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Sub: Customs – introduction of the Goods and Services Tax (GST) w.e.f 01.07.2017
– related changes in customs law and procedure w.e.f 01.07.2017 - Reg.

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Attention of all Exporters/ Importers/ Customs brokers/ members of Trade and all other stakeholders is invited to the scheduled **introduction of the Goods and Services Tax (GST)** w.e.f 01.07.2017.

2. Implementation of GST also impacts Customs in several ways, as the Integrated Goods and Services Tax (IGST) would begin to be levied on the imports from the very first day, the credit of which would be available to the importers. Similarly, the refund on export of goods is contingent upon filing of (a) Shipping Bill accompanied by the GST Invoice and (b) export general manifest. Changes in the customs law and procedures are also accompanied by changes in the EDI system for effectively implementing the IGST law from 01.07.2017. The changes are broadly in the following areas:

- **Levy of duties** – IGST and Compensation Cess(wherever applicable) to be levied on imports.
- **Change in Bill of Entry and Shipping Bill Forms** – To capture additional details required for validation with GSTN in case of IGST refund claims(export) or availability of IGST Credit (import).
- **Procedure in respect of manual filing of Bills of Entry and Shipping Bills** – To electronically capture basic data required for validation with GSTN on imports and exports.

Readiness of the Customs administration and trade is therefore crucial for the smooth roll-out of GST. Some of the salient features of the GST-related changes in Customs are outlined below for information and guidance of all concerned.

3. Levy of Duties :-

3.1 Sub-section (1) of section 5 of the Integrated Goods and Services Tax Act, 2017¹ states that -

"Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act² and at such rates, not exceeding forty percent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person:

Provided that the integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of Customs are levied on the said goods under section 12 of the Customs Act, 1962."

3.2 Thus, with effect from 01.07.2017, all imported goods shall attract IGST (and compensation cess, wherever applicable) in addition to the Customs duties such as Basic Customs Duty etc. However, the levy of CVD and SAD shall cease to exist on imported goods other than those on which Central Excise Duty/VAT continues to be levied even in the new regime. In this regard necessary amendments have been made in section 3 of the Customs Tariff Act, 1975 vide the Taxation Laws (Amendment) Act, 2017 (18 OF 2017) dated the 4th May, 2017 (**copy enclosed**) wherein under sub-section(7), sub-section (8), sub-section (9) & sub-section (10) of section 3 of the Customs Tariff Act, 1975, it has been provided as below:

(7) Any article which is imported into India shall, in addition, be liable to integrated tax at such rate, not exceeding forty per cent, as is leviable under section 5 of the Integrated Goods and Services Tax Act, 2017 on a like article on its supply in India, on the value of the imported article as determined under sub-section (8).

¹Full text available on the official website of CBEC www.cbec.gov.in

²Full text available on the official website of CBEC www.cbec.gov.in

(8) For the purposes of calculating the integrated tax under sub-section (7) on any imported article where such tax is leviable at any percentage of its value, the value of the imported article shall, notwithstanding anything contained in section 14 of the Customs Act, 1962, be the aggregate of-

(a) the value of the imported article determined under sub-section (1) of section 14 of the Customs Act, 1962 or the tariff value of such article fixed under sub-section (2) of that section, as the case may be; and

(b) any duty of customs chargeable on that article under section 12 of the Customs Act, 1962, and any sum chargeable on that article under any law for the time being in force as an addition to, and in the same manner as, a duty of customs, but does not include the tax referred to in sub-section (7) or the cess referred to in sub-section (9).

(9) Any article which is imported into India shall, in addition, be liable to the goods and services tax compensation cess at such rate, as is leviable under section 8 of the Goods and Services Tax (Compensation to States) Cess Act, 2017³ on a like article on its supply in India, on the value of the imported article as determined under sub-section (10).

(10) For the purposes of calculating the goods and services tax compensation cess under sub-section (9) on any imported article where such cess is leviable at any percentage of its value, the value of the imported article shall, notwithstanding anything contained in section 14 of the Customs Act, 1962, be the aggregate of-

(a) the value of the imported article determined under sub-section (1) of section 14 of the Customs Act, 1962 or the tariff value of such article fixed under sub-section (2) of that section, as the case may be; and

(b) any duty of customs chargeable on that article under section 12 of the Customs Act, 1962, and any sum chargeable on that article under any law for the time being in force as an addition to, and in the same manner as, a duty of customs but does not include the tax referred to in sub-section (7) or the cess referred to in sub-section (9).

3.3 Customs ICES 1.5 application is also being modified accordingly.

4. Changes in Bill of Entry and Shipping Bill Forms:

4.1 Since new provisions for levy of IGST and GST compensation cess on imports have been introduced under the Customs Tariff Act, 1975, Bill of Entry, Shipping Bill and Courier Regulations and Forms, both Manual and EDI, have been suitably modified and all such

³Full text available on the official website of CBEC www.cbec.gov.in

modified forms are available on the official website of CBEC www.cbec.gov.in under heading of "Public Information". All importers, exporters, Customs Brokers, Customs clearance software providers and other stakeholders are advised to make themselves familiar with the modified Forms. It is emphasized that other than the changes in the declaration, rest of the procedure with regard to clearance of imports and exports would remain the same.

