



Web Desk

FW: Clarifications on various issues for export sector under GST

From: FIEO
Sent: Friday, July 7, 2017 2:17 PM
To: INFO
Subject: Clarifications on various issues for export sector under GST



ISO 9001 : 2008 Certified

FEDERATION OF INDIAN EXPORT ORGANISATIONS

(Set up by Ministry of Commerce, Government of India)

फेडरेशन आफ इंडियन एक्सपोर्ट आर्गनाइजेशन्स
 (वाणिज्य मंत्रालय, भारत सरकार द्वारा स्थापित)

Niryat Bhawan, Rao Tula Ram Marg, Opp. Army Hospital Research & Referral, New Delhi-110057 (India)

Phone: +91-11-46042222, 26150101-04. Fax: +91-11-26148194

Email: fieo@nda.vsnl.net.in, fieo@fieo.org

www.fieo.org

To,
 MR. RAVI UDAY BHASKAR
 DIRECTOR GENERAL
 PHARMACEUTICAL EXPORT PROMOTION COUNCIL
 HYDERABAD

7th July, 2017

Dear Members,

We have received a large number of queries from members with regard to GST. While we are trying our level best to respond to all the queries, we thought that it is better that clarifications may be issued to all members so that similar issues faced by them may be addressed upfront. Let me touch on some of the important issues :-

1. FIEO is constantly in touch with GST Authorities to resolve the issues with regard to bond/LUT which needs to be executed for seeking exemption from IGST on exports. Our endeavor has been to cover large number of exporters under LUT facility so that no additional cost is attached to exporters who are already facing liquidity crunch under the new regime which envisages refund as against upfront exemption available earlier. The bond/LUT would either be a running bond or an annual bond so that the need for repetitive bond for each consignment may be dispensed with. We are expecting a Notification to address all concerns regarding bond/LUT by tomorrow.
2. There is some confusion with regard to procurement of goods by merchant exporters. If the manufacturer is raising invoice on merchant exporter, such transaction will be treated as domestic transaction, subject to GST, even if goods directly move to port for exports. Only in cases, where merchant or manufacturer export goods with invoice in favour of an overseas buyer, exemption from IGST may be claimed by the merchant/manufacturer (supplier) against execution of bond/LUT.
3. There is some misconception with regard to claiming of IGST or refund of unutilized Input Tax Credit on exports. Let me clarify both types of refund:-

A. The exporter has the option to pay IGST on the export product. He can utilize the input tax credit while paying IGST on the exports and claim a refund of the IGST amount upon exports. For example, if exporter is exporting goods for USD 10,000 and based on the RBI Reference Rate, the said amount in Indian Rupees comes to Rs.6,40,000/- (1 USD=Rs.64), assuming IGST rate of 18% on export goods, the IGST payable

amount comes to Rs.1,15,200/-. Assuming the exporter has Rs.55,000/- as Input Tax Credit available with him, he may adjust the same and pay Rs.60,200/-(Rs.1,15,200 – Rs.55,000) in cash. In such cases, exporter would be eligible for IGST refund of Rs.1,15,200/- which will be credited to his bank account without an application, as per the procedure prescribed in Rule 96 of CGST Rules 2017.

B. The exporter avails exemption from IGST on exports against execution of bond/LUT and in such scenario, the exporter would be entitled for refund of unutilized ITC as per the given formula which reads as under:-

Refund Amount = (turnover of exports of goods & services) x net ITC availed during the relevant period/
(divided by)adjusted total turnover

Therefore, if an exporter exports goods worth Rs.10,00,000/- in July, 2017 while his total turnover is Rs.15,00,000/- in July, 2017 and assuming his net ITC is Rs.1,50,000/- in July,2017. In such case, the exporter would be eligible for unutilized ITC of Rs.1,00,000/-. $(10,00,000/15,00,000 \times 1,50,000)$

4. It is also clarified that exporter can issue separate invoices : for GSTN purposes and commercial invoice. The shipping bill captures both the GSTN value and commercial value. While preparing the GSTN invoice, the mandatory information, as communicated by us in our email of 28th June, 2017, should be followed. Let it be clarified that there is no standard format of invoice but all the information as mandated in under Rule 46 of CGST (second amendment) Rules 2017 as amended should be incorporated in the Invoice.

5. Wherever the export contract is in CIF or C&F or in any other Inco terms, the exporter is required to arrive at the FOB value for payment of IGST. The IGST is to be paid on FOB basis. For example, if exporter gets a C&F order of USD 10,000 and assuming the freight to be USD 1,000, the IGST would be paid at USD 9,000 only. The amount has to be calculated in Indian Rupees as per the RBI Reference Rate before applying the IGST applicable to the product. The freight amount may differ from the freight actually paid but since IGST refund is available for exports, such variation may be ignored by authorities.

6. There is some confusion with regard to procurement of inputs from the unregistered supplier. On supply from unregistered supplier, the GST is to be paid on Reverse Charge Mechanism (RCM). Such payment has to be made in cash only and it can't be adjusted from ITC. In such scenario, the exporter can claim the GST paid on RCM either through the refund formula or can use such ITC while paying IGST on export goods.

7. No Input Tax Credit (ITC) will be available to exporters while purchasing any inputs from a supplier who is under composition levy.

8. In respect of third party exports even when the goods are exported by manufacturer exporter on behalf of the third party, the responsibility of realizing foreign exchange lies with the third party. The manufacturer, in such cases, will raise an invoice on the third party. This being domestic transaction would be subject to GST.

9. In case exporter receives advance from a foreign buyer, the same shall not be subject to GST and thus no tax should be paid on such advances.

10. There is confusion with regard to air/sea freight on exports. Attention is invited to Section 12(8) of the IGST Act which clarifies that "the place of supply of services by way of transportation of goods to a registered person shall be location of such person in case where location of supplier and recipient is in India". Therefore, as per this clause, GST would be payable in such cases. However, where the location of supplier or location of recipient is outside India, the place of supply as per Section 13(9) of IGST Act shall be the place of destination of such goods. Since the destination of export goods is outside India, no GST would be payable in such cases.

The above clarifications, from FIEO, are intended for guidance purpose only. Members may seek expert advice from tax consultants/lawyers/CAs before taking a commercial decision.

Regards,

Sd/-

Dr. Ajay Sahai
Director General & CEO

FIEO sent this email to you at info@pharmexcil.com as part of FIEO's Member Email Newsletter distribution.

To unsubscribe from this email, please goto [Unsubscribe section](#) on our website.

Please note that it may take up to 14 days to process your request. Visit our [Privacy Policy](#) if you have any questions.