

## **FAQs on export and FTP related issues of GST**

The emails and tweets received by DGFT were scrutinized and developed into a short FAQ. It should be noted that the tweets received or the replies quoted are only for educational and guidance purposes and do not hold any legal validity.

### **1-Has DGFT/ Department of revenue issued any clarification to explain implication of GST on FTP schemes/ exports/ imports?**

**I-DGFT has issued Trade Notice No 11 on June 30, 2017.**

Please see the following link:

<http://dgft.gov.in/Exim/2000/TN/TN17/Trade%20Notice%20No.11%20dt.30.06.2017.pdf>

**II-DOR has issued a guidance note on imports-exports.** Please see the following link:

<http://www.cbec.gov.in/resources//htdocs-cbec/guidnce-note-imprtrs-exprtrs.pdf;jsessionid=64B4B7C8DC1C02885DFAB663533AAA5E>

### **2. What is the definition of exports under the GST?**

- Exports of goods means taking goods out of India to a place outside India. (Section 2(5) of IGST Act.)

### **3. What categories of supplies have been covered as the Zero rated supplies under the IGST Act?**

-“Zero rated supply” under Section 16 of the IGST Act, 2017 means any of the following supplies of goods or services or both, namely:

- (a) export of goods or services or both; or
- (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

### **4. Can an exporter get exemption from the payment of GST on the export product?**

- An exporter would get exemption from the payment of GST on the final product and get refund of GST paid on inputs.

### **5. What are the GST refund options available to the exporters?**

- An exporter would be eligible to claim refund under one of the following two options, namely -

(a) He may export under bond, without payment of IGST and claim refund of unutilized input tax credit in;

(b) He may export on payment of IGST and claim refund of IGST paid on goods and services exported.

The SEZ developer or SEZ unit receiving zero rated supply can claim refund of IGST paid by the firm making supply to SEZ.

## **6. What is the time line for obtaining refund on the GST paid?**

-Refund on account of export

I. For 90% of the total amount claimed as refund excluding the amount of input tax credit, provisional refund will be granted within 10 days of making of application or within 7 days of issuance of acknowledgement of the application.

II. Refund of the balance 10% will be granted after verification of documents furnished by the applicant

## **7. What type of duties can be paid using MEIS or SEIS scrips now? Can we use these scrips to pay GST?**

-For items covered under the GST, scrips can be used for payment of Basic Custom Duty, Safeguard Duty, Transitional Product Specific Safeguard Duty, and Antidumping Duty.

For items not covered under the GST (specified in Fourth Schedule to Central Excise Act 1944 covering specified petroleum products, tobacco etc.), in addition to the Basic Custom Duty, Safeguard Duty, Transitional Product Specific Safeguard Duty, and Antidumping Duty, scrips can also be used for payment of duties like central excise, CVD/ SAD.

The scrips cannot be used for payment of any type of GST.

## **8. Where can I find HS code, GST rates for my product?**

-Please see the following links

### **I-HS codes-**

<https://www.icegate.gov.in/Webappl/Trade-Guide-on-Imports>

### **II-GST rates-**

<http://www.cbec.gov.in/resources//htdocs-cbec/gst/chapter-wise-rate-wise-gst-schedule-03.06.2017.pdf>

### **III-IGST Rates for Goods**

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/Notification%20for%20IGST%20rate%20Schedule-1.pdf>

### **9. Can the EOUs continue to get duty free supplies from domestic market?**

-An EOU will have to pay the applicable GST on the import or domestic sourcing of inputs (goods or services).

### **10. Will the exemptions, available to 100% EOUs & SEZs in the pre GST regime would continue ?**

#### **-SEZs**

No change in the operation of the SEZ scheme.

SEZs can continue to import raw materials without payment of any duty. Supplies to SEZs would also be treated as Zero rated supplies.

#### **EOUs**

##### **(i) Imports by EOUs**

The EOUs will continue to get exemption from payment of the basic Customs Duty, however they will have to pay IGST on imports.

- On the IGST paid on import of inputs, ITC would be available which can be utilized for payment of GST payable on the goods cleared in the DTA. Refund of the unutilized ITC can also be claimed under Section 54(3) of CGST Act.
- The facility of duty free import of capital goods under the Procurement Certificate procedure will not be available. To import capital goods at zero duty, EOUs will have to follow procedure under of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.

##### **(ii) Supplies to EOUs**

Suppliers to EOU will pay normal GST as they would pay while supplying to a domestic unit. An EOU can take Input Tax Credit (ITC) of the GST paid while taking domestic supplies and same can be used for payment of GST on finished goods cleared in DTA.

