

GOODS & SERVICES TAX UPDATE – 11

CUSTOMS

IGST on high sea sales in the case of imported goods to be collected at the time of importation

High Sea Sales is a situation whereby the original importer sells the goods to a third person before the goods are entered for customs clearance. After the High sea sale of the goods, the Customs declarations i.e. Bill of Entry etc. is filed by the person who buys the goods from the original importer during the said sale. High Sea Sales being an Inter-state transaction under GST are subject to IGST. However, there is a dilemma as to whether the high sea sales of imported goods would be chargeable to IGST twice i.e. at the time of Customs clearance under sub-section (7) of section 3 of Customs Tariff Act, 1975 and separately under Section 5 of The Integrated Goods and Services Tax Act, 2017.

In this regard, Central Government vide [Circular No. 33 /2017-Customs dt 01-08-2017](#) clarified that IGST on high sea sale (s) transactions of imported goods, whether one or multiple, shall be levied and collected only at the time of importation i.e. when the import declarations are filed before the Customs authorities for the customs clearance purposes for the first time. Further, value addition accruing in each such high sea sale shall form part of the value on which IGST is collected at the time of clearance.

This is reiteration of provisions of section 3(12) of Customs Tariff Act, 1975 which provides that for imported goods, all duties, taxes, cesses etc. shall be collected at the time of importation i.e. when the import declarations are filed, by the importer being last buyer in the chain, before the customs authorities for the customs clearance purposes. 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.

[[Circular No. 33 /2017-Customs dt 01-08-2017](#)]

Comment: This circular clarifies the doubts regarding multiple taxation in case of high-sea sales being made which otherwise must have discouraged the importers undertaking high sea sales for increase in cost due to multiple taxation.

Source: www.cbec.gov.in

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