

# EY Tax Alert

Bombay HC holds no IGST on ocean freight charged by Indian shipping company on goods imported under CIF contracts

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## Executive summary

This Tax Alert summarizes a recent judgement of the Bombay High Court (HC)<sup>1</sup> on the levy of integrated tax (IGST) on services provided by an Indian Shipping line to a foreign exporter for transporting goods imported into India.

Assessee, engaged in providing vessel services on hire and freight basis, was denied the refund by adjudicating authority who passed an order demanding IGST on ocean freight services provided to a foreign exporter for transporting goods into India during FY 2021-22.

The demand was based on Section 13(9) of the Integrated Goods and Services Tax Act, 2017 (as it stood prior to its omission from 1 October 2023), treating the place of supply of such services to be in India.

Aggrieved, assessee filed a writ petition before the HC.

The key observations of the HC are:

- The facts in the present case stand on the same footing as that in the earlier Supreme Court (SC) judgement on Ocean freight<sup>2</sup>, and hence squarely covered by the said decision.
- The Indian buyer imported goods on a Cost, Insurance and Freight (CIF) basis. Since customs duty on the freight component was already discharged by the buyer, the same amount cannot be subjected to IGST again.
- The services provided by assessee of transporting goods to the importer form part of a composite supply of goods, which does not attract an

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<sup>1</sup> 2026-VIL-465-BOM

<sup>2</sup> (2022) 10 SCC 700

additional tax in the hands of assessee.

Basis above, HC allowed the writ petition setting aside the impugned SCN and order passed by Revenue.

## Comments

- a. The facts in the SC's judgment relied on by HC appear to be distinguishable. In that case, the issue related to levy of IGST under reverse charge mechanism on the importer with respect to ocean freight component in CIF imports, and not a levy on the shipping company.
- b. Basis the Bombay HC ruling, businesses may evaluate the taxability of inbound ocean freight services provided by Indian shipping liners where the goods are imported on Free on Board basis since customs duty is levied on the CIF value by the importer.
- c. W.e.f. 1 October 2023, the place of supply for ocean freight is changed to the location of the recipient. Accordingly, it may need to be assessed whether Indian shipping lines, in similar circumstances, can treat the transaction as export of services despite the HC treating such transactions as non-taxable.

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