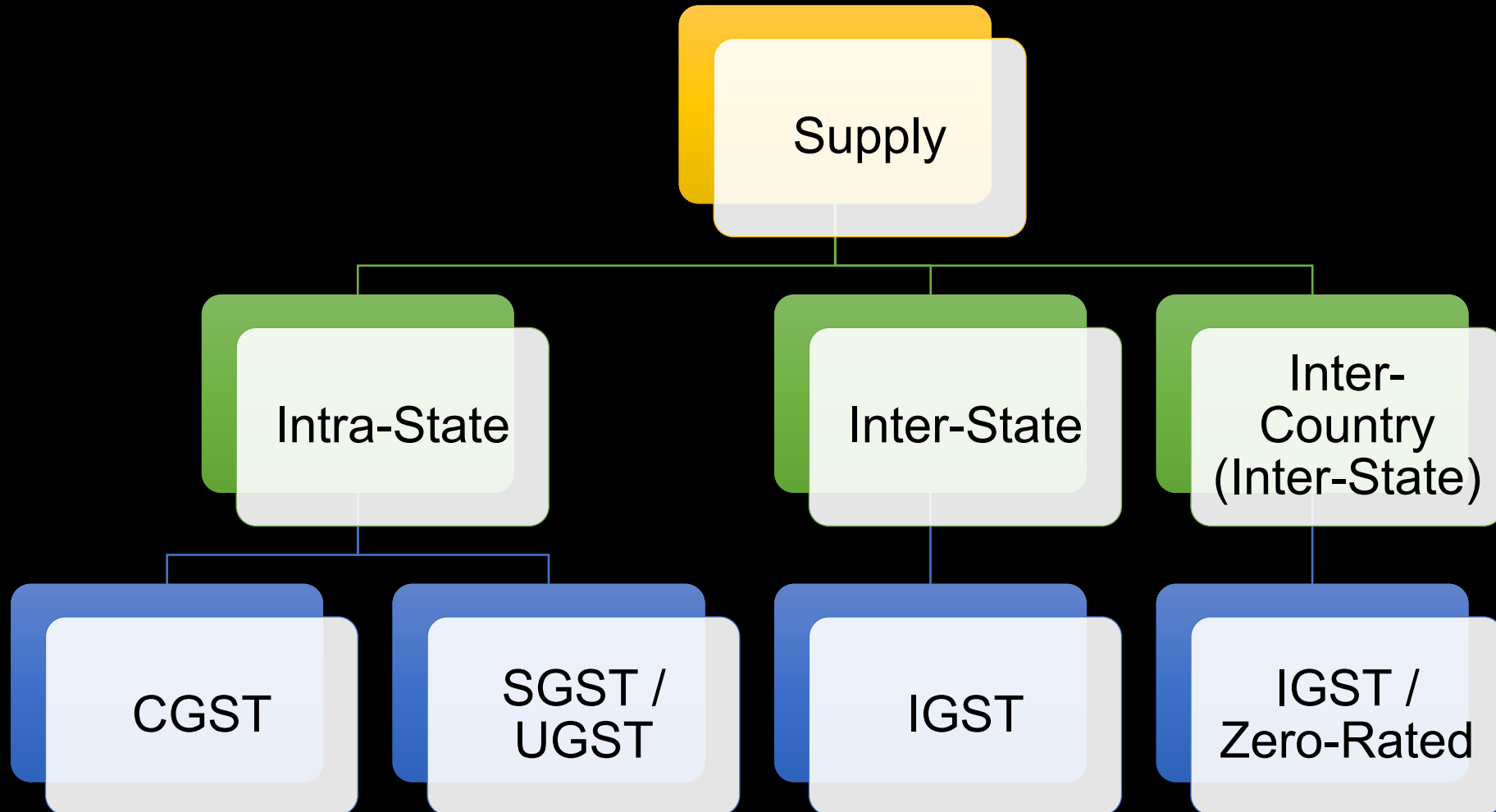
Value of
Supply

Supply

Time of
Supply

Place of
Supply

Types of Supply



Important Definitions

Section 2(56) of CGST Act - India - *means the **territory of India** as referred to in **article 1 of the Constitution**, its territorial waters, seabed and sub-soil underlying such water, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other **Maritime Zones Act, 1976** (80 of 1976), and the air space above its territory and territorial waters;*

Section 2(22) of IGST Act – Taxable Territory – *means the territory to which the provisions of this Act apply.*

Takeaway from Definition of India and Taxable Territory

Part I of the Constitution of India states: “India, that is Bharat, shall be a Union of States”.

It provides that **territory of India** shall comprise **the States and the Union Territories specified in the First Schedule** of the Constitution of India.

The First Schedule provides for **28 States and 8 Union Territories**.

Changes introduced by **Jammu and Kashmir Reorganization Act, 2019** to take effect from **31 Oct 2019**.

Part VI of the Constitution of India provides that for every State, there shall be a Legislature, while Part VIII provides that every Union Territory shall be administered by the President through an ‘Administrator’ appointed by him.

The Union Territories of Delhi (Article 239 AA) and **Pondicherry** (Article 239A) have been provided with Legislatures with powers and functions as required for their administration.

India is a summation of three categories of territories namely – (a) **States (28)**; (b) **Union Territories with Legislature (3)**; and (c) **Union Territories without Legislature (5)**.

Customs Frontiers of India – Section 2(4) of IGST Act

Customs Frontiers of India means the limits of a customs area as defined in **section 2 of the Customs Act, 1962**;

The customs frontiers of India include the following:

(a) Customs Port;

(b) Customs Airport;

(c) International Courier Terminal;

(d) Foreign Post Office;

(e) Land Customs Station;

(f) Area in which imported goods or goods meant for export are ordinarily kept before clearance by Customs Authorities

Zero-Rated Supply under GST

12/22/2022

Deemed in the course of Inter-State Trade and Commerce;

Customs Duty as applicable under the Customs Act;

IGST applicable on Imports (in lieu of CVD);

IGST payable along with the Customs Duty at the time of Imports;

RCM applicable on import of Services;

ITC of IGST available against output liability;

SAD not applicable;

Zero-Rated Supply Vs. Exempt Supply under GST

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Exempt Supply

“Exempt supply” means supply of any goods or services or both which attracts Nil rate of tax or assigned to it in section 16. which may be wholly exempt from tax under section 11 of CGST Act or under section 6 of the IGST Act, and includes non-taxable supply.

No tax on the outward exempted supplies, No tax on the outward supplies; Input supplies also however, the input supplies used for making to be tax free. exempt supplies to be taxed.

Credit of input tax needs to be reversed, if taken; No ITC on the exempted supplies. Credit of input tax may be availed for making zero-rated supplies, even if such supply is an exempt supply ITC allowed on zero-rated supplies.

Value of exempt supplies, for apportionment of ITC, shall include supplies on which the recipient is with the taxable supplies for apportionment of ITC. liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

Any person engaged exclusively in the business of supplying goods or services or both that are not may have to register as refunds of unutilised ITC or liable to tax or wholly exempt from tax under the integrated tax paid shall have to be claimed. CGST or IGST Act shall not be liable to registration.

A registered person supplying exempted goods or services or both shall issue, instead of a tax invoice, a bill of supply.



Overview of GST Provisions for Exports

Exports are treated as Zero-Rated Supply under GST;

Supply to SEZ Units / SEZ Developers is also Zero-Rated Supply under GST;

Supply from SEZ Units / SEZ Developers is also Zero-Rated Supply under GST;

ITC can be claimed by the Exporter.

Export of Goods – Section 2(5) of IGST Act

Export of goods with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India;

Export of goods will be treated as Zero-rated supply.

Zero-rated Supply means while no tax would be payable on such supplies, the exporter will be eligible to claim the corresponding input tax credits.

The exporter may utilize such input tax credits for discharge of other output taxes or alternatively, the exporter may claim a refund of such taxes.

The exporter will be eligible to claim refund under the following situations:

(a) export the goods under a Letter of Undertaking, without payment of IGST and claim refund of unutilized input tax credit; OR

(b) export the goods upon payment of IGST and claim refund of such tax paid, without charging this IGST to the customer.

That is to claim rebate, “Pay-Without-Charging”.

Export of Services – Section 2(6) of IGST Act

“Export of services” means the supply of any service when,-

- (i) the supplier of service is located in India;*
- (ii) the recipient of service is located outside India;*
- (iii) the place of supply of service is outside India;*
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and*
- (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;*

Under the GST regime, export of service will be treated as Zero-rated supply.

Accordingly, while no tax would be payable on such supplies, the exporter will be eligible to claim the corresponding input tax credits.

The input tax credits would be available to an exporter even if supplies were exempt supplies as long as the eligibility of the input taxes as input tax credits is established.

