

Relief for importers as Gujarat HC stays IGST levy on ocean freight

Importers can breathe easy as the Gujarat High Court has stayed the levy of Integrated Goods & Service Tax (IGST) on ocean freight. IGST is levied on all Inter-State supplies of goods and/or services. It is also applicable on any supply of goods and/or services in cases of import into and export from the country.

Under the GST, there is specific provision with respect to taxability on the component of ocean freight. The law specifically provides that the importers are required to discharge IGST at the rate of 5 per cent on ocean freight services under the Reverse Charge Mechanism (RCM). Under RCM, it is the duty of importer to pay IGST on behalf of foreign buyer. However, at the same time, customs duty on the CIF value (which includes the component of freight as well) of the goods imported into India is also paid by the importer. As a result, there is double taxation on the component of ocean freight under GST law which is an impediment and has bloated the cost of imports.

Keeping this in mind, a petition was filed with the Gujarat High Court. The petitioner, Mohit Minerals Pvt Ltd challenged *vires* of IGST related notification.

A similar petition was filed by Ghanshyamlal and Company. The court took notice of order passed in the previous matter and granted stay. Now notice has been issued to the Central Government and both the matter will be heard on June 19.

Commenting on the development, Harpreet Singh, Partner in KPMG, said this is indeed a positive development and should come as relief to importers at large.

Source: Business Line