

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,
CHENNAI 600 006.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND
UNDER SECTION 98(4) OF THE TNGST ACT, 2017

Members present:

Shri C. Thiyagarajan, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.	Shri B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 11/ARA/2026, dated 06.02.2026

1. *Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*

2. *In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-*

- (a) *On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.*
- (b) *On the concerned officer or the Jurisdictional Officer in respect of the applicant.*

3. *In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*

4. *Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*

5. *The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the Act) are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	33BKZPS4409P1Z5
Legal Name of Applicant	M/s. Rangasamy Saravanakumar
Trade Name of Applicant	M/s ARJUN KNIT WEAR
Registered Address/ Address provided while obtaining User id	D.No. 376 C, 1 st Floor, Town Survey No.6/2, R.Muthusamy and Brothers Industrial Complex, Palladam Road, Tiruppur – 641 604.
Details of Application	Submission of form under Advance Ruling ARA.No.21/2025 & dated 21.04.2025
Jurisdictional Officer	State – Tiruppur Division, Tiruppur-I Zone, Pongalur Assessment Circle Centre – Salem Commissionerate, Erode -I Division, Dharapuram II Range
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for A. Category B. Description (in brief)	A) Factory/Manufacturing B) Mr.Rangasamy Saravanakumar is involved in the garment industry, selling to both local and international customers. Exports are made under Delivered Duty Paid (DDP) terms, as per the requirements of foreign buyers. As a result, expenses such as ocean freight, insurance, foreign import duties, delivery charges, and other costs incurred abroad until the goods reach their destination are included in the invoice. Furthermore, these exports are carried out with IGST payments.
Issues on which advance ruling required	1.Applicability of a notification issued under the provisions of this Act. 2.Determination of time and value of supply of goods or services or both. 3.Determination of the liability to pay tax on any goods or services or both.
Question(s) on which advance ruling is required	1) When goods are exported with IGST payment, should the transaction value include reimbursed expenses such as ocean freight, insurance, foreign import duties, delivery charges, and other costs incurred abroad until the goods reach their destination under DDP terms, and should IGST be paid on these expenses?

	2) If IGST is applicable on the above-mentioned expense, can it be refunded in accordance with the provisions of the GST Act, 2017?
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M/s. ARJUN KNIT WEAR, carrying out activity under 'Factory/Manufacturing' category, and having its registered place of business at D.No. 376 C, Town Survey No.6/2, First Floor, R.Muthusamy and Brothers Industrial Complex, Palladam Road, Tiruppur, Tamil Nadu – 641 604, are registered with GST vide GSTIN 33BKZPS4409P1Z5.

2. The applicant has sought advance ruling on the following questions, viz.,

- i) When goods are exported with IGST payment, should the transaction value include reimbursed expenses such as ocean freight, insurance, foreign import duties, delivery charges, and other costs incurred abroad until the goods reach their destination under DDP terms, and should IGST be paid on these expenses?
- ii) If IGST is applicable on the above-mentioned expense, can it be refunded in accordance with the provisions of the GST Act, 2017?

3. Under the 'Statement of relevant facts having a bearing on the questions raised', the applicant has stated that costs such as ocean freight, insurance, foreign import duties, delivery charges, and other expenses incurred abroad until the goods arrive at their final destination are included in the invoice.

4. Under the 'Statement containing the applicant's interpretation of law and/or facts', the applicant has stated as follows :-

(I) Transaction value for Export: -

i) Delivery Duty Paid (DDP)

The International Chamber of Commerce (ICC) defines Delivered Duty Paid (DDP) under Incoterms 2020 as follows:

*"Means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller **bears all the costs and risks** involved in bringing the goods to the **place of destination** and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import, and to carry out all customs formalities"*

The definition clearly states that the seller is accountable for the goods until they reach the designated location. Therefore, the seller must bear all costs incurred during transit, including import duties, delivery charges, insurance, and freight.

ii) Section 15 Value of Taxable Supply: -

As per S.No.9 of Circular No.37/11/2018 – GST, it has been clarified that

“Zero rated supply of goods is effected under the provisions of the GST laws. An exporter, at the time of supply of goods declares that the goods are for export and the same is done under an invoice issued under rule 46 of the CGST Rules. The value recorded in the GST invoice should normally be the transaction value as determined under section 15 of the CGST Act read with the rules made thereunder. The same transaction value should normally be recorded in the corresponding shipping bill/ bill of export”.

The valuation of supply is determined in accordance with Section 15 of the CGST Act, 2017. The relevant extract is provided below.