Import of Goods – Section 2(10) of IGST Act

“Import of goods” with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India;

Import of goods into India would be treated as **supply of goods in the course of Inter-State Trade / Commerce** and would be liable to **integrated tax under IGST Act.**

The place of supply of goods in case of imports would be **the location of the importer**. For Example: If goods are imported at **Kandla Port** but the importer is at Delhi, the Place of Supply shall be **Delhi**;

The integrated tax would be levied on the value of goods as determined under the **Customs law in addition to the custom duties levied on such imports.**

The levy of **Basic Customs Duty (BCD)** will continue, and the component of **Countervailing Duty (CVD)** and **Special Additional Duty (SAD)** will be replaced by **integrated tax**;

The time at which the **customs duties are levied** on import of goods would also be the **time when integrated tax is levied**;

The importer will be **liable to pay integrated tax on a reverse charge basis** and the same will have to be **discharged by cash only and credit cannot be utilized for discharging such a liability**;

Import of Services – Section 2(10) of IGST Act

"import of services" means the supply of any service, where-

*(i) the **supplier of service is located outside India;***

*(ii) the **recipient of service is located in India; and***

*(iii) the **place of supply of service is in India;***

The importer will be liable to pay integrated tax on a reverse charge basis and the same will have to be discharged by cash only and credit cannot be utilized for discharging such a liability.

Import of service made for a consideration alone would be taxable, whether or not in the course of business. Therefore, import of service for personal consumption for a consideration would qualify as 'supply' and would be liable to integrated tax.

The recipient will not be required to obtain a registration for that purpose.

The import of services from related persons or establishments located outside India without consideration also would be liable to integrated tax as per Schedule I of the CGST Act, 2017.

Special Economic Zone – Section 2(19) of IGST Act

"Special Economic Zone" shall have the same meaning as assigned to it in clause (za) of section 2 of the Special Economic Zones Act, 2005;

It covers two categories of zones as under:

(a) Zones which are existing as on 10.02.2006 i.e., the date when SEZ Act was made effective.

(b) Zones which have been notified under section 3(4) and section 4(1) of the SEZ Act, 2005.

Notifications under section 3(4) are issued when the State Government wants to set up a SEZ.

Notifications under section 4(1) are issued when any other person (except State Government) wants to set-up a SEZ.

The Notifications issued therein specify the SEZ area.

Special Economic Zone Developer – Section 2(20) of IGST Act

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"Special Economic Zone developer" shall have the same meaning as assigned to it in clause (g) of section 2 of the Special Economic Zones Act, 2005 and includes an Authority as defined in clause (d) and a Co-Developer as defined in clause (f) of section 2 of the said Act;


The term "Special Economic Zone developer" covers the following persons:

- (a) Person/ State Government who/which has been granted a letter of approval by the Central Government
- (b) Special Economic Zone Authority
- (c) Co-developer

Where the State Government/ person wants to set up a SEZ, notifications are required to be issued under section 3(4) and section 4(1) of the SEZ Act, 2005, respectively and after fulfilment of the prescribed conditions and procedures, a letter of approval is granted.

Such a person who has been granted a letter of approval is regarded as a developer.

Supplies made to SEZ developer/ unit would be regarded as zero-rated supplies.



Zero Rated Supply – Section 2(23) of IGST Act

"zero-rated supply" shall have the meaning assigned to it in section 16;

The following taxable supplies of goods and/ or services are considered as 'zero rated supplies':

- (a) Export of goods or services or both
- (b) Supply of goods or services or both to a SEZ developer or SEZ unit

Input tax credit can be availed for making zero-rated supplies, even though such zero-rated supplies may be an exempt supply.

A taxable person exporting goods or services would be eligible for refund under the following two options:

- (a) Export under bond/ LUT without payment of integrated tax and claim refund of unutilized input tax credit; **OR**
- (b) Export on payment of integrated tax which can be claimed as refund accordingly.

Types of Inter State Supplies

Inter-State Supplies

Supply of goods / services when location of the supplier and the place of supply are in two different States / Uts.

Supply of goods / services imported into the territory of India.

Supplier located in India and the Place of Supply outside India.

Supply to / by an SEZ Developer or SEZ Unit.

Supply in the taxable territory, not being an intra-State supply and not specified anywhere

Inter-State Supplies

One State to
another State;

State to Union
Territory;

One Union
Territory to
another Union
Territory;

SEZ Developer /
SEZ Unit to
DTA;

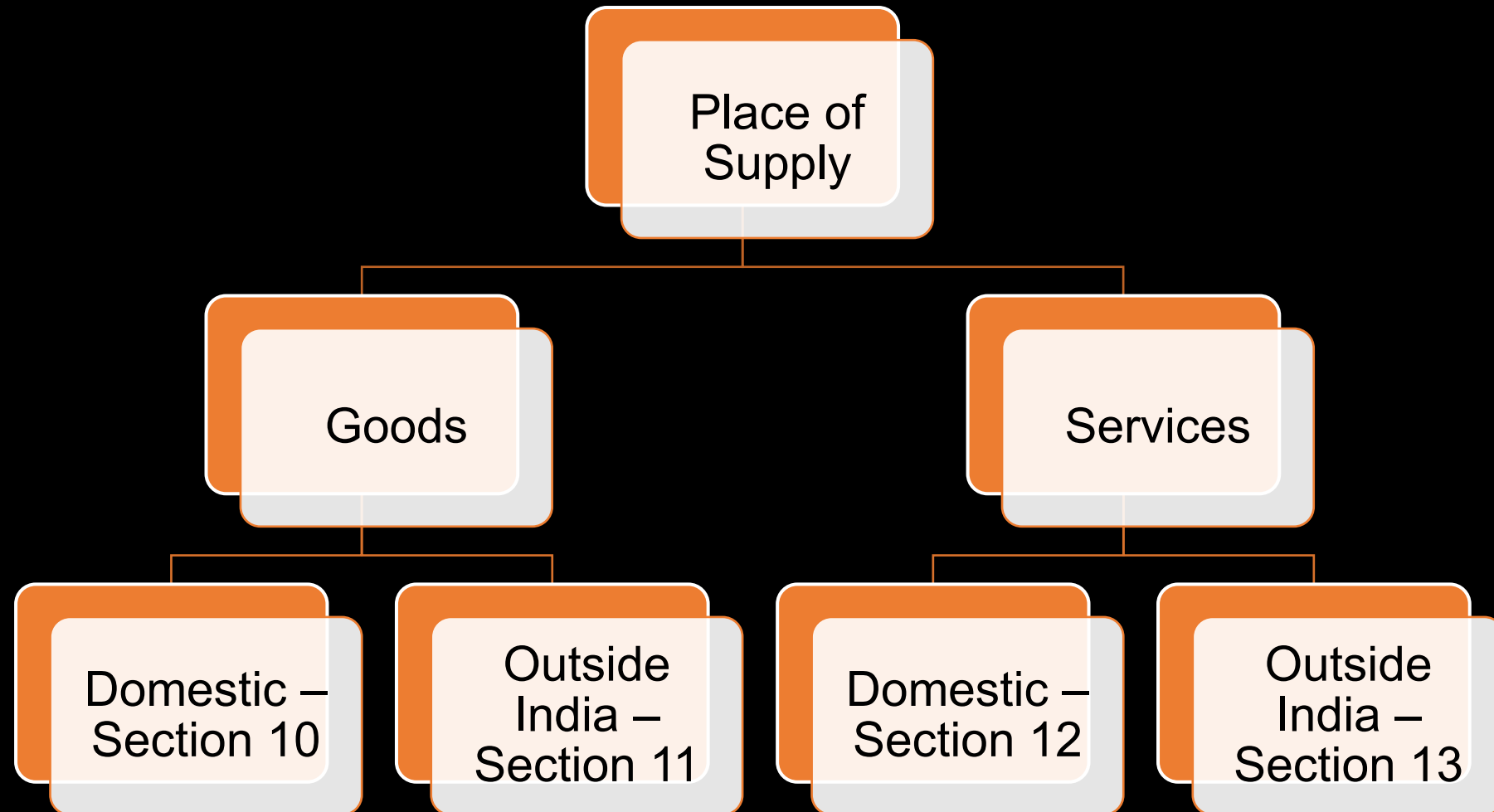
DTA to SEZ
Developer / SEZ
Unit;

Exports from
India;