##### **(iii) DTA sale**

DTA sale shall be subject to fulfillment of the following conditions:

- fulfillment of positive NFE
- payment of applicable GST on product under DTA sale
- Reversal of the BCD exemption availed on the inputs used in the manufacture of products under DTA sale. The reversal of BCD would be as per Standard Input Output norms published by the DGFT or norms fixed by Norms Committee of DGFT (where no SION is fixed).
- Refund of any benefits taken on procurement of inputs from DTA under Chapter 7 of FTP and used in the manufacture of products under DTA sale.

##### **(iv) Inter Unit Transfers**

Supply of goods from one EOU to another EOU (inter-unit transfer) will require payment of applicable GST. The BCD exemption availed on inputs by the supplier EOU, utilized in such transferred goods would have to be reversed by the recipient EOU at the time clearance of such goods in DTA. Same provisions apply on sending of Goods for Job work.

**(v) Exempt products**

For GST exempt Goods like Petroleum products, the existing provisions provided under notification no. 52/2003-Cus, notification no. 22/2003-CE and Notification no. 23/2003-CE will continue to apply for import, domestic procurement and domestic clearance respectively.

**11. How to update GST number in IEC?**

-There is no need to update or incorporate the GSTIN in the IEC. However, it is informed that all IECs issued with effect from 1.07.2017, would reflect PAN as IEC.

**12. Under GST regime, can we get duty free benefit (all duties exempted) if we import using Advance authorization or EPCG?**

-Under GST regime, both the Advance Authorization and EPCG holders would continue to get the exemption from payment of the Basic Customs Duty, Safeguard Duty, Transitional Product Specific Safeguard Duty, and Antidumping Duty. And for items specified in Fourth Schedule to Central Excise Act 1944 (specified petroleum products, tobacco etc.) exemption from Additional C Duty leviable under Sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 will also be available.

However there is one major change. Now an Advance Authorisation holder will have to pay IGST at the time of imports. He can take input Tax Credit (ITC), and after export, claim refund of any unutilized input tax credit at the end of tax period.

The EPCG holder also will have to pay IGST at the time of imports and take input Tax Credit (ITC) on the duty paid. He cannot claim refund of any unutilized input tax credit after the exports.

**13. Will Invalidation and ARO be available under Advance Authorisation or EPCG scheme post GST implementation?**

**ARO**

For items covered under the GST, No Advance Release Order (ARO) facility will be available in Advance Authorisation and EPCG scheme.

For items not covered under the GST (Listed in the Schedule 4 of Central Excise Act, 1944 read with The Taxation Laws (Amendment) Act 2017 No 18 of 2017, with effect from July 1, 2017) ARO would be available.

**Invalidation**

Invalidation facility will be available for both Advance Authorisation and EPCG schemes, but applicable *GST* would need to be paid while making local procurement, using an invalidation letter.

Input Tax Credit (ITC) of the GST paid on such local procurement can be availed *as per CGST Rules 2017*. Please also refer to DGFT Trade Notice No.11/2018 dated 30.06.2017.

#### **14. Do we need to register for VAT?**

-You need to register only with GSTN and obtain GSTIN.

#### **15. Is cess on customs duty to be paid on imports under GST regime?**

-Education cess and Compensation cess would be applicable on imports

#### **16. Will IGST be refunded for Capital Goods imported under EPCG scheme?**

-The EPCG holder also will have to pay IGST at the time of imports and take input Tax Credit (ITC) on the duty paid. He cannot claim refund of any unutilized input tax credit after the exports.

#### **17. Will Deemed export drawback and TED refund be available under GST regime for deemed exports?**

The following provisions would apply under the GST regime for the deemed exports in relation to the refund of the Terminal Excise Duty (TED) and Drawback (DBK).

1. No TED refund would be available as the central excise duty is subsumed under the GST.

However, for the items covered under Schedule four of Central Excise Act, 1944, the TED refund would be available, provided the items are eligible for supply under the said category of the deemed exports under chapter 7 of the FTP, and there is no exemption from payment of excise duty.

2. The drawback as provided under Chapter 7 would be limited to the refund of basic custom duty only.

#### **18. Whether balance import quantities under Advance Authorisations issued before 01.07.2017 can be utilised after 01.07.2017? And, will there be any implications on export obligation?**

-The balance import quantities under Advance Authorisations can be utilised for duty free import but only Basic Customs Duty will be exempted on import after 01.07.2017. The applicable IGST will be required to be paid. There will be no implication on export obligation of Advance Authorisations.

**19. Whether balance import quantities under EPCG issued before 01.07.2017 can be utilised after 01.07.2017? And, will there be any implications on export obligation?**

-The balance import quantities under EPCG can be utilised for duty free import but only Customs Duties will be exempted on import after 01.07.2017. The applicable IGST will be required to be paid. Since the export obligation is based on actual duty saved amount, the EO will be accordingly adjusted.

**20. In the IGST regime, whether a separate IEC number would be allotted to each regional office?**

-No.