“(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include –

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Service Tax (Compensation to States) Act, if charged separately by the supplier.

(b).....

(c) Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services”.

Therefore, according to the above provision, duties paid under foreign laws and incidental expenses such as insurance, freight, and other costs incurred under DDP terms, charged before the delivery of goods, must be included in the transaction value.

iii) Rule 33 value of supply of services in case of pure agent: -

The concept of pure agency excludes expenditures from the transaction value, provided all conditions under the pure agency concept are satisfied. The relevant extract is provided below,

“Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely,

(I).....

(II).....

(III).....

Explanation. – For the purpose of this rule, the expression “pure agent” means a person who

(a).....

(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply”

From the above, it is clear that an invoice must be issued in the recipient’s name to qualify for the benefits of the pure agency concept. In this case, since the invoices for import duty, freight and insurance are issued in the name of Arjun Knit Wear, the pure agency concept does not apply. Therefore, the import duty, other charges, freight, and insurance costs must be included in the value of the supply.

(II) Refund on Export with payment of tax: -

i) Section 16. Zero-rated supply. –

The refund for exports made with payment of IGST is governed by Section 16(3) of the IGST Act, 2017.

“(4) The Government may, on the recommendation of the Council, and subject to such conditions, safeguards and procedures, by notification, specify-

(i).....

(ii) a class of goods or services or both, on zero-rated supply of which, the supplier may pay integrated tax and claim the refund of tax so paid, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder.”

Though Notification No. 01/2023-Integrated Tax, dated 31st July 2023, the government has outlined a list of goods eligible for a refund on IGST paid for exports.

“all goods or services (except tobacco products) as the class of goods or services which may be exported on payment of integrated tax and the supplier of such goods or services may claim the refund of tax so paid”.

Therefore, in case of garment exports, a refund can be applied for the IGST paid on the transaction value, as outlined in Section 15, which qualified for a refund.

ii) Section 54. Refund of tax: -

Furthermore, Section 54(8) of CGST Act 2017 governs the refund of IGST paid on exports

“(8) Notwithstanding anything contained in sub-section (5), the refundable amount shall, instead of being credited to the Fund, be paid to the applicant, if such amount is related to-

(a) Refund of tax paid on export of goods or services or both or on inputs or input services used in making such exports.”

Therefore, as per Section 16 of the IGST Act 2017 and Section 54 of the CGST Act 2017, the IGST paid on exports, which refers to the tax paid on the transaction value, is eligible for a refund. Section 15 defines the transaction value to include duties paid under foreign laws and incidental expenses like insurance, freight and other costs incurred under DDP (Delivered Duty Paid) terms, charged before the delivery of goods. As a result, the GST paid on such duties and incidental expenses can be claimed as a refund under export with IGST payment.

iii) Rule 96. Refund of integrated tax paid on goods or services exported out of India.

According to the proviso of Rule 96(1)(b) of the CGST Rules 2017, the tax details provided in GSTR-1 should match the shipping bill in order for the refund to be processed.

“Provided that if there is any mismatch between the data furnished by exporter of goods in Shipping Bill and those furnished in statement of outward supplies in FORM GSTR-1, as amended in FORM GSTR-1A if any, such application for refund of integrated tax paid on the goods exported out of India shall be deemed to have been filed on such date when such mismatch in respect of the said shipping bill is rectified by the exporter;”

Under Rule 96(3) of the CGST Rules 2017, the tax paid as per GSTR-3B must align with the details in the shipping bill. Once the IGST amount matches, the amount corresponding to the IGST paid will be refunded.

“(3) Upon the receipt of the information regarding the furnishing of a valid return in FORM GSTR-3B from the common portal, the system designated by the Customs or the proper officer of Customs, as the case may be, shall process the claim of refund in respect of export of goods and an amount equal to the integrated tax paid in respect of each shipping bill or bill of export shall be electronically credited to the bank account of the applicant mentioned in his registration particulars and as intimated to the Customs authorities.”

Therefore, when the GST paid on the transaction value matches the details in GSTR-3B & GSTR 1 and the shipping bill, the IGST paid will be directly credited to the bank account. As a result, the IGST paid on freight, insurance, foreign import duties, and other charges can also be claimed as a refund.

Hence, any tax paid on the transaction value is eligible for a refund under the export with payment of GST scheme. This provision aligns with the fundamental principle that the Goods and Service Tax (GST) is consumption-based tax, meaning it is intended to be borne by the final consumer of goods or services.

