

GIB/KN/M.K. AGRO/27.09.2019/AAR-234

Advance Ruling Category : REVERSE CHARGE MECHANISM

State : Karnataka

Order No.: GIB/KN/M.K. AGRO/27.09.2019/AAR-234

Name of Entry :

M.K Agro Tech pvt ltd

Date : 27-09-2019

Breif Issue :

Issue & Fact of the Case:

Whether under Reverse Charge Mechanism, IGST should be paid by the importer on ocean freight on the case of CIF basis contract?

The applicant is in the business of supplying edible oil and, import edible grade Crude oil without any separate charges for transportation from other countries to Indian port on CIF basis. When it enters the Indian port basic custom duty and applicable cess along with IGST is paid.

As per Rule 10(2) Customs Valuation (Determination of Value of Import Goods) Rules, 2007“The value of the imported goods shall be the value of such goods, for delivery at the time and place of importation and shall include (a)The cost of transport of the imported goods to the place of importation (b) loading, unloading and handling charges associated with the delivery of the imported goods at the place of importation (c) the cost of insurance

Provided that —(i) Where the cost of transport referred to in clause (a) is not ascertainable, such cost shall be twenty percent of the free on board value of the goods, Provided also that where the free on board value of the goods is not ascertainable the costs referred to in clause (a) shall be twenty percent of the free on board value of the goods plus cost of insurance for clause (i) above and the cost referred to in clause (c) shall be 1.125% of the free on board value of the goods plus cost of transport for clause (iii).”

As per Section 7(2) of the IGST Act 2017, import of goods shall be deemed as “inter-State” supplies and accordingly integrated tax shall be levied in addition to the applicable customs duties.

For the purpose of valuation of goods for customs and IGST, CIF value is to be considered which is inclusive of the freight element. The activity of the applicant is covered under RCM.

Decision of Advance Ruling Authority :

Decision:

The final decision in the issue by the hon'ble court, it is ruled that IGST should be paid by the importer on ocean freight in case of CIF basis contract, under Reverse Charge.