
GST Advisory on Ocean Export Freight and Air Export Freight

Dear Forwarder,

The much awaited Notification in regards to amendment to Sec 12(8) of the IGST Act and Sec 13(9) of the IGST Act 2017. This was announced in the Finance bill of 2023 and the changes are effective from Oct 1, 2023 under Notification 28, 2023- Central Tax.

We are ready with all the necessary changes in our billing module and they will be effective from October 1. Below FAQs should help your team get ready for this change.

Kindly acknowledge this mail after discussing it with your tax consultant at the earliest.

Regards,
Team Shipmnts

1. What is the impact of the said Notification?

Please note the impact: the Place of supply of services by way of transportation of goods in case of export (air and ocean export) transaction shall be the location of the recipient of the invoice, irrespective of the place of destination of such goods (Proviso to Section 12(8) of the IGST Act has been omitted).

S.N	Particulars	Upto 30th September 2023	Effective 1st October 2023
1	Air Export Freight billed to a Local Customer	Place of Supply is the destination of the Goods. IGST needs to be charged as the destination of the export cargo is a place outside India.	Place of Supply is the location of the recipient of supply. If we are located in the same state where the recipient is located, then CGST and SGST need to be charged. If the customer and we are located in different states, then IGST needs to be charged (Entry Number 161 in the Finance Act 2023).

2	Air Export Freight billed to a Foreign Customer	Place of Supply is the destination of the Goods. IGST needs to be charged as the destination of the export cargo is a place outside India.	Place of Supply is the location of the recipient of supply. IGST needs to be charged(Entry Number 162 in the Finance Act 2023).
3	Ocean Export Freight billed to a local Customer	Place of Supply is the destination of the Goods. IGST needs to be charged as the destination of the export cargo is a place outside India.	Place of Supply is the location of the recipient of supply. If we are located in the same state where the recipient is located , then CGST and SGST need to be charged. If the customer and we are located in different states, then IGST needs to be charged (Entry Number 161 in the Finance Act 2023).
4	Ocean Export Freight billed to a Foreign Customer	Place of Supply is the destination of the Goods. IGST needs to be charged as the destination of the export cargo is a place outside India.	Place of Supply is the location of the recipient of supply. IGST needs to be charged (Entry Number 162 in the Finance Act 2023).

2. In October first week, if I am working on my backlog Invoices of September and in parallel we are working on October invoices how will system work?

Kindly note Ocean / Air Export Freight Invoices with Invoice Date prior to Oct 1 will automatically work under the Old GST Guidelines while Invoices dated Oct 1 or later will automatically work with the New Guidelines shared above. Basis invoice date system will auto apply the GST guidelines.

3. Can I raise a combined Freight and Local Charges Invoice for Air and Ocean Export Freight from Oct 1 Onwards?

Key advantage of the new change is that now you should be able to combine your Freight & Local charges Invoices which should benefit your billing team and your customers.

4. Should I notify my customers of this change?

We strongly recommend you notify your customers of this change.

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