

Duty Drawback : Exports in GST

No amendments have been made to the drawback provisions (Section 74 or Section 75) under Customs Act 1962 in the GST regime.

Hence, the drawback scheme will continue in terms of both section 74 and section 75.

Option of All Industry Rate (AIR) as well as Brand Rate under Section 75 shall also continue.

Drawback under Section 74 will refund Customs duties as well as Integrated Tax and Compensation Cess paid on imported goods which are re-exported.

At present Duty Drawback Scheme under Section 75 neutralises Customs duty, Central excise duty and Service Tax chargeable on any imported materials or excisable materials used or taxable services used as input services in the manufacture of export goods.

Under GST regime, Drawback under Section 75 shall be limited to Customs duties on imported inputs and Central Excise duty on items specified in Fourth Schedule to Central Excise Act 1944 (specified petroleum products, tobacco etc.) used as inputs or fuel for captive power generation.

A transition period of three months is also being provided from date of implementation of GST i.e. 1.7.2017.

During this period, existing duty drawback scheme under Section 75 shall continue.

For exports during this period, exporters can claim higher rate of duty drawback (composite AIR) subject to conditions that no input tax credit of CGST/IGST is claimed, no refund of IGST paid on export goods is claimed and no CENVAT credit is carried forward.

A declaration from exporter and certificate from jurisdictional GST officer in this regard has been prescribed in the notification related to AIRs.

This will prevent double availment of neutralisation of input taxes.

Similarly, the exporter can claim brand rate for Customs, Central Excise duties and Service Tax during this period.

Exporters also have the option of claiming only the Customs portion of AIR and claim refund/ITC under GST laws.

All Industry Rates for the transition period have been notified effective from 01.07.2017.

The AIR for post transition period shall be notified in due course of time.

The certificates from jurisdictional GST officer as referred above may not be available during initial days.

As per Systems design, whenever higher rate (composite rate) of drawback is claimed, the non-availability of credit certificate is a mandatory document and unless it is recorded as available, shipping bill will not move to LEO stage.

In such a situation, all field formations shall ensure that exports are not delayed for requirement of the said certificate.

The way out in such situation for the exporter is to amend the shipping bill to claim lower rate.

The exporter will have an option to file supplementary claim as per Drawback Rules at a later date once the certificate is obtained.

A similar issue in respect of Cenvat credit has been examined and clarified in the past vide Instruction no. 609/159/2016-DBK dated 13.03.2014.

Secondly, it could be possible that export goods may be manufactured by using both Central Excise/Service Tax paid and CGST/IGST paid inputs and inputs services or only CGST/IGST paid inputs and inputs services. In such situation, an exporter opting to claim composite rate of duty drawback during transition period has to give specified declaration and produce certificates as stated above so that he does not claim double benefit.

Exporter will have to reverse the ITC if any availed and also ensure that he does not claim refund of ITC/IGST. Requisite certificate from GST officer shall also be required to this effect.

As mentioned earlier, exporters will also have option of claiming credit/refund of CGST/IGST and claim Customs rate drawback.

Refund of IGST paid on exports and Export under Bond scheme

Under [GST regime](#) exports would be considered as zero-rated supply.

Any person making zero rated supply (i.e. any exporter) 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 without payment of integrated tax and claim refund of unutilised input tax credit; or

(b) he may supply goods or services or both on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 (Refunds) of the Central Goods and Services Tax Act or the rules made there under (i.e Refund Rules 2017).

For the option (a)

Procedure to file refund has been outlined in the Refund Rules under GST.

The exporter claiming refund of IGST will file an application electronically through the Common Portal, either directly or through a Facilitation Centre notified by the GST Commissioner.

The application shall be accompanied by documentary evidences as prescribed in the said rules.

Application for refund shall be filed only after the export manifest or an export report, as the case may be, is delivered under section 41 of the Customs Act, 1962 in respect of such goods.

A bond or letter of undertaking shall be furnished in FORM GST RFD-11.

For the option (b)

The shipping bill filed by an exporter shall be deemed to be an application for refund of integrated tax paid on the goods exported out of India.

And such application shall be deemed to have been filed only when the person in charge of the conveyance carrying the export goods duly files an export manifest or an export report covering the number and the date of shipping bills or bills of export and the applicant has furnished a valid return i.e. GSTR 3 or GSTR 3B.

For both option (a) and (b)
Exporters have to provide details of GST invoice in the Shipping bill.

ARE-1 which is being submitted presently shall be dispensed with except in respect of commodities to which provisions of Central Excise Act would continue to be applicable.

Change in export Procedures

Electronic as well as manual Shipping Bill formats including Courier Shipping Bill have been amended to include GSTIN and IGST related information so as to ensure that the export benefits like refund of IGST paid as well as accumulated input tax credit can be processed seamlessly.

Modified Forms are available on the departmental website, www.cbec.gov.in.

Export under factory stuffing procedures

For the next 3 months, factory stuffing shall be carried out as per present prevailing procedures (i.e. to be carried out under the supervision of Central Excise officers).

Important websites providing Information & guidance on GST

- CBEC WEBSITE – www.cbec.gov.in
- GSTN WEBSITE - www.gstn.org
- GST COUNCIL WEBSITE - www.gstindia.com/tag/gst-council
- CBEC MITRA – cbecmitra.helpdesk@icegate.gov.in

- Toll free helpline – 1800-1200-232
- Toll-free number - 1800 425 4251
- Twitter Handle of CBEC - @CBEC_India
- OUTREACH PROGRAMMES –Available on CBEC website (under Column of GST AWARENESS)-www.cbec.gov.in