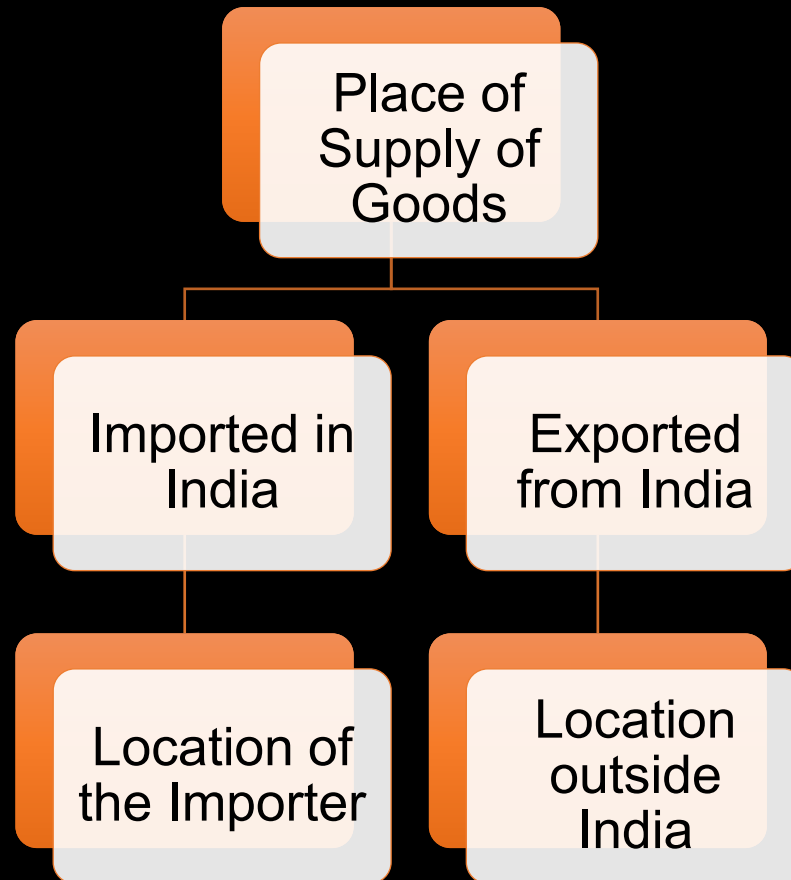
Imports to India;

Not specified
elsewhere
(residual).

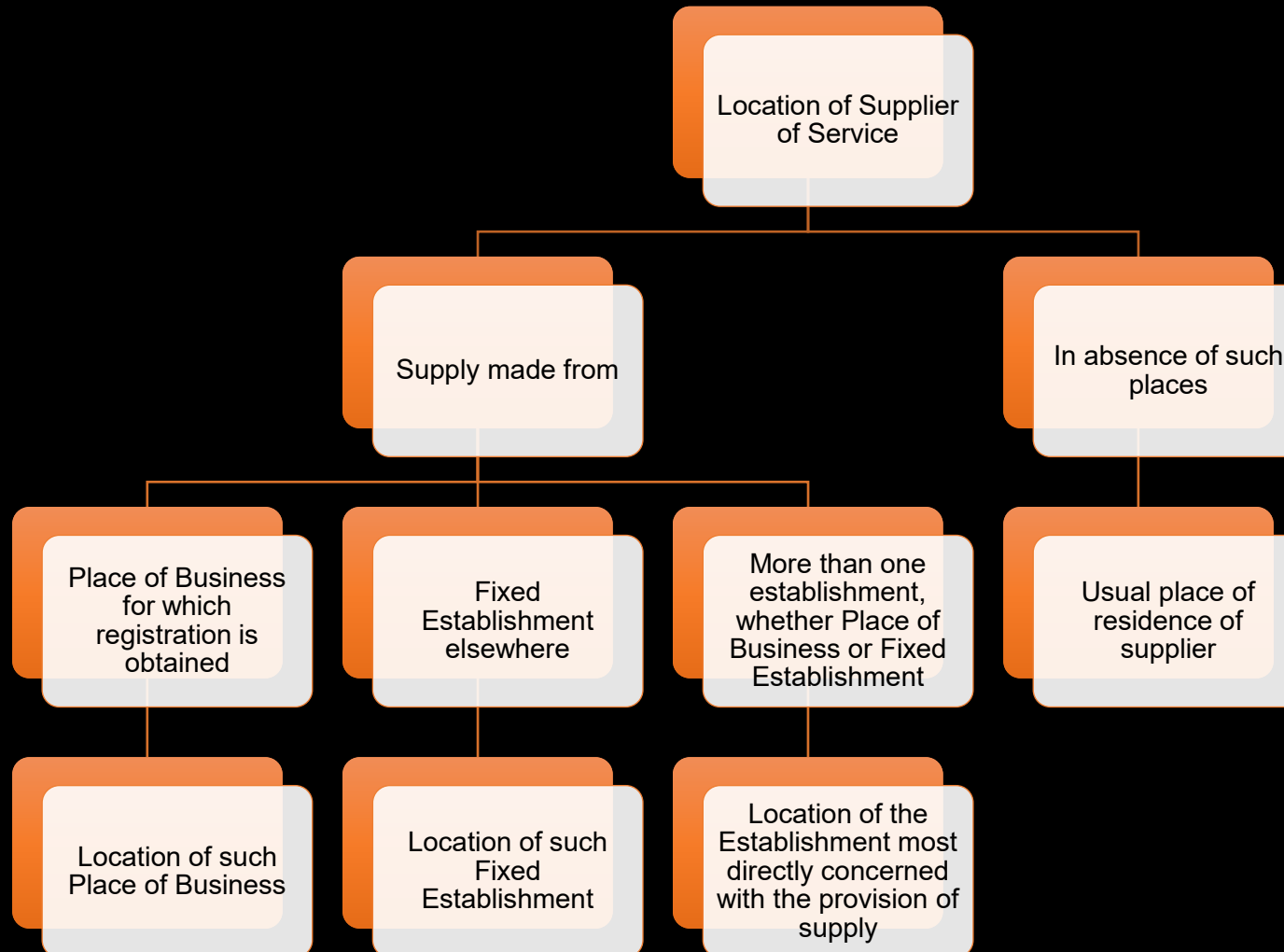
Place of Supply – Provisions under IGST Act



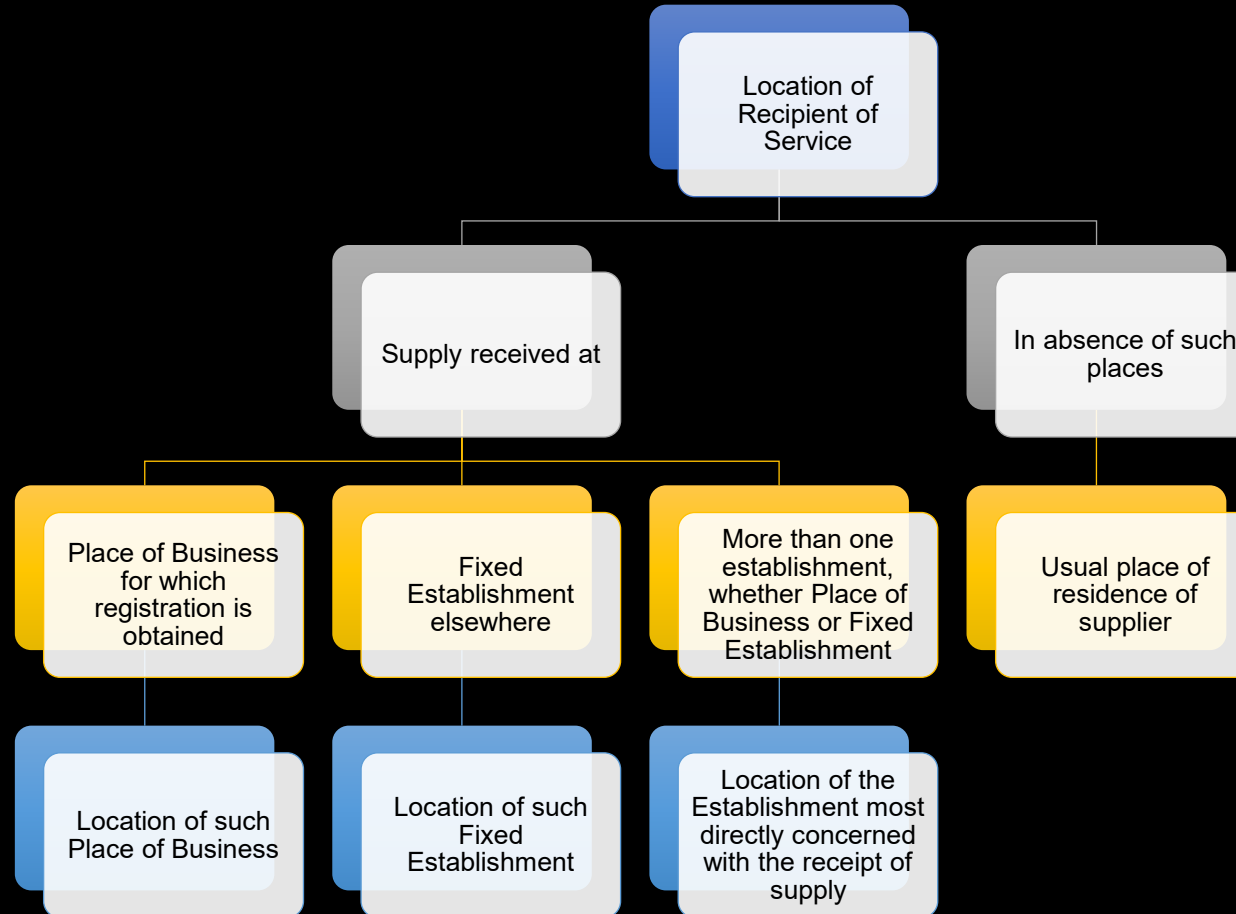
Place of Supply of Goods – Imports and Exports transactions



Location of Supplier of Services



Location of Recipient of Services



Zero rated supply – Section 16 of IGST Act

(1) **"zero rated supply"** means any of the following supplies of goods or services or both, namely: -

(a) export of goods or services or both; or

(b) supply of goods or services or both for authorised operations to a Special Economic Zone developer or a Special Economic Zone unit.

