



The Institute of Chartered Accountants of India GST & Indirect Taxes Committee

GOODS & SERVICES TAX UPDATE-205

No IGST on ocean freight in case of import of goods on CIF basis

The Supreme Court in the case of *Union of India & Anr. v. M/s Mohit Minerals Pvt. Ltd. Civil Appeal No. 1390 of 2022 dated May 19, 2022* has held that levy imposed on the 'service' aspect of the transaction is in violation of the principle of 'composite supply' enshrined under section 2(30) read with section 8 of the CGST Act. Since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract, a separate levy on the Indian importer for the 'supply of services' by the shipping line would be in violation of section 8 of the CGST Act.

In line with the said judgment, following amendments have been made in the IGST notifications to provide that IGST will not be leviable on ocean freight under reverse charge on CIF contracts of import of goods by the Indian importers, w.e.f 1st October, 2023:

(i) IGST reverse charge notification (*Notification No. 10/2017-IT (R) dt. 28.06.2017*) – In the table, serial no 10 and the entries relating thereto have been omitted. Serial No. 10 pertained to services provided or agreed to be provided by a person located in a non-taxable territory to a person located in a 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 [[Notification No. 13/2023-IT\(R\) dt. 26.09.2023](#)].

(ii) IGST rate notification (*Notification No. 08/2017-IT (R) dt. 28.06.2017*) - In the Table, against serial number 9 prescribing rate of 5%, in column (3), in item (ii), the words "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", have been omitted [[Notification No. 11/2023-IT\(R\) dt. 26.09.2023](#)].

(iii) IGST exemption notification (*Notification No. 09/2017-IT(R) dt. 28.06.2017*) – In the Table, against serial number 10, in column (3), the proviso has been substituted. Clause (ii) of the proviso which pertained to services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India received by persons specified in the entry has been removed in the substituted proviso [[Notification No. 12/2023-IT\(R\) dt. 26.09.2023](#)].

***Vice - Chairman
GST & Indirect Taxes Committee***

***Chairman
GST & Indirect Taxes Committee***

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