

Treading the GST Path – XXVII

Export freight inequity

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Under Service Tax regime, as per Rule 10 of the Place of Provision of Service Rules, 2012, for services of transportation of goods, the PPS will be the destination of goods. So, Ocean / Air freight for export of goods was not liable to service tax levy.

Under Section 12 (8) of the IGST Act, when both the supplier and recipient are in India,

(8) The place of supply of services by way of transportation of goods, including by mail or courier to,—

(a) a registered person, shall be the location of such person;

(b) a person other than a registered person, shall be the location at which such goods are handed over for their transportation.

So, when an Indian Shipping line is engaged by an Indian Exporter, GST is payable on such freight as the place of supply is the location of the registered person.

Whereas, under Section 13 (9) of the IGST Act, where either the supplier or recipient of the service is outside India,

(9) The place of supply of services of transportation of goods, other than by way of mail or courier, shall be the place of destination of such goods.

So, when a Foreign based Shipping line is engaged by an Indian Exporter, GST is not payable as the place of supply is outside India.

Is it not an inequity?

Earlier in the case of import freight when a foreign shipping line was engaged by the foreign exporter and the price is CIF price, no service tax was payable, as the service was provided and received by persons located outside India, whereas, for the same purpose, if an Indian Shipping line was engaged, Service Tax would be applicable. In order to create a level playing field, amendments were made in January 2017, to make the importer liable to pay service tax, even in case of CIF imports. While this provision continues even under GST, a new anomaly is created in the case of export freight.

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