(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply **may be an exempt supply**.

(3) A registered person making **zero rated supply** shall be eligible to claim refund of **unutilised input tax credit on supply of goods or services or both**, without payment of integrated tax, **under bond or Letter of Undertaking**, in accordance with the **provisions of section 54 of the Central Goods and Services Tax Act** or the rules made thereunder, **subject to such conditions, safeguards and procedure as may be prescribed**:

Zero rated supply – Section 16 of IGST Act

Provided that the registered person making zero rated supply of goods shall, in case of **non-realisation of sale proceeds**, be liable to deposit the refund so received under this sub-section along with the applicable interest under section 50 of the Central Goods and Services Tax Act within **thirty days after the expiry of the time limit prescribed** under the Foreign Exchange Management Act, 1999 (42 of 1999.) for receipt of foreign exchange remittances, in such manner as may be prescribed.

(4) The Government may, on **the recommendation of the Council**, and subject to such conditions, safeguards and procedures, **by notification, specify-**

(i) a class of persons who may make **zero rated supply on payment of integrated tax and claim refund of the tax** so paid;

(ii) a class of goods or services which may be **exported on payment of integrated tax** and the supplier of such goods or services may claim the refund of tax so paid.

Procedure for Zero-rated supply of goods or services



Furnishing of Letter of Undertaking – RFD 11.



Tax Invoice;



Sealing (in case of goods);



Shipping Bill (in case of goods);



Refunds

Furnishing of Letter of Undertaking – RFD-11

Rule 96A of CGST Rules provides that any registered person availing option to export goods or services without payment of IGST need to furnish a Letter of Undertaking prior to commencement of export in **Form RFD-11**.

Format of **RFD-11** is provided in **CGST Rules 2017**.

Circular 26/2017 (Customs) dated 01-07-2017 provides that procedure prescribed under rule 96A needs to be followed for **export of goods or services w.e.f. 01-07-2017**.

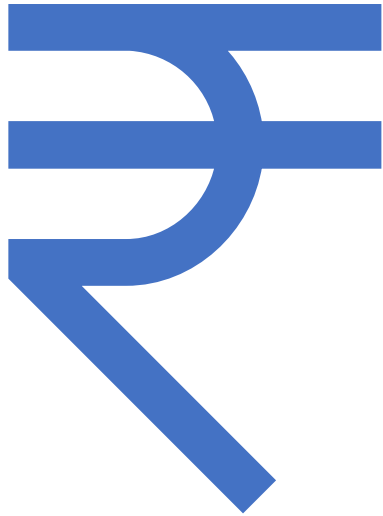
Condition to comply:

- a. **In case of goods:** Goods to be exported **within 3 months** from date of issue of invoice
- b. **In case of services:** Payment to be received in convertible foreign **exchange within 1 year from date of invoice**.

Bond or LUT need to be furnished along **Form GST RFD-11** binding himself that tax along with **interest @18%** would be liable to paid by him;

- a. **In case of goods:** within 15 days after **completion of 3 months** on failure to export such goods.
- b. **In case of services:** within 15 days of **completion of 1 year** if such payment is not received in accordance with point (iv).





Tax Invoice and Sealing (in case of Goods)

Exporters would be required to raise tax invoice with prescribed particulars mentioning ***"Supply meant for export under bond or letter of undertaking without payment of integrated tax"***.

No tax needs to be charged on the invoice in this case.

Tax invoice may be in addition to other export documents provided to customer.

Sealing (in case of goods):

Sealing of shipments shall be done under the supervision of the central excise officer having jurisdiction over the place of business where the sealing is required to be done.

Shipping Bill (in case of goods)

Shipping Bill format **has been revised** by Customs to capture **GST related details**. Shipping bill to be prepared in Form SB-I.

In case of export of duty-free goods shipping bills need to be prepared in **Form SB-II**.

Four copies of the Shipping bill needs to be issued (original, drawback purpose, Department purpose and export promotion).

Refund of taxes in respect of accumulated input tax credit need to be claimed by following the procedure prescribed by section 54 of CGST Act read with **Chapter X of CGST Rules, 2017**.

Time limit: **2 years from the relevant date**.

Method of filing: Form GST RFD-01A in online portal of GST in the format provided in CGST Rules 2017.

The requisite documents need to be physically submitted with the relevant jurisdictional officer for processing of the claim.

Provisional refund: **90% of refund claim to be sanctioned within 7 days** subject to certain conditions.

Balance 10% within 60 days on verification of documents by proper officer.

Merchant Exporter under GST

Merchant export is a common word used under foreign trade.

A **merchant exporter** is a person who is involved in trading activity and exporting or intending to export.

Merchant exporters do not have a **manufacturing unit**.

Merchant exporters buy goods from a **manufacturer-exporter** and then **ship them to foreign customers**.

The Government has provided special relief to the merchant exporters by way of **reducing the GST rate to 0.1%** for **purchasing goods from domestic suppliers**.

The Merchant Exporter needs to **fulfil the certain conditions** for availing such concessional rate relief, viz (a) The tax invoice for the procured goods should clearly **state the GST rate at 0.1%**; (b) Such goods should be **exported within 90 days** of the issue of a tax invoice; (c) Such merchant exporters should be registered with an **Export Promotion Council** or **Commodity Board, etc.**

Inter State Supply – Section 7 of IGST Act

(1) Subject to the provisions of section 10, supply of goods, where the location of the supplier and the place of supply are in-

(a) two different States;

(b) two different Union territories; or

(c) a State and a Union territory,

shall be treated as a supply of goods in the course of inter-State trade or commerce.

(2) Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State trade or commerce.

(3) Subject to the provisions of section 12 , supply of services, where the location of the supplier and the place of supply are in-

(a) two different States;

(b) two different Union territories; or

(c) a State and a Union territory,

shall be treated as a supply of services in the course of inter-State trade or commerce.

Inter State Supply – Section 7 of IGST Act

(4) Supply of services imported into the territory of India shall be treated to be a supply of services in the course of inter-State trade or commerce.

(5) Supply of goods or services or both,-

*(a) **when the supplier is located in India and the place of supply is outside India;***

(b) to or by a Special Economic Zone developer or a Special Economic Zone unit; or

*(c) in the taxable territory, not being an intra-State supply and not covered elsewhere in this section, shall be treated to be a supply of goods or services or both **in the course of inter-State trade or commerce.***

Supplies in territorial waters – Section 9 of IGST Act



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Notwithstanding anything contained in this Act,-

*(a) where the location of the supplier is in the territorial waters, **the location of such supplier**; or*

*(b) where the **place of supply is in the territorial waters**, the **place of supply**, shall, for the purposes of this Act, be **deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.***

Important Terminology under Customs Act

Boundary

- India;
- Indian Customs Water;
- Exclusive Economic Zone;
- High Sea;

Transactions and Persons

- Import;
- Export;
- Importer;
- Exporter;

Conveyance

- Conveyance;
- Foreign-going vessel and aircraft.

Important Terminology under Customs Act

Goods

- Goods;
- Dutiable Goods;
- Coastal Goods;
- Export Goods;
- Imported Goods;
- Stores;
- Prohibited Goods;
- Warehoused Goods.

Place of Landing

- Customs Airport;
- Customs Port;
- Land Customs Station;
- Customs Station;
- Warehouse.

