

M/s. The Bank of Nova Scotia

Authority for Advance Ruling — Tamil Nadu

Order No.23/AAR/2018 dated 31.12.2018

Q Questions Before the Authority

- Whether IGST is payable on Goods warehoused in FTWZ and supplied to a DTA unit, in addition to the customs duty payable [i.e. Basic Customs Duty(BCD) + IGST] on removal of goods from the FTWZ unit?
- Whether the Circular No. 46/2017 is applicable to the present factual situation?

F Facts

The applicant, a bullion bank, proposes to store imported gold and silver in a Free Trade Warehousing Zone (FTWZ) on behalf of its London branch. Upon receiving orders from Indian customers, the applicant intends to remove the goods from the FTWZ to the Domestic Tariff Area (DTA) by filing a Bill of Entry for home consumption and paying applicable customs duties. The applicant sought a ruling on whether an additional IGST liability arises on this transfer under the GST law.

H Ruling

IGST liability on removal from FTWZ to DTA	Not liable	Applicable for goods deposited on or after 01.04.2018
Applicability of Circular 46/2017	Not applicable	Superseded by Circular 3/1/2018-IGST for relevant period

The authority ruled that the applicant is not liable to pay IGST at the time of removal of goods from the FTWZ to the DTA in addition to the customs duties payable under the Customs Tariff Act. It further held that Circular No. 46/2017 is not applicable to the supply of warehoused goods deposited in an FTWZ on or after 01.04.2018.

R Reasoning

The authority relied on Circular No. 3/1/2018-IGST, which clarified that for goods deposited in a customs bonded warehouse on or after 01.04.2018, IGST is to be levied and collected only at the time of final clearance for home consumption under the Customs Act. It reasoned that the supply of goods while deposited in the warehouse is not subject to a separate levy of IGST, as the value addition is captured at the time of final clearance. Consequently, the removal from FTWZ to DTA is the point of deferred payment of customs duty, and no additional IGST under the GST Act is required.

P Provisions Relied On

Section 98 of the CGST Act, 2017

Section 5(1) and 7(2) of the IGST Act

Section 3(7) of the Customs Tariff Act, 1975

Circular No. 46/2017-Customs

Circular No. 3/1/2018-IGST

! For the Practitioner

This ruling provides **certainty for importers** using FTWZs, confirming that they do not face double taxation through an additional IGST levy on the transfer of warehoused goods to the DTA. It clarifies that the **deferred payment mechanism** under the Customs Act is the sole point of tax collection for such transactions. Practitioners should note this applies specifically to goods deposited on or after 01.04.2018.

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 -> tn-23-aar-2018.pdf

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