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TAXCONNECT

IMPORT UNDER GST

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Introduction

India is one of the fastest growing global economy and in the way to becoming the new global manufacturing hub. While manufacturing activities are on rising, we are also witnessing expansion in foreign trade both imports and exports.

As per the Model GST Law, GST will subsume Countervailing Duty (CVD) and Special Additional Duty (SAD), however, Basic Customs Duty will continue to do its round in the import bills.

Under GST import of goods or services will be treated as deemed inter-State supplies and would be subject to Integrated tax. The importer of goods and services have to pay tax on reverse charge basis. In case of import of online information and database access or retrieval services (OIDAR) by unregistered, non-taxable recipients, the supplier located outside India shall be responsible for payment of taxes. Supply of goods or services or both to a Special Economic Zone developer or a unit shall be treated as inter-State supply and shall be subject to levy of integrated tax.

Import of Goods

When the goods are brought from outside India it shall be treated as import of goods and all imports will be deemed as inter-state supply and IGST will be charged on the same. GST compensation cess, may also be leviable on certain luxury and demerit goods under GST.

Goods which are imported into India shall, in addition to the Basic Customs duty, be liable to integrated tax and such rate of tax will be as per IGST Act, 2017. Further, the value of the goods for the purpose of levying integrated tax shall be, assessable value plus Customs Duty levied under the Act and any other duty chargeable on the said goods under any law for the time being in force

The integrated tax paid shall not be added to the value for the purpose of calculating cess.

Let's take an example:

Suppose the assessable value of an article imported into India is Rs. 1000/-. The Basic Custom Duty is 10% ad-valorem. Integrated Tax rate is 28%.

The taxes will be calculated as under:

- Assessable Value= Rs. 1000/-
- Basic Customs Duty (BCD) = Rs. 100/-
- Value for the purpose of levying integrated tax= Rs. 1000/+Rs.100/-= Rs. 1100/-
- Integrated Tax = 28% of Rs.1100/- =Rs. 308/-
- Total taxes = Rs. 100/- + Rs. 308/- = Rs. 408/-

In case cess will be leviable the same will be charged on Rs. 408/-.

Under GST removal of goods from a custom station to a warehouse without payment of duty is allowed.

Input tax credit of integrated tax:

Input tax credit of the integrated tax paid at the time of import shall be available to the importer and the same can be utilized by him as Input Tax credit for payment of taxes on his outward supplies.

The Basic Customs Duty (BCD), shall however, not be available as input tax credit.

The place of supply of goods, imported into India shall be the location of the importer. Thus, if an importer, say is located in Rajasthan, the state tax component of the integrated tax shall accrue to the State of Rajasthan.

Import of Services

Under GST any supply of services where the supplier is located outside India , the recipient is located in India, and the place of supply of services is in India is treated as import of services.

In case of furtherance of business the import of services even without consideration is considered as supply. But in general import of services without consideration shall not be considered as supply.

Import of services can be considered as supply based on whether there is consideration or not. The same has been explained in the table below:-

Nature of Service	Consideration	Business Test
Import of services	Necessarily Required	Not required
Import of services by a taxable person from a related person or from a distinct person	Not required	Necessarily Required

All the imports after 1st July, 2017 will be liable to IGST even if the transaction for such import has been initiated before 1st July 2017. However, if the tax on such import of services had been paid in full under the existing law, no tax shall be payable on such import under the IGST Act. In case the tax on such import of services had been paid in part under the old law, the balance amount of tax shall be payable on such import under the IGST Act.

In case of supply in relation to international or cross-border supply of services the place of supply of a service shall determine as to whether a service can be termed as import or export of service. The specific provisions relating to the place of supply for international supply of services are as below:

SLNo.	Situation	Place of Supply
1	Default Rule other than specific situations mentioned below	Location of the recipient of services; If not available, location of the supplier of services.
2	Services supplied in respect of goods which are required to be made physically available & Services which require the physical presence of the recipient or the person acting on his behalf with the supplier of services	Location where the services are actually performed
2.1	Services are provided on goods but from a remote location by way of electronic means	Location where goods are situated at the time of supply of services
2.2	Above provisions is not applicable in respect of goods which are temporarily imported into India for repairs and are exported after repairs	
3	Services supplied directly in relation to an immovable property	Place where the immovable property is located or intended to be located
4	Admission to, or organisation of an event	Place where the event is actually held
4.1	Above Services provided in more than one country including India	India
4.2	Above Services provided in more than one state	Proportionate Basis
5	Services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders & Intermediary services & Services consisting of hiring of means of transport,	Location of the supplier of services

	including yachts but excluding aircrafts and vessels, up to a period of one month	
6	Transportation of goods, other than by way of mail or courier	Place of destination of such goods
7	Passenger transportation services	Place where the passenger embarks on the conveyance for a continuous journey
8	Services provided on board a conveyance	First scheduled point of departure of that conveyance for the journey
9	Online information and database access or retrieval services (OIDAR)	Location of the recipient of services

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