Terms related with Boundary

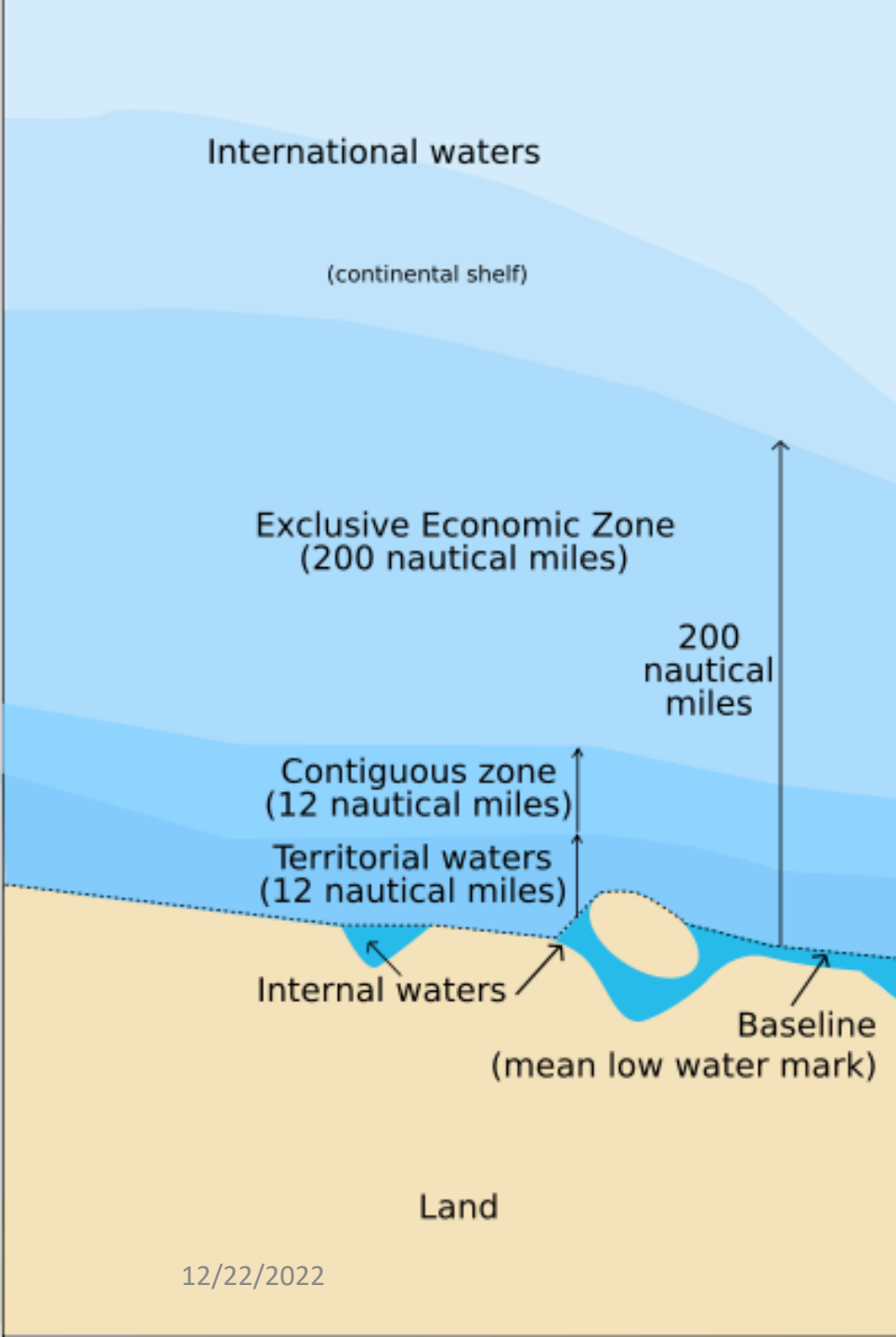
India – Sec 2(27): India includes the territorial waters of India;

- Territorial waters pertain to that portion of sea which is adjacent to the shores of a country.
- The territorial waters extend **up to 12 nautical miles** from **the base line** on the coast of India. (*Any bay, gulf, harbor, creek, tidal water constitutes Territorial Waters*).
- **1 Nautical Mile** = 1.1515 miles = **1.853 kms**.

Indian Customs Water – Sec 2(28): Indian Customs Water extends **up to 12 nautical miles** beyond territorial waters, i.e. **24 nautical miles** from the nearest point of **base line**;

Significance of Indian Customs Water:

- A Customs Officer has the powers to arrest a person in India or within Indian Customs Water.
- A Customs Officer can stop or search any vessel within Indian Customs Water.



Terms related with Boundary

Exclusive Economic Zone (EEZ):

EEZ extends to **200 nautical miles** from the **base line**.

Within EEZ, the country has **right over natural resources**.

The country has **jurisdiction over some activities** for the reasons of **environmental protection**.

A country also need to **respect the rights of other countries** in the EEZ such as the **freedom of navigation**.

The difference between the **territorial sea** and the **EEZ** is that the former confers **full sovereignty** over the waters, whereas the latter is merely a “**sovereign right**” which refers to the **coastal nation’s rights below the surface of the sea**.

The surface waters are international waters.

High Sea: An area **beyond 200 nautical miles** from the base line is called High Seas. All countries have equal rights in this area.

Terms related with Transactions and Persons

Import – Sec 2(23) - means bringing into India from a place outside India;

- Import is completed only when goods **cross the Customs barrier**
- The **taxable event is the day of crossing of Customs barrier** and not on the date when goods landed in India or had entered Territorial Waters
- In the case of **goods which are in the warehouse** the customs barrier would be crossed when they are sought to be taken out of the Customs and **brought to the mass of goods in the country**

Export – Sec 2(18) - means taking out of India to a place outside India;

Importer – Sec 2(26) - in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;

Exporter – Sec 2(20) - in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter;

Terms related with Goods

Goods – Sec – Sec 2(22) – includes

- vessels, aircrafts and vehicles
- Stores
- Baggage
- currency and negotiable instruments
- any other kind of movable property;

Dutiable Goods – Sec 2(14) - means any goods which are chargeable to duty and on which duty has not been paid;

Coastal Goods – Sec 2(7) - means goods, other than imported goods, transported in a vessel from one port in India to another;

Export Goods – Sec 2(19) - means any goods which are to be taken out of India to a place outside India

Terms related with Goods

Imported Goods - Sec 2(25) - means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption

Stores – Sec 2(38) - means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting

Prohibited Goods – Sec 2 (33) - means any goods the import or export of which is **subject to any prohibition under this Act** or any other law for the time being in force **but does not include** any such goods in respect of which the **conditions subject to which the goods are permitted to be imported or exported have been complied with.**

Warehoused Goods – Sec 2(44) - means goods deposited in a warehouse;

Terms related with Conveyance and Place of Landing

Conveyance – Sec 2(29) - includes a vessel, an aircraft and a vehicle.

Foreign-going vessel or aircraft – Sec 2(21) means any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not;

Customs Airport, Customs Port (includes an Inland Container Depot) and Land Customs Station – Sec 2(10), 2(12) and 2(29) - means any Airport, any Port or any Place appointed under section 7 to be a Customs Airport, Customs Port or Land Customs Station;

Customs Station – Section 2(13) - means any Customs Port, Customs Airport or Land Customs Station

Warehouse – Section 2(43) - means a **Public Warehouse** appointed under **section 57** or a **Private Warehouse** licensed under **Section 58**;

Import Export Code Number (IEC)

An **Importer -Exporter Code (IEC)** is a key business **identification number** which is **mandatory** for **export from India or Import to India**.

No export or import shall be made by any person **without obtaining an IEC** unless specifically exempted.

For services exports however, **IEC shall be not be necessary** except when the **service provider is taking benefits under the Foreign Trade Policy**.

Consequent upon introduction of GST, IEC being issued is the **same as the PAN of the firm**.

However, **the IEC will still be separately issued by DGFT** based on an application.

The nature of the firm obtaining an IEC may be any of the follows: (a) Proprietorship; (b) Partnership; (c) LLP; (d) Limited Company; (e) Trust; (f) HUF; (g) Society.

INCOTERMS 2020

Incoterms rules (International Commercial Terms) are published by the **International Chamber of Commerce (ICC)**;

Incoterms Rules are a **globally recognized** set of standards used worldwide in international and domestic contracts for the **delivery of goods**;

Incoterms Rules describe:

Obligations: Obligations of seller and buyer - Who does what (carriage, insurance, import or export licences, etc.);

Risk: Where and when the seller “delivers” the goods – transfer of risk from seller to buyer;

Costs: Which party is responsible for which costs (transport, packaging, loading or unloading etc.);

Incoterms Rules **do not deal with** the transfer of property / title / ownership of the goods sold;

INCOTerms 2020

First version - published in 1936.