In the case of exports, the recipient of the goods or services is located outside India and, therefore, does not fall within the domestic tax system. Since the exporter acts as a producer or supplier rather than the end consumer, the GST paid on exports is

not meant to create a financial burden on them. Instead, the tax is paid only as part of the export process to comply with procedural requirements.

To uphold the principle that GST should apply only to domestic consumption, the government ensures that any GST paid on exports is refunded to the exporter. This mechanism prevents double taxation and enhances the competitiveness of Indian goods and services in the global market. By refunding the GST paid at the export stage, the government reinforces its commitment to making exports tax-free, in line with international trade practices.

5.1 The applicant falls under the administrative jurisdiction of 'State', and State Tax Officer, Pongalur Assessment Circle, Tiruppur-I, vide their letter dated 11.09.2025 has stated that the value to be adopted shall be the transaction value as laid down under Section 15 of the Act, and conveyed that there no adjudication proceedings are pending in respect of the applicant.

5.2 Since, no remarks have been received from the Central GST jurisdictional Authority, it is construed that there are no pending proceedings against the applicant on the questions raised by them in their advance ruling application.

Personal Hearing

6.1 Mr. S. Harishankar, and Mr. S. Pradeep, Chartered Accountants, appeared for the personal hearing on 23.09.2025 as authorized representatives (AR) of M/s. Arjun Knit Wear.

6.2 They reiterated the submissions made under the Application for Advance Ruling filed by them. The AR furnished additional submissions during the PH containing the relevant legal provisions, a write-up on 'Incoterms 2020' by the International Chamber of Commerce and sample copies of purchase orders and invoices raised. They further added that they carry out exports under Delivery duty Paid (DDP) terms, as per which expenses such as ocean freight, insurance, foreign imports duties, delivery charges and other costs incurred abroad until the goods reach their destination are included in the price, and that these exports are carried out on payment of IGST.

6.3 When the Members enquired whether they act as a 'Pure Agent' in respect of the expenses incurred by them, the AR replied that they do not act as 'Pure Agent', as under the DDP model, the responsibility for delivery of goods including all costs and risks until the goods reach the buyer's designated location is with the applicant

and that they absorb all the expenses in their cost. To a specific query by the Members as to how the import duties at the customer's destination port is discharged, the AR stated that the applicant who is the supplier, also acts as the importer in this case, at the destination port. The Members then requested the AR to produce sample copies of the sequential documents involved in the instant case, which the AR undertook to produce in a couple of days' time. As undertaken, the applicant furnished copies of the 'Entry Summary' issued by the Department of Homeland Security, U.S. Customs and Border Protection, through e-mail dated 11.10.2025

Discussions and Findings

7.1 To begin with, we observe that for the purposes of payment of IGST in respect of supplies in relation to home consumption or for export of goods, the value of supply of goods is liable to be determined under Section 15 of the CGST Act, 2017, read with Section 20 of the IGST Act, 2017. The relevant provisions of Section 15 of the CGST Act, 2017, reads as –

“15. Value of Taxable Supply— (1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include—

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;

(b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

(c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;

(d) interest or late fee or penalty for delayed payment of any consideration for any supply; and

(e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.”

7.2 From the above, it becomes clear that as per the provisions of Section 15(1) of the CGST Act, 2017, the value of taxable supply shall be the **‘transaction value’** which is (i) the price actually paid or payable for the said supply, (ii) where the supplier and the recipient are not related, and (iii) price is the sole consideration for the supply. Further as per clause (c) to Section 15(2) of the Act, *ibid*, the *‘incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both **at the time of, or before delivery** of goods or supply of services’*, are liable to be included in the value of supply.

7.3 The terms of sale as agreed upon in the instant case, is reported to be on DDP (Delivered Duty Paid) terms, where the supplier undertakes to deliver the goods at the doorstep of the recipient and assumes responsibility to bear all costs until the goods reach their destination. Accordingly, when the Members enquired during the personal hearing as to whether they act as a ‘Pure Agent’ in respect of the expenses incurred by them, the AR replied that they do not act as ‘Pure Agent’, as under the DDP model, the responsibility for delivery of goods including all costs and risks until the goods reach the buyer’s designated location is with the applicant and that they absorb all the expenses in their cost. Further, to a specific query by the Members as to how the import duties at the customer’s destination port is discharged, the AR stated that the applicant who is the supplier, also acts as the importer in this case, at the destination port. Since all the expenses before delivery of goods at the buyer’s designated location are incurred by the supplier and are intended to be charged on the recipient, we are of the considered opinion that all such charges including reimbursed expenses such as ocean freight, insurance, foreign import duties, delivery charges, and other costs incurred abroad until the goods reach their destination under DDP terms, are liable to be included in the value of taxable supply for the purpose of payment of IGST on export of goods in terms of Section 15 of the CGST Act, 2017, read with Section 20 of the IGST Act, 2017.

