



2. GST on Ocean Freight from Foreign Shipping Lines: What Exporters Need to Know About RCM Changes from 1st October 2023

Exporters in India frequently engage foreign shipping lines for ocean freight services to transport goods abroad. Understanding the Goods and Services Tax (GST) implications on such freight expenses is crucial, especially with recent amendments impacting the Reverse Charge Mechanism (RCM). This blog explains how the GST treatment on ocean freight paid to foreign shipping lines has changed effective **1st October 2023** and what exporters should keep in mind for compliance.

What Was the GST Position Before 1st October 2023?

Prior to the amendment, the GST law prescribed the **place of supply** of goods transportation services based on the **destination of goods**. As per **Section 13(9) of the IGST Act, 2017**:

"The place of supply of services of transportation of goods, other than by mail or courier, shall be the destination of such goods."

For ocean freight related to export shipments, the destination was outside India. Since both the supplier (foreign shipping line) and the place of supply were outside India, the service was not considered an "import of service." Therefore,

exporters were **not required to pay GST under the Reverse Charge Mechanism** on freight charges paid to foreign shipping lines.

What Changed From 1st October 2023?

Effective from **1st October 2023**, the Indian government omitted **Section 13(9)** of the IGST Act by way of **Notification No. 28/2023 – Central Tax, dated 31st July 2023**.

With this omission, the place of supply of transportation services is determined under the general rule prescribed in **Section 13(2) of the IGST Act**, which states:

“The place of supply of services shall be the location of the recipient of the services.”

Since the recipient (exporter) is located in India, the place of supply is now India. Consequently, the ocean freight service from a foreign shipping line is treated as an **“import of service”**, and GST on such freight is payable by the Indian importer/exporter under the **Reverse Charge Mechanism (RCM)**.

What Does This Mean for Exporters?

Aspect	Before 1st October 2023	From 1st October 2023 Onwards
Place of Supply	Destination of goods (Outside India)	Location of recipient (India)
GST Liability under RCM	Not applicable	Applicable
ITC Eligibility	Not eligible	Eligible (subject to conditions)

Compliance Checklist for Exporters Post Amendment

- **Self-Invoice:** Exporters must generate a self-invoice for the freight services received from foreign shipping lines under RCM.

- **GST Payment:** IGST on ocean freight must be paid by the exporter under RCM in the GSTR-3B return.
 - **Input Tax Credit:** Exporters can claim ITC on the IGST paid, which can be used for offsetting output tax or for claiming refunds, given exports are zero-rated supplies.
 - **Documentation:** Maintain all relevant documents including the foreign invoice, proof of payment, Bill of Lading, and the self-invoice issued under RCM.
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Conclusion

The amendment effective from **1st October 2023** significantly impacts exporters by bringing ocean freight services from foreign shipping lines under the ambit of GST Reverse Charge Mechanism. Exporters should ensure timely compliance with self-invoicing and GST payment requirements while leveraging ITC benefits to optimize their tax position.

For personalized guidance on GST compliance related to ocean freight or any other indirect tax matters, feel free to contact us.