

GST payable under RCM in case of Import of Goods on Ocean Freight: The AAAR, Uttar Pradesh

Fact of the Case

Sangal Papers Limited, the appellant, is a limited corporation that manufactures paper from both domestic and imported waste paper. The Appellant imports waste paper from a variety of countries and pays customs tax on the CIF value. The applicant shows the value of goods and freight separately on the invoice and pays GST on the invoice value after the paper is made.

The applicant has requested an advance judgement on the question of whether, in the situation of indigenous supplies, after GST has been paid on the freight, the supplier is obligated to pay GST on the freight again under RCM. Is there any extra GST responsibility under RCM where the GST has been paid on the ocean freight in the case of imports on the CIF value and the value of the ocean freight is included in the value of the imported goods?

The Authority for Advance Ruling determined that the petitioner is entitled to pay GST under the reverse charge mechanism on the freight paid under Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017 (as amended). Under Notification No. 10/2017-Integrated Tax (Rate) dated 28.06.2017, as amended, the applicant is entitled to pay IGST on goods transported by vessels under the Reverse Charge Mechanism (RCM).

The applicant has appealed the AAR decision, claiming that under the IGST Act, no tax is levied on ocean freight for services supplied by a person located in a non-taxable area in the conveyance of goods by vessel from a location outside India to a customs station for clearance in India.

Decision of the Case

The Coram of Ajay Dixit and Amrita Soni decided that the judgement of the Uttar Pradesh Advance Ruling Authority is reasonable and proper and does not require intervention. The aforementioned levy is the subject of an appeal before the Hon'ble Supreme Court in SLP (C) Nos. 16012/2020 and 15995/2020, and the Hon'ble Apex Court has given notices in the matter with an order dated 06.01.2021.

The Appellate Authority of Advance Ruling (AAAR) in Uttar Pradesh ruled that the GST due under the Reverse Charge Mechanism in the instance of commodities imported via ocean freight.