

INDIRECT TAX

GST Updates – IGST on ocean freight, and special procedure for pan masala manufacturers

UPDATE NO. 36 OF 2023



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1. CHANGE IN DESCRIPTION OF TRANSPORTATION OF GOODS IN A VESSEL INCLUDING SERVICES (W.E.F.1 OCTOBER 2023)

[Notification No. 11/2023-Integrated Tax (Rate), dated 26 September 2023]

This notification is issued to exclude the services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India from the description of service by way of transportation of goods in a vessel as provided in S. No. 9(ii) of Notification No. 8/2017-Integrated Tax (Rate), dated the 28 June 2017.

2. EXEMPTION IN CASE OF SERVICES BY WAY OF TRANSPORTATION OF GOODS BY VESSEL (W.E.F. 1 OCTOBER 2023)

[Notification No. 12/2023-Integrated Tax (Rate), dated 26 September 2023]

This notification is issued to include the services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India received by persons specified in the entry in the exemption entry by way of omitting such services from the proviso to S. No. 10 of Notification No. 9/2017-Integrated Tax (Rate), dated the 28 June 2017.



3. CHANGE IN THE RCM APPLICABILITY OF SERVICES BY WAY OF TRANSPORTATION OF GOODS BY VESSEL (W.E.F. 01.10.2023)

[Notification No. 13/2023-Integrated Tax (Rate), dated 26 September 2023]

This notification is issued to remove the applicability of RCM liability on the services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India as provided in S. No. 10 of Notification No. 10/2017-Integrated Tax (Rate), dated the 28 June 2017.



LKS COMMENTS

- The above three notifications read together would mean that supply of transport services provided for transfer of goods by a person in the non-taxable territory to a person in the non-taxable territory would not fall under the purview of integrated tax.
- The changes are in pursuance to the decision rendered by the Supreme Court in the case of *Union of India v. Mohit Minerals* [2022 (61) GSTL 257 (SC)], wherein the court had held that IGST is not payable by the importer on the ocean freight component when goods are being imported on CIF basis.
- Since notifications have been made effective from 1 October 23, it has to be seen if the Department will raise any demand for payment of tax for the past period.



4. CHANGE IN THE DATE OF APPLICABILITY OF SPECIAL PROCEDURE TO BE FOLLOWED BY MANUFACTURER OF PAN MASALA AND NOTIFIED TOBACCO PRODUCTS (W.E.F. 25 SEPTEMBER 2023)

[Notification No. 47/2023-Central Tax, dated 25 September 2023]

This notification is issued to notify 1st day of January 2024 as a date from when the special procedure notified under Notification No. 30/ 2023- Central Tax, dated 31 July 2023 is to be followed by a registered person engaged in manufacturing of pan masala and notified tobacco products.

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