7.4 At this juncture, it becomes imperative to make it clear that valuation for the purposes of GST and that of Customs are on a different footing, since the valuation of goods for export as prescribed under Section 14 of the Customs Act, 1962, is contemplated for delivery at the time and place of exportation, and it reads as,

“14. Valuation of goods.—(1) For the purposes of the Customs Tariff Act, 1975 (51 of 1975), or any other law for the time being in force, the value of the imported goods and export goods shall be the transaction value of such goods, that is to say, the price actually paid or payable for the goods when sold for export to India for delivery at the time and place of importation, or as the case may be, for export from India for delivery at the time and place of exportation, where the buyer and seller of the goods are not related and price is the sole consideration for the sale subject to such other conditions as may be specified in the rules made in this behalf.”

7.5 The CBIC in para 9 of its Circular No.37/11/2018-GST dated 15.03.2018, has come up with a clarification on the said issue, which reads as :-

“9. Discrepancy between values of GST invoice and shipping bill/bill of export: *It has been brought to the notice of the Board that in certain cases, where the refund of unutilized input tax credit on account of export of goods is claimed and the value declared in the tax invoice is different from the export value declared in the corresponding shipping bill under the Customs Act, refund claims are not being processed. The matter has been examined and it is clarified that the zero rated supply of goods is effected under the provisions of the GST laws. An exporter, at the time of supply of goods declares that the goods are for export and the same is done under an invoice issued under rule 46 of the CGST Rules. The value recorded in the GST invoice should normally be the transaction value as determined under section 15 of the CGST Act read with the rules made thereunder. The same transaction value should normally be recorded in the corresponding shipping bill / bill of export.*

9.1 During the processing of the refund claim, the value of the goods declared in the GST invoice and the value in the corresponding shipping bill / bill of export should be examined and the lower of the two values should be sanctioned as refund.”

Accordingly, it could be seen that there exists a discrepancy between the valuation provisions as prescribed under the Customs Law, when compared to the GST Law. While acknowledging the aforesaid discrepancy, it is to be noted that under such circumstances, the instructions spelt-out in para 9.1 above is to be followed.

7.6 With regard to the second query raised by the applicant, viz., “If IGST is applicable on the above-mentioned expense, can it be refunded in accordance with

the provisions of the GST Act, 2017?”, we observe that the same relates to ‘refund’ of IGST taxes paid on export of goods. In this regard, we note that the specific category of questions on which an advance ruling can be sought, shall be in respect of clauses from (a) to (g) of the Section 97(2) of the CGST Act, 2017, which read as under :-

“(2) The question on which the advance ruling is sought under this Act, shall be in respect of,—


- (a) classification of any goods or services or both;*
- (b) applicability of a notification issued under the provisions of this Act;*
- (c) determination of time and value of supply of goods or services or both;*
- (d) admissibility of input tax credit of tax paid or deemed to have been paid;*
- (e) determination of the liability to pay tax on any goods or services or both;*
- (f) whether applicant is required to be registered;*
- (g) whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.”*

From the above, it may be seen that matters pertaining to ‘refund’ are outside the purview of the Authority for Advance Ruling, and as such any question on the same is not liable for admission and is not required to be answered by this forum.


8. In view of the above, we rule as under:

Ruling

1. All the expenses incurred by the applicant under DDP terms until the goods reach the buyer’s destination including the expenses of reimbursable nature, are liable to be included in the value of taxable supply for the purpose of payment of IGST on export of goods in terms of Section 15 of the CGST Act, 2017, read with Section 20 of the IGST Act, 2017.
2. Query No.2 in relation to ‘Refund’, is not required to be answered, in view of the reasons discussed in para 7.6 above.


(B. Suseel Kumar)
Member (SGST)




(C. Thiyagarajan)
Member (CGST)

To

M/s. Arjun Knit Wear,

D.No. 376 C, 1st Floor, Town Survey No.6/2,
R.Muthusamy and Brothers Industrial Complex,
Palladam Road, Tiruppur – 641 604.

(By Speed Post)

Copy submitted to :

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3. The Commissioner of GST and Central Excise,
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1. The State Tax Officer,
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2. Stock File – A1.