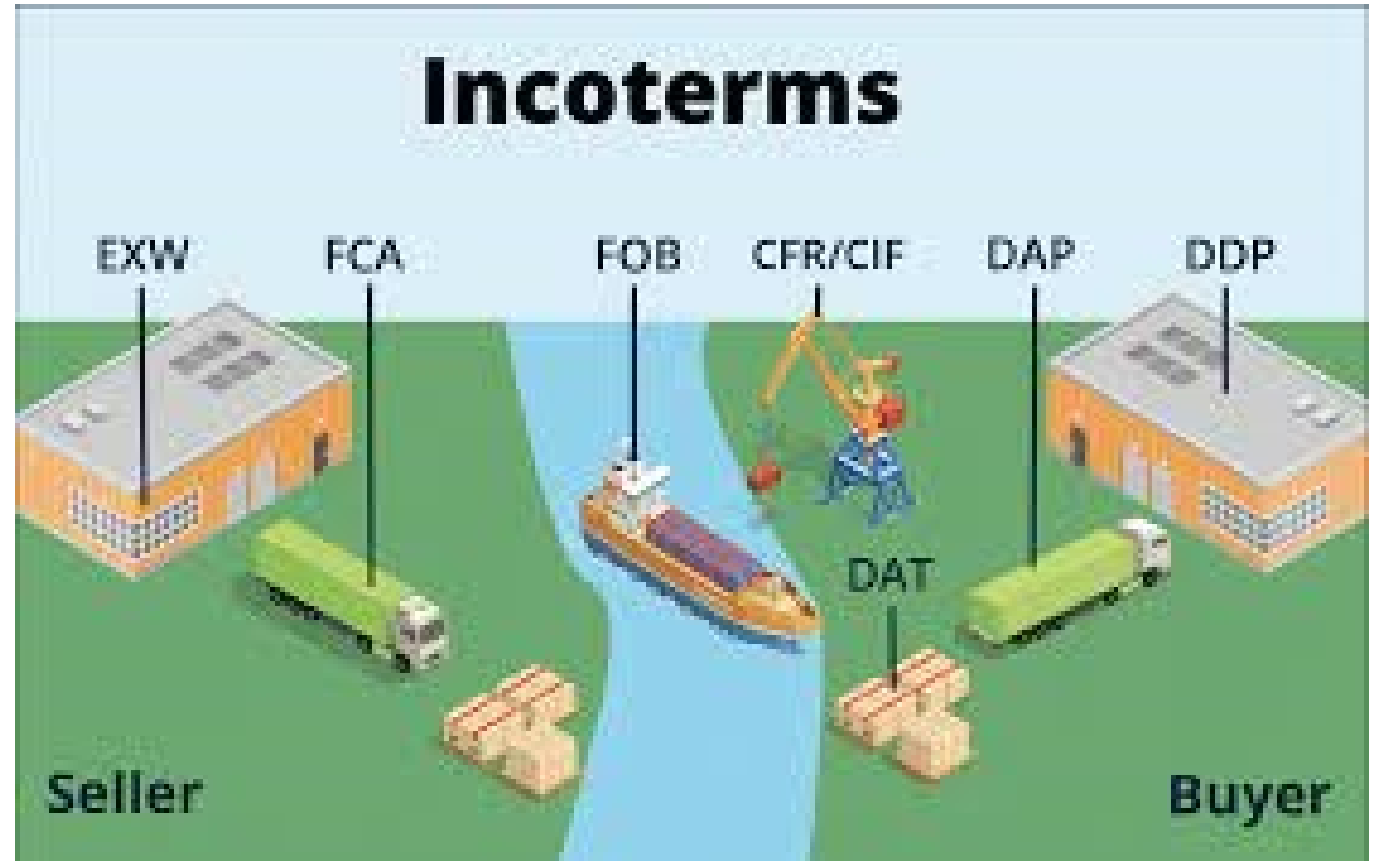
The latest update - Incoterms Rules 2020 (effective from 1/1/2020)

Incoterms Rules 2020 explain a **set of eleven of the most commonly used three-letter trade terms** reflecting **B2B practice** in contracts for **sale and purchase of goods**;

Incoterms Rules 2020 are **divided in two categories**:

Rules for any **Mode or Modes of Transport** – 7 Nos.

Rules for **sea and inland waterways Transport** – 4 Nos.



Rules for any Mode or Modes of Transport

EXW: Ex Works – Insert named place of delivery.

FCA: Free Carrier – insert named place of delivery.

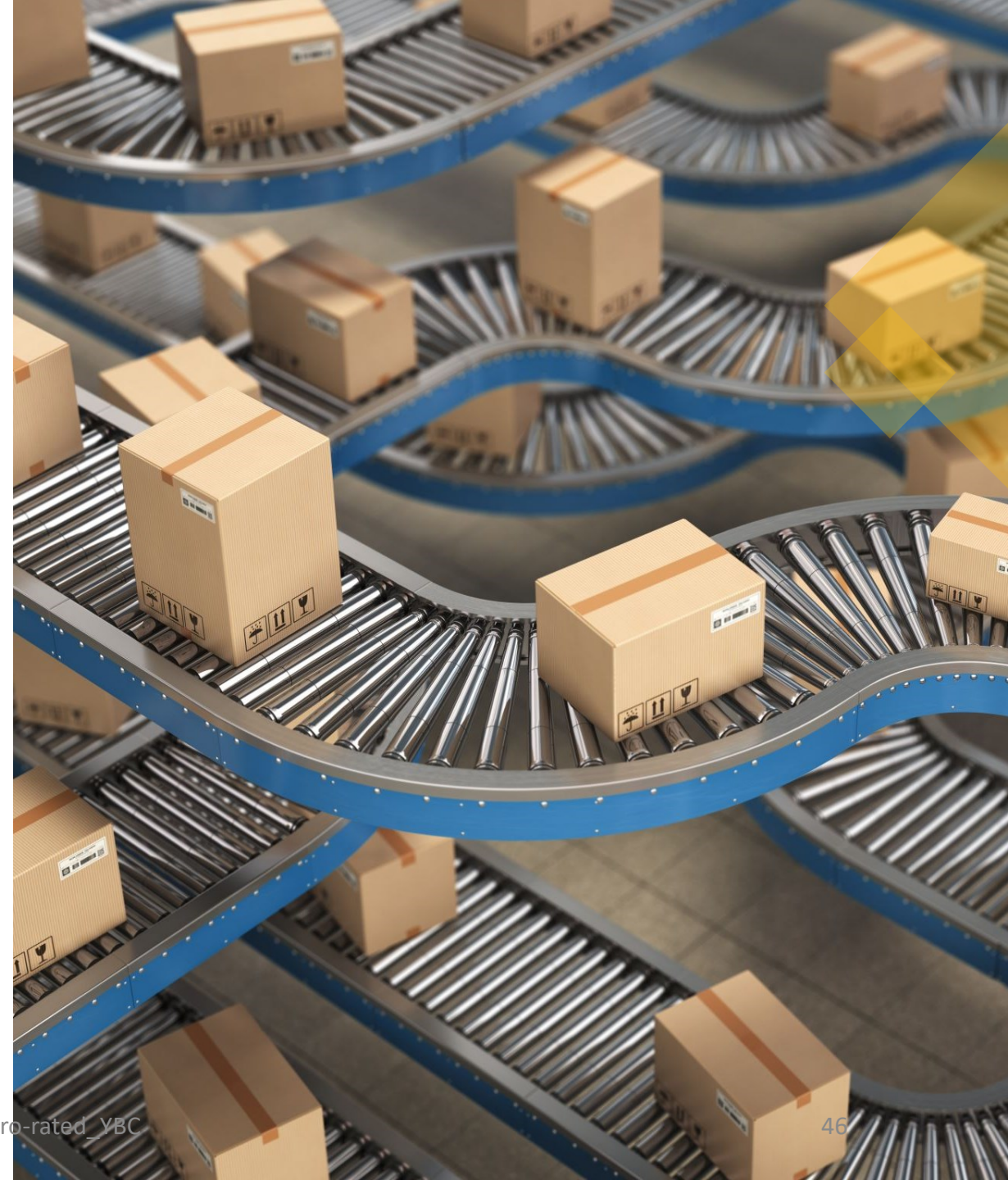
CPT: Carriage Paid To - insert named place of destination.

CIP: Carriage and Insurance Paid To - insert named place of destination.

DAP: Delivered at Place - insert named place of destination.

DPU: Delivered at Place Unloaded - insert named place of destination.

DDP: Delivered Duty Paid - insert named place of destination.



