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Relief Package for Exporters – Recommendations of the 22nd GST Council Meeting.

The GST Council under Chairmanship of Union Finance Minister Shri Arun Jaitley has in its 22nd Meeting held at Delhi today approved a major relief package for exporters.

Mindful of the difficulties faced by exporters post-GST leading to a decline in export performance and export competitiveness, the Council had last month set up a high power Committee on Exports under Revenue Secretary Shri Hasmukh Adhia to recommend suitable strategies for helping this sector. This Committee had five senior Government functionaries from the Centre and an equal number from the States as members.

After wide ranging discussions with major Export Promotion Councils including FIEO, AEPC, GJEPC, EEPC, CLE, CHEMEXIL, PARMAEXCIL and Handicrafts EPC etc. and interacting with all stakeholders the Committee presented its recommendations to the Council today.

The Council identified the major difficulties constraining the export sector are on account of delays in refunds of IGST and input taxes on exports and working capital blockage as exporters have to upfront pay GST on inputs and capital goods for export production or for procuring goods for export. Another difficulty was that the duty credit scrips such as MEIS was losing value due to its reduced usability as it could no longer be used to pay IGST / GST.

The Council was unanimous that it is in the national interest to take all possible measures to support the exporting community, which earns valuable foreign exchange and provides significant employment especially in the small and medium sector. Accordingly, the Council approved the following package of relief and incentives for exporters with immediate affect:–

- a. Within the next 4 days i.e. by 10.10.2017 the held-up refund of IGST paid on goods exported outside India in July would begin to be paid. The August backlog would get cleared from 18.10.2017 and refunds for subsequent months would be handled expeditiously. Other refunds of IGST paid on supplies to SEZs and of inputs taxes on exports under Bond/LUT, shall be processed from 18.10.2017 onwards. For this, the Council agreed to suitably empower Central and State GST officers so that exporters get refunds from one authority only. Related matters of settlement of funds are being resolved.
- b. To prevent cash blockage of exporters due to upfront payment of GST on inputs etc. the Council approved two proposals, one for immediate relief and the other for providing long term support to exporters. Immediate relief is being given by extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes to sourcing inputs etc. from abroad as well as domestic suppliers. Holders of AA / EPCG and EOUs would not have to pay IGST, Cess etc. on imports. Also, domestic supplies to holders of AA / EPCG and EOUs would be treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies given to the supplier.
- c. Merchant exporters will now have to pay nominal GST of 0.1% for procuring goods from domestic suppliers for export. The details would be released soon.
- d. The permanent solution to cash blockage is that of "e-Wallet" which would be credited with a notional amount as if it is an advance refund. This credit would be used to pay IGST, GST etc. The details of this facility would be worked out soon. The Council desired that the "e-Wallet" solution should be made operational w.e.f. 1st April 2018.
- e. Exporters have been exempted from furnishing Bond and Bank Guarantee when they clear goods for export.
- f. Specified banks and Public Sector Units (PSUs) are being allowed to import Gold without payment of IGST. This can then be supplied to exporters as per a scheme similar to Advance Authorization.
- g. To restore the lost incentive on sale of duty credit scrips, the GST on sale-purchase of these scrips is being reduced from 5% to 0%.
- h. GST on bunker fuel is being reduced to 5% for both coastal vessels and foreign going vessels. This will boost coastal shipping. It will also improve India's competitiveness.

The Council is confident that these measures would provide immediate relief to the export sector and enhance export competitiveness of India. The Council also decided to continue to monitor the situation closely so that going forward all required support continues to be extended to this important sector.

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