

From	Karvy Data Management Services Ltd.
Date	August 05, 2017
Subject	Integrated Goods and Services Tax (IGST) on High Sea Sales of imported goods
Circular No & Date	33/2017-Customs dated 1st August 2017

Re : Levy of Integrated Goods and Services Tax (IGST) on High Sea Sales of imported goods and point of collection thereof.

In a recent circular issued by CBEC vide Circular no. 33/2017-Customs dated 1st August 2017, the Board has issued a clarification regarding levy of Integrated goods and services tax on “**High Sea Sales**”.

“**High Sea Sales**” is a common trade practice whereby the original importer sells the goods to a third person before the goods are entered for customs clearance. A simple example of High Sea Sale is- *Max, from US supplies goods to Ram in India. But Ram enters into an agreement of sale with Shyam after movement of goods from the territorial border of US but before arrival of goods at the territorial border of India.*

As all Inter State transactions are subject to IGST, the **issue raised** was that whether the high sea sales of imported goods would be chargeable to IGST twice i.e. at the time of Customs clearance *when the goods finally reach the Customs Station in India* and also separately under Section 5 of The Integrated Goods and Services Tax Act, 2017 when the goods are sold by the first importer (*Ram in our example*) in the chain.

It was clarified by the Board that, IGST would not be levied on sale of goods on high seas by the first importer to another importer but would be levied and collected when they are finally brought for customs clearance, i.e. when the import declarations are filed before the Customs authorities for the customs clearance purposes.

It means, in our example, IGST will not be levied when Ram enters into an agreement of sale with Shyam before the goods enter territorial border of India but will be levied when the goods are finally brought for customs clearance.

It was 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.

It means there may be a single or multiple High Sea Sales, i.e. a chain of transactions. But IGST will be levied and collected only at the time of final importation (Customs Clearance) and value addition in each high sea sale transaction will be considered for the levy of IGST.

Further, The **importer (last buyer in the chain)** would be required to furnish the entire chain of documents, such as original Invoice, high-seas-sales-contract, details of service charges/commission paid etc. to establish a link between the first contracted price of the goods and the last transaction.

In case of a doubt regarding the truth or accuracy of the declared value, the department may reject the declared transaction value and determination the price of the imported goods as provided in the Customs Valuation rules.

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