

## **Big Relief for Steamer Agents with GST 2.0**

The Government has announced GST 2.0 reforms, aimed at simplifying the tax system and resolving several long-pending issues faced by trade and industry.

In the 56th GST Council meeting, some of the major decisions were:

- Introduction of only two tax rates: 5% and 12% for most goods and services.
- Abolition of the 28% rate, with such items now taxed at 18%.
- Removal of Compensation Cess.
- These are being regarded as the biggest reforms after the landmark 1991 economic reforms, which had reshaped India's tax and trade structure by significantly reducing excise duties and liberalising the economy.

### **Long-Standing Issue for Steamer Agents**

Steamer Agents act as representatives of foreign shipping lines or vessel charters in India, providing facilitation and coordination services at ports. Since these services are provided in India but on behalf of foreign clients, they have been classified as **intermediary services** under GST.

For being classified as intermediary, these services were chargeable to GST and did not qualify as exports. This was solely because of the separate entry in the place of supply provisions under Section 13(8)(b) of the IGST Act, which deemed the place of supply of intermediary services to be the location of the supplier in India, overriding the default rule under Section 13(2).

Under the default rule, the place of supply of services is generally the location of the recipient. When a service is provided to a person located outside India, the place of supply is considered outside India, and, along with other conditions of Section 2(6) (supplier in India, payment in foreign currency), such services qualify as exports.

Because of Section 13(8)(b), this default rule did not apply to intermediary services.

#### **As a result:**

- Even when the recipient was located abroad and payment was received in foreign currency, these services were not treated as exports.
- GST became payable in India, and since the foreign recipient could not claim input tax credit, the tax turned into a cost burden.

This issue was not new, it had been a matter of dispute since the Service Tax regime and continued under GST, leading to litigation and industry hardship.

### **The Change under GST 2.0**

The GST Council has recommended the removal of Section 13(8)(b).

- After this amendment, intermediary services will follow the default place of supply rule, i.e., the location of the recipient.
- For Steamer Agents dealing with foreign shipping lines or vessel charters, the recipient is located outside India.

Hence, the place of supply shall be outside India, and such services will now qualify as exports.

### **Implications for Steamer Agents**

- Steamer Agency services provided to foreign principals will be treated as Export of service.
- These services can be supplied under a Letter of Undertaking (LUT) without charging GST.
- Refund of unutilised Input Tax Credit (ITC) can also be claimed.
- The overall cost of services for foreign clients will reduce.

### **Conclusion**

The removal of Section 13(8)(b) is a landmark reform and a long-awaited relief for intermediaries like Steamer Agents.

It settles a dispute continuing from the Service Tax era, ensures that India truly exports services and not taxes, and provides fair treatment to Indian service providers dealing with foreign principals.

For any clarifications or queries regarding these reforms, may reach out to CA Jagadeesh Kumar Balina at Ph: 9966552896 or via E-mail: [jagadeesh@vnnv.ca](mailto:jagadeesh@vnnv.ca)