

An order by the [Authority for Advance Rulings](#) (AAR) has sparked fears of [double taxation](#) under the [goods and services tax](#) (GST) for goods imported on the basis of cost, [insurance and freight](#) (CIF).

The AAR, Uttarakhand, has ruled that the importer will have to pay the [integrated GST](#) (IGST) on [CIF](#) value and also on the ocean freight component.

The issue before the AAR was whether the importer will have to pay the [IGST](#) on freight value, on the [reverse charge mechanism](#) (RCM), when the service provider and service recipient are outside India. Generally, the service provider has to submit the [GST](#) to the government, but under the RCM the buyer will have to do it.

Experts say this amounts to [double taxation](#) since the importer pays the [IGST](#) on [CIF](#) value.

While companies importing goods under the [GST](#) get input tax credit, those importing other goods such as crude oil may not get refunds and hence their [cost](#) will increase, said Abhishek Jain, partner, EY India.

The same issue is pending before various other courts. Even the constitutional validity of these provisions of the GST is being challenged.

Abhishek Rastogi, partner with Khaitan & Co, said: “The matters are pending before various courts to determine the constitutional validity of the provision *per se* because the Indian importer is not the service receiver at all.”

Statutory provisions say the service provider is liable to pay without appreciating that the importer in these cases is not the service receiver, he said.

[CIF](#) is different from free on board. While sellers assume responsibilities till goods are shipped to a particular destination or buyer, they are not responsible once the goods are shipped.

VALUE JUDGEMENT

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