

CBIC issues circular clarifying applicability of IGST on supply of goods in customs bonded warehouse

Summary

The Central Board of Indirect Taxes and Customs (CBIC) has issued a circular¹ clarifying the applicability of Integrated Goods and Services Tax (IGST) on goods supplied while being deposited in a customs bonded warehouse. The circular has clarified that IGST shall be levied and collected at the time of final clearance of warehoused goods for home consumption, ie at the time of filing ex-bond bill of entry.

Background

- Sale of imported goods from customs warehouse is a common trade practice whereby an importer files an 'into-bond' bill of entry and stores the goods in a customs warehouse. The goods are then supplied to another person, who then files an 'ex-bond' bill of entry for home consumption.
- Supply of goods imported into the territory of India, till they cross the customs frontiers of India, is treated as interstate supplies² for the purposes of GST, and IGST is applicable on it.
- IGST on imported goods would be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act³.
- Valuation for the purpose of levy of IGST on warehoused imported goods at the time of clearance for home consumption would be higher of:
 - the transaction value, or
 - the value determined at the time of filing the into-bond bill of entry.

¹ Circular No. 3/1/2018-IGST dated 25 May 2018

² Section 7 (2) of IGST Act 2017

³ As per proviso to Section 5 (1) of IGST Act 2017

Clarification

The circular has clarified the following:

- IGST shall be levied and collected at the time of final clearance of the warehoused goods for home consumption.
- Value addition accruing at each stage of supply shall form part of the value on which IGST would be payable at the time of clearance.
- Supply of goods before their clearance from the warehouse would not be subject to the levy of IGST. It would be levied and collected only when the warehoused goods are cleared for home consumption from the customs bonded warehouse.
- The said circular would be applicable for supply of warehoused goods, while being deposited in a customs bonded warehouse, on or after 1 April 2018.

Our comments

The clarification issued by CBIC has addressed the issue of dual levy of IGST on goods supplied from a customs warehouse. It has also clarified on the point of collection of IGST and determination of value for the purpose of IGST in case of supply of warehoused goods. The circular is beneficial for the taxpayers and helps rule out the interpretational issues at the time of assessments.

However, there is no corresponding amendment to the IGST Act for not subjecting the supply of warehoused goods to IGST. Also, the circular does not clarify whether the supply of warehoused goods which are not subjected to IGST shall be treated as 'taxable supply' or 'exempt supply' for the purpose of input tax credit. Clarifications in this regard would be welcome.



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