Rules for sea and inland waterways Transport

FAS	Free Alongside Ship - insert named port of loading
FOB	Free On Board - insert named port of loading
CFR	Cost and Freight - insert named place of destination
CIF	Cost Insurance and Freight - insert named place of destination

Incoterm	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board vessel	On Board vessel	On Board vessel	At Carrier	At Carrier	At Named Place	At Named Place unloaded	Delivered Duty Paid (Place)
	Obligations and Charges										
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port / Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes and Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	Seller	Negotiable	Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes and Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller



EXW	EX WORKS	AGREED PLACE
FCA	FREE CARRIER	AGREED PLACE
FAS	FREE ALONGSIDE SHIP	PORT OF LOADING
FOB	FREE ON BOARD	PORT OF LOADING
CFR	COST & FREIGHT	PORT OF DESTINATION
CIF	COST, INSURANCE & FREIGHT	PORT OF DESTINATION
CPT	COST PAID TO	PLACE OF DESTINATION
CIP	CARRIER & INSURANCE PAID TO	PLACE OF DESTINATION
DPU	DELIVERED AT PLACE UNLOADED	PLACE OF DESTINATION
DAP	DELIVERED AT PLACE	DESTINATION
DDP	DELIVERED DUTY PAID	DESTINATION



Harmonized System of Nomenclature (HSN)

The Harmonized System of Nomenclature (HSN) is an internationally standardized nomenclature system for classifying “**Goods**” (not “**Services**”) that are traded internationally.

The HSN is maintained by the World Customs Organization (WCO).

The HSN is applied by more than 210 Customs Administrations worldwide.


The HSN is last amended in January 2022.

The new HS 2022 edition makes major changes to the Harmonized System.



Important Definitions - HSN

“Harmonized Commodity Description and Coding System” means the Nomenclature comprising the headings and subheadings and their related numerical codes, the Section, Chapter and Subheading Notes and the General Rules for the interpretation of the Harmonized System, set out in the Annex to this Convention;“



“Customs tariff nomenclature” means the nomenclature established under the legislation of a Contracting Party for the purposes of levying duties of Customs on imported goods;



“Statistical nomenclatures” means goods nomenclatures established by a Contracting Party for the collection of data for import and export trade statistics;

Notification No.1 /2017-Rate-CGST dated 28/06/2017

The rate notifications stated above in terms of supply of goods provide an Explanation for the purpose of the notification.

Note (iii) & (iv) to the said Explanation reads as under:

(iii) “**Tariff item**”, “**sub-Heading**” “**Heading**” and “**Chapter**” shall mean respectively a tariff item, sub-heading, heading and chapter as specified in the First Schedule to the **Customs Tariff Act, 1975 (51 of 1975)**.

(iv) The rules for the interpretation of the **First Schedule to the Customs Tariff Act, 1975 (51 of 1975)**, including the **Section and Chapter Notes and the General Explanatory Notes of the First Schedule** shall, so far as may be, apply to the interpretation of this notification.



HSN Code

HSN code stands for “**Harmonized System of Nomenclature**”.

This system has been introduced for the systematic classification of goods all over the world.

HSN code is a uniform code that classifies 5000+ products and is accepted worldwide.

It was developed by the World Customs Organization (WCO) and it came into effect from 1988.

HSN Code is arranged in a legal and logical structure.

It is supported by well-defined rules to achieve uniform classification.

The main purpose of HSN is to classify goods from all over the World in a systematic and logical manner.

This brings in a uniform classification of goods and facilitates international trade.

The HSN system is used by more than 200 countries and economies for reasons such as: (a) Uniform classification; (b) Base for their Customs tariffs.; (c) Collection of international trade statistics.;

As per a rough estimate, over 98% of the merchandise in international trade is classified in terms of the HSN.

Classification – SAC for Services

India is the first country to classify the services.

Like goods, services are also classified uniformly for recognition, measurement and taxation.

Codes for services are called Services Accounting Code or SAC

SAC Codes for Services starts with “99” always.

SAC to be required to be shown on all invoices.

Acts and Rules under Customs

Customs Act 1962: Is the main Act, which provides for levy and collection of Duty, Import / Export procedure, Prohibition, Penalties, Offences etc.

Customs Tariff Act 1975 Is for the classification and rates of Duty for Import and Export

Rules under Customs Act Under section 156 of Customs Act, 1962, Central Government has been empowered to make rules, consistent with Provisions of the Act

Notification under Customs Act Various sections authorize Central Government to issue notifications

Board Circulars Are instructions and directions to Customs officials

Public Notice Issued by Commissioner of Customs. Can be issued for local requirement too.

Categories of Import

**Freely Importable
Items**

**Canalized
Imports**



**Restricted/Licensed
Imports**

Prohibited Items

List of items under above categories are published in the Foreign Trade Policy.

HIGH SEA SALE TRANSACTIONS

High Sea is open sea of the world outside the Territorial Waters of any nation.

High Sea is beyond 200 nautical miles from the base line of any country.

High Sea Sale means sale of goods **after crossing the Customs barriers of the Foreign Nation but before crossing (entering) the Customs frontiers of India** by way of transfer of documents of title of goods.

“Crossing the Customs frontiers of India” means crossing the limits of the area of a customs station in which imported goods or export goods are ordinarily kept before clearance by Customs authorities.

Customs Station is defined U/S 2(13) of the Customs Act, 1962. It includes Customs Port, Customs Airport, Inland Container Depot and Land Customs Station.

Documents required to prove High Sea Sales:

- High Sea Sale Agreement;
- Bill of Lading or Airways Bill;
- Invoice; and
- Insurance Certificate.

Assessment of Customs Duty

Assessment is the **process of quantification of duty liability**.

Assessment includes **Provisional assessment, re-assessment** and **any order of assessment** in which the **duty assessed is NIL**.

Stages of Assessment:

- (a) Determination of Value;
- (b) Classification of goods;
- (c) Determining appropriate rate / type of duty; and
- (d) Final / Provisional assessment



Valuation under Customs Act

Most of the custom duties are ad valorem.

So, goods need to be valued for the purposes of assessment.

Different types of Valuation Methods:

Tariff Value.

Value When Tariff Value Not fixed.

Transaction Value.

Comparative Value.

Computed Value.

Residual Value.

Computation of Assessable Value of Goods

- F.O.B.
- Transport Cost
- Insurance Cost

Valuation of Imported goods – Transaction Value

The price actually paid or payable for the goods when sold for export to India;

For delivery at the time and place of importation;

Where the buyer and seller of the goods are not related;

Price is the sole consideration for the sale;

There are not abnormal restrictions as to the disposition or use of the goods by the buyer.



Valuation of Imported goods – Transaction Value – inclusions

Commission and brokerage, except buying commissions;

Design work & Engineering;

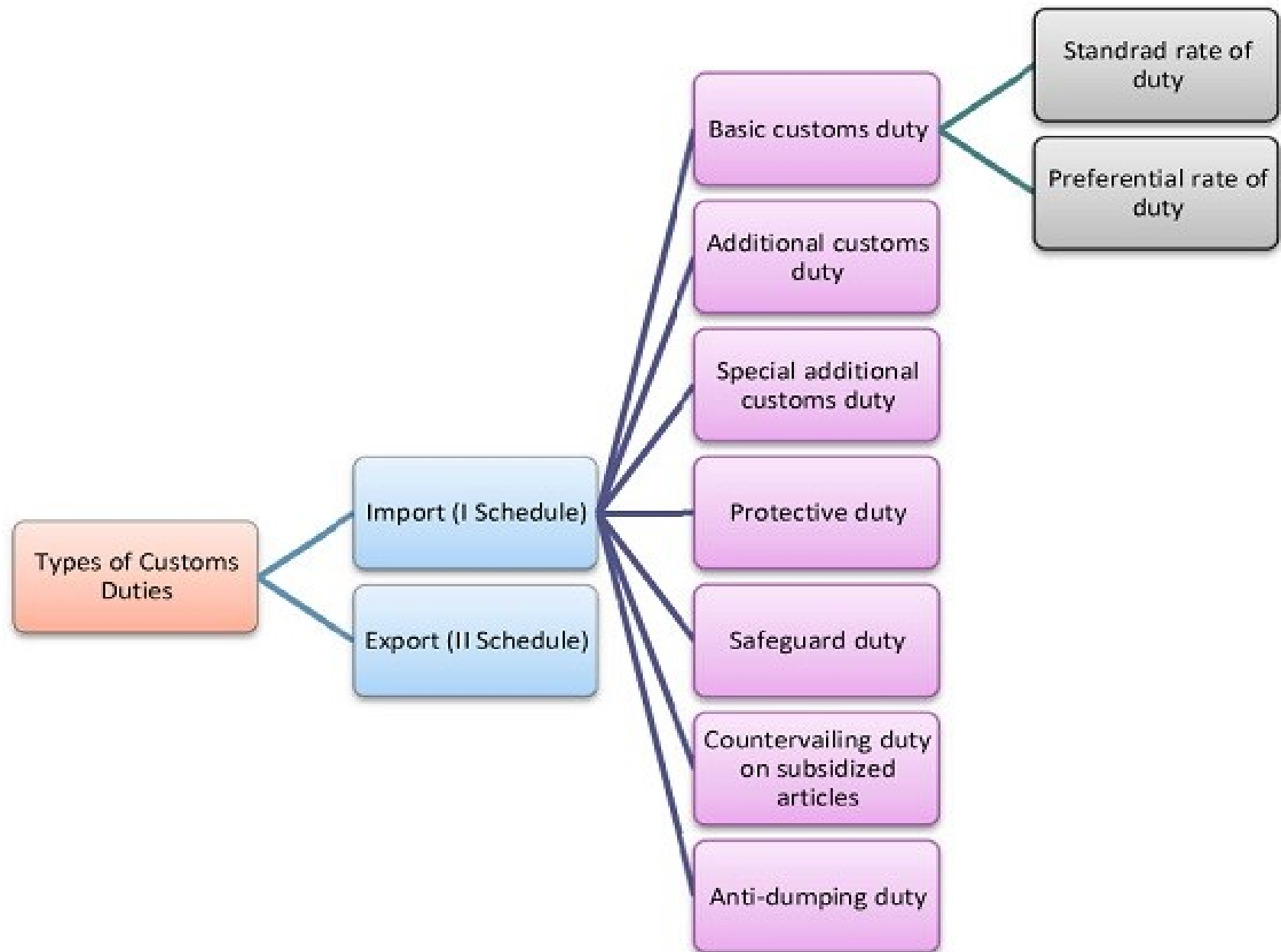
Royalties and license fees related to the imported goods;

