

IGST to be levied only when goods are brought for customs clearance

NEW DELHI: The integrated goods and services tax (IGST) would not be levied on sale of goods on high seas but would be charged when they are brought for customs clearance, authorities have clarified, much to the relief of oil and gas, power and telecom companies.Â

The Central Board of Excise and Customs (CBEC) has issued a circular to this effect after receiving references on the issue as all inter-state transactions are subject to IGST.Â

'High sea sale' is a common trade practice where in original importer sells goods to a third person before they are customs cleared. Final customs clearance is filed by the final owner. CBEC has said IGST would be required to be levied only once at the time of importation of goods, which is when goods are cleared by customs.Â

It also clarified that value addition accruing in each high sea sale transaction shall form part of the value on which IGST would be levied at the time of clearance.Â

This means that IGST would be payable on the value for the last buyer in the chain. The importer would be required to furnish the entire chain of documents such as original invoice, high-seas-sale contract, details of service charges, commission paid, etc. to establish a link between the first contracted price of the goods and the last transaction.Â

Tax experts said the circular has ended the confusion on the issue, but the government should clarify whether such sales trigger reversal of input credit.Â

"There was lot of confusion in the industry on the taxability of high seas sale, i.e., whether it is taxable twice or only once in the hands of the ultimate importer," said Abhishek Jain, tax partner at EY India. "The circular provides logical and right clarity that high seas sale should be taxed only once in the hands of ultimate importer."Â