4.2 EDI Bill of Entry:

4.2.1 It may be noted that with the introduction of GST, information in the Bill of Entry would be reconciled with their returns filed on GSTN. Accordingly, credit claimed in their GST Return in respect of IGST paid on imports would be cross-checked with the Customs EDI system. Therefore, with effect from 01.07.2017, **it would be mandatory for the importers to declare their GSTIN, i.e., the GST registration number on the Bill of Entry if they wish to claim the credit of the IGST paid on the imported goods.** Importers not registered with GSTN will be required to declare their PAN along with their state code as per the Census of India. This is required for transfer of the IGST paid by the non-GST importers to the account of the "consumption" state. Diplomatic organizations or UN bodies can quote their UIN issued by GSTN on the Bill of Entry. In this regard, DGFT has also issued Trade Notice No. 09/2017 dated 12.06.2017⁴ wherein it has been indicated that with regard to importer/exporter registered with GSTN, importer/exporter would need to declare only GSTIN at the time of import and export of goods and the importers who are not registered under GST would use their PAN for imports. Changes have been made in the Bill of Entry forms to capture details like GSTIN, PAN, State code etc. of the importer. Similar changes will also be incorporated for imports at SEZ and imports through Courier. In case of Courier, GSTIN for GST registered consignees or PAN for non-GST registered consignees, as applicable, has to be quoted in the bill of entry filed by the Courier agency, wherever goods are subject to IGST. For the time being, importers/exporters are advised to declare GSTIN, PAN and IEC while filing document for import/export of goods. However, over a period of time, declaration with regard to only GSTIN and PAN shall be required in the Bill of Entry.

4.2.2 For calculating the IGST or compensation cess, chapter-wise, rate-wise GST schedule, IGST exemption, concession list and GST Compensation Cess rates are already available on the official website of CBEC. In this regard, notifications for (a) levy and (b) exemption shall be issued by CBEC shortly. The importer shall have to quote the relevant

⁴in this regard, please also refer to Public Notice No 5 dt. 07.06.2017 and 6 dt.19.6.2017 issued by this Commissionerate

number of the levy notification as well as the exemption notification (wherever applicable) in respect of each imported item for application of correct rate. The IGST and Compensation Cess notifications directories are being developed in the EDI system to automatically calculate the levy on imported goods. The total IGST and Compensation Cess paid will be published on every Bill of Entry which can be quoted by the importer to claim the corresponding credit in the GST return.

4.3 EDI Shipping Bill:

4.3.1 The Integrated Goods and Services Tax Act, 2017, under section 16 provides that export of goods shall be zero rated supply and credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply. The section further lays down that a registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely:

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilized input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied.

4.3.2 Under the GST Laws, taxpayers would be filling their outward supply returns on GSTN for all the supplies made by them including exports. For the exports, they will be required to quote the Shipping Bill and export invoice details in the GST return. The information provided in the return with regard to export of goods shall be validated by Customs EDI system. The confirmation of the export details by Customs shall be made once the EGM is filed. The taxpayer (exporter) shall be granted refund of the IGST paid by him on the exported goods based on the validation by Customs EDI system. This validation shall also act as the proof of export in case the exporter has made the supply under bond or LUT without payment of IGST.

4.3.3 In order to facilitate proof of export, Shipping Bill forms have also been modified to capture details such as GSTIN of the exporter, GST export invoice number etc. The exporter shall have to declare item-wise taxable value and corresponding IGST on the Shipping Bill. All these details will be used to validate the declarations made by the exporter on the GST return to confirm export.

4.4 For the time being, importers/exporters are advised to declare GSTIN, PAN and IEC while filing document for import/export of goods. However, over a period of time, declaration with regard to only GSTIN and PAN shall be required in the Shipping Bill.

4.5 **Manual Bill of Entry and Shipping Bill:** Instructions have separately been issued to the field formations.

5. All concerned are advised to thoroughly familiarise themselves with the above changes.

6. Further changes in the customs law and procedures, if any, will be communicated.

7. Difficulties, if any, may be brought to the notice of this office.

Encl: As above


(Bankey Behari Agrawal)
Principal Commissioner

To

All (As per distribution list)

Copy submitted for information to:

The Chief Commissioner of Customs, Central Excise & Service Tax, Hyderabad Zone, Hyderabad for information.

Copy to:

All Additional / Deputy /Assistant Commissioners of Customs, Hyderabad.

Hqrs.(Tech) for display at Notice Board.

The Superintendent Systems for posting on the Departmental website.