



EXPORT FREIGHT TAXABLE FROM 01-10-2022

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Exemption from payment of GST for the services of transportation of goods by vessel or aircraft, from any Indian Port / Airport to a foreign Port / Airport, which was extended from time to time, has not been extended after 30.09.2022. Hence, transportation of export consignments by Vessel / Aircraft becomes liable to GST from 01.10.2022. If the shipping lines / airlines are based in India, they will charge GST under forward charge.

Rate of GST would be,

| | |
|---------------------------------------|--------|
| If no ITC is availed by shipping line | : 5 % |
| If ITC is availed by shipping line | : 18 % |
| Transportation of goods by aircraft | : 18 % |

The taxability of import freight and export freight in different circumstances is tabulated below for better understanding.

Import Transportation.

| SL.NO | Location of Shipping Line | Freight Terms | Location of service recipient & Place of Supply | Taxability | Remarks |
|-------|---------------------------|---------------|--|--|---|
| 1 | India | FOB | India [Importer] POS - India [Destination of goods - Proviso to Sec.12(8) of the IGST Act] | Leviable to GST under forward charge in the hands of the shipping line | |
| 2 | India | CIF | Outside India [Exporter] POS - India [Destination of goods - Proviso to Sec.13(9) of the IGST Act] | Leviable to GST under forward charge in the hands of the shipping line. Would not qualify as export of service | |
| 3 | Outside India | FOB | India (Importer) POS - India [Destination of goods - Proviso to Sec.13(9) of the IGST Act] | Leviable to GST under reverse charge in the hands of the importer. | Import of service |
| 4 | Outside India | CIF | Outside India (Exporter) POS - Not determinable. But considering importer as recipient POS was considered as India, as per Sec.13 (9) of the IGST Act. | Leviable to GST under reverse charge in the hands of the importer. | The Honble Supreme Court has held that no GST can be levied in this case. |

Export Transportation.

| SL.NO | Location of Shipping Line | Freight Terms | Location of service recipient & Place of Supply | Taxability | Remarks |
|-------|---------------------------|---------------|--|--|--|
| 1 | India | FOB | Outside India (Importer) POS - Outside India [Destination of goods as per Sec. 13 (9) of IGST Act] | It will qualify as Export of Service | |
| 2 | India | CIF | India (Exporter) POS - Outside India [Destination of goods as per proviso to Sec.12 (8) of IGST Act] | Leviable to GST. But exempted upto 30.09.22 | Exemption not extended beyond 01.10.2022 and hence taxable from 01.10.2022 |
| 3 | Outside India | FOB | Outside India (Importer) POS - Not determinable. | Not leviable. | Both supplier and recipient outside India. POS is also not in India. |
| 4 | Outside India | CIF | India (Exporter) POS - Outside India [Destination of goods as per Sec. 13 (9) of IGST Act] | Not at all taxable, as it is not import of service (Place of supply is not in India) | |

Levy of GST on import freight under CIF model (where the freight is paid by the foreign exporter to a foreign shipping line) was introduced ostensibly to create a level playing field for Indian shipping lines, but that levy has been held to be invalid by the Hon'ble Supreme Court in the case of UOI Vs Mohit Minerals Pvt. Ltd..



Now on export freight a disparity is being created, whereby, while engaging an Indian Shipping line / airline for export would attract the levy of GST, engaging a foreign shipping line / airline would not attract the levy of GST. It may be noted that if an Indian Exporter engages a foreign shipping line / airline, it is not an import of service, as one of the conditions for qualifying as import of service is not satisfied, i.e. the place of supply is not in India (Place of supply is destination of goods which is outside India). So, hereafter, Indian Exporters would prefer a foreign shipping line foreign airline, rather than an Indian Shipping line / Indian Airline. Or they should opt for FOB exports and make the foreign importer to pay freight to the Indian Shipping line / Indian Airline, in which case it will amount to export of service in the hands of the Indian shipping line / airline and not attract the levy of GST.

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THANK YOU

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