M/s FAIRMACS SHIPSTORES PRIVATE LIMITED

Authority for Advance Ruling — Andhra Pradesh

AAR/AP/10(GST)/2018 Dated **20.08.2018**

Q Questions Before the Authority

- Whether the outward supplies of warehoused duty-free goods made to ocean going merchant vessels on foreign run, Indian Naval Ships and Indian Coast Guard Ships fall under 'exports' (zero rated) or not.

F Facts

The applicant holds a Special Warehouse License under Section 58(A) of the Customs Act, 1962, to supply duty-free stores. It imports goods such as cosmetics, toiletries, confectioneries, and cigarettes, keeping them in a special warehouse without payment of duty. These goods are supplied as stores to ocean-going merchant ships on foreign run, Indian Naval Ships, and Indian Coast Guard Ships following customs procedures. On remand from the Appellate Authority for Advance Ruling, the AAR considered whether these supplies qualify as exports under GST law.

H Ruling

Outward supplies to foreign-going merchant vessels, Indian Navy ships, and Indian Coast Guard ships	**Treated as exports**	Qualifies as zero-rated supply under Section 16 of the IGST Act, 2017

The Authority held that the applicant's outward supplies of duty-free stores to ocean-going merchant ships on foreign run, Indian Navy ships, and Indian Coast Guard ships will be treated as **'exports'** . Consequently, these supplies qualify as zero-rated supplies under Section 16 of the IGST Act, 2017.

R Reasoning

Section 88(a) of the Customs Act, 1962 provides that taking goods on board any foreign-going vessel as stores is substituted for exporting goods to a place outside India. Circular F.No. 21/31/63 dated 17.08.1966 read with Section 90 of the Customs Act, 1962 extends the treatment of foreign-going vessels to Indian Naval vessels for store consumption. Therefore, supplies made to foreign-bound merchant ships, Indian Navy ships, and Coast Guard ships constitute exports, which are treated as **'zero' rated supplies** under Section 16 of the IGST Act, 2017.

P Provisions Relied On

- Section 58(A) of the Customs Act, 1962
- Section 87 of the Customs Act, 1962
- Section 88(a) of the Customs Act, 1962
- Section 90 of the Customs Act, 1962

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Section 2(4) of the IGST Act, 2017	Section 2(5) of the IGST Act, 2017
Section 16 of the IGST Act, 2017	Circular F.No 21/31/63 dated 17.08.1966

! For the Practitioner

This ruling establishes that supplying duty-free ship stores from special customs warehouses to foreign-run merchant vessels, Defence/Navy ships, and Coast Guard ships qualifies as **exports** . Tax practitioners can apply this ruling to claim zero-rated benefit under Section 16 of the IGST Act for ship store suppliers operating under similar customs procedures.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> ap_10-2018_20.08.18_fairmacs_ship_stores.pdf

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