Cost of transportation to the place of importation including shift Demurrage charges;

Insurance, Loading, Unloading, Handling charges, cost of containers & cost of packing, etc.

No need to add Notional 1% Landing Charges in Assessable Value.

Types of Customs Duty



Types of Customs Duty

Basic Duty:

- It may be at the standard rate or in the case of Import from some countries, at the preferential rate

Additional Customs Duty:

- Additional Customs Duty, equal to Central Excise Duty, is leviable on like goods produced or manufactured in India.
- Is also referred to as Countervailing Duty (CVD).
- IGST, instead of Additional Customs Duty, is payable on GST goods effective from 01/07/2017.
- It is payable only if the imported article is such, if produced in India, its process of production would amount to 'manufacture' as per the definition in Central Excise Act 1944
- Additional customs Duty is calculated on a value base of aggregate of value of the goods including landing charges and basic Customs Duty.

Types of Customs Duty (Contd)

Special Additional Duty of Customs:

- In order to counter- balance various internal taxes like Sales Tax and VAT and to provide a level playing field to indigenous goods which have to bear these taxes.

Cess / Surcharge:

- A Duty levied for specified purpose. Presently Social Welfare Surcharge.

National Calamity Contingent Duty (NCCD):

Anti-Dumping Duty:

Demurrage

Important Customs Clearance Documents - Imports

Bill of Lading / AWB;

Invoice;

Freight Certificate;

Insurance Certificate;

Certificate of Origin;

Test Report;

Packing List;

Import License (if any);

Bill of Entry:

Home Consumption;

Warehouse or Into-Bond BOE;

Ex-Bond BOE

Import General Manifest (IGM) / Arrival Report (AR).



Customs Clearance Procedure

Noting of Bill of Entry;
Filing of Bill of Entry;
Assessment;
Pre-Audit;
Duty Payment / Bond
(warehousing);
Examination of Cargo;
Out of charge permission;
Delivery.



Calculation of Customs Duty

Date for Determination of Rate Of Duty

- The rate which is in force on the date of presentation of Bill of Entry for home consumption will be the rate applicable.
- There are two exemptions to it:
- In case the Bill of Entry has been filed in advance of entry inwards of the vessel or the arrival of the aircraft, the crucial date will be date of entry inwards of the vessel or the date of arrival of the aircraft
- Secondly, in the case of clearance of goods from a bonded warehouse, the date of presentation of the ex-bond bill of entry for home consumption is the crucial date.

Exchange Rate

- Exchange Rate is notified by the CBIC and is the one in force on the date of presentation of the Bill of Entry (for home consumption or for warehousing)

Vessel Related Payments



Wharfage:

Collected by Port Authorities;

Applicable for both loading and unloading;

Rate as per SOR.

Port Dues:

Collected by Port Authorities;

Payable by the importer in case of TC Vessel;

Rate as per SOR;

Different components based on usage of facility;

Berth Hire;

Anchorage Charges;

Port Dues;

Pilotage Charges;

Hire of Gangway;

Mooring Charges.

Important Export clearance documents – Pre-Shipment



Invoice;

Packing List;

Letter of Credit;

Export License;

Certificate of Origin;

Certificate of Inspection;

Shipping Bill;

Types of Shipping Bills:

(a) Free Shipping Bill;

(b) Dutiable Shipping Bill;

(c) Drawback Shipping Bill;

(d) Shipping Bill for Ex-Bond Shipment;

(e) Coastal Shipping Bill (wherever applicable).

Important Export clearance documents – Post-Shipment



Bill of Lading/AWB;
Final Invoice;
ARE-1, wherever applicable;
Export General Manifest/
Departure Report.

As per the provisions under GST laws, the Zero-Rated Supply means _____?

- A. Exports of Goods or Services or Both;
- B. Supply of Goods or Services or Both for authorized operations to a SEZ Developer or a SEZ Unit;
- C. Supply of Goods or Services or Both from a SEZ Unit to a Unit in DTA;
- D. Any or all the above;

Answer:- D

As per provisions under GST laws, the Input Tax Credit (ITC) on Zero-Rated Supply is _____?

- A. inadmissible;
- B. admissible;
- C. zero;
- D. admissible to the extent allowed by the Proper Officer on a case-to-case basis;

Answer:- B

As per the provisions under GST Laws, the supply of goods or services or both to or by a SEZ Developer or a SEZ unit shall be treated to be a supply of goods or services or both in the course of _____?

- A. Inter-State Trade or Commerce;
- B. Intra-State Trade or Commerce;
- C. Import;
- D. Export;

Answer:- A

As per the provisions under GST Laws, _____ is the Place of Supply in case of importation of Goods ?

- A. The Customs Port where goods are cleared;
- B. The Location of the Importer;
- C. The Place where goods are delivered after clearance from Customs Port;
- D. The Bonded Warehouse where goods are stored after imports;

Answer:- B

As per provisions under GST laws, the supply of goods or services or both in the course of import into the territory of India is _____?

- A. intra-State Trade or Commerce;
- B. inter-State Trade or Commerce;
- C. import;
- D. export;

Answer:- B

As per the provisions under GST Laws, _____ is the Place of Supply in case of export of Goods from India?

- A. the Location of the exporter;
- B. the Customs Port in India from where the goods are exported;
- C. the Location outside India;
- D. the Location of the Registered Dealer who is involved in export of goods;

Answer:- C

IGST on imports is leviable under the provisions of the _____?

- A. GST Tariff;
- B. Customs Tariff;
- C. IGST Act;
- D. CGST Act;

Answer:- B

The Proper Officer may, in case of any claim for refund on account of Zero-Rated supply of goods or services or both made by a Registered Person, may refund @ _____% of the total amount claimed on a provisional basis?

- A. 75;
- B. 80;
- C. 85;
- D. 90;

Answer:- D

A registered taxable person is eligible to claim refund in respect of export of goods and services in situations _____?

- A. supply under Bond, without payment of IGST, and claim refund of unutilized input tax credit;
- B. on payment of IGST and claim refund of IGST paid on such goods and services;
- C. both A and B above;
- D. A above;

Answer:- C

The supply of goods to SEZ unit is treated as _____ in the hands of supplier?

- A. exempt supply – reversal of input tax credit;
- B. deemed taxable supply – no reversal of input tax credit;
- C. export of supplies;
- D. non-taxable supplies – outside the scope of GST;

Answer:- C

In case of import of goods, _____ is the document for assessment and payment of customs duty including IGST?

- A. Tax Invoice;
- B. Bill of Entry;
- C. Shipping Bill;
- D. Commercial Invoice;

Answer:- B

In case of export of goods, _____ is the document for clearance of goods from customs barriers?

- A. Tax Invoice;
- B. Bill of Entry;
- C. Shipping Bill;
- D. Commercial Invoice;

Answer:- C

Import Export Code (IEC) shall not be necessary in the transactions relating to _____?

- A. import of goods;
- B. export of goods;
- C. for services exports where the exporter is taking benefits under Foreign Trade Policy ;
- D. for services exports where the exporter is not taking benefits under Foreign Trade Policy;

Answer:- D

This PPT is prepared purely for academic and knowledge sharing purpose based on information / material freely available on internet.

Thanks for your Attention!!!

Any Questions???

