



**CHECK ON IGST REFUNDS FOR FRAUDULENT CLAIMS**  
**(Circular No.16/2019 – Customs dated 17<sup>th</sup> June, 2019)**

Team Hiregange  
June '19

Circular No. 16/2019-Customs dated 17th June 2019 was issued in order to put a system in place for verification of IGST refunds made to the Indian exporters with respect to exports with payment of tax. The need for such verification has arisen as the Board has noticed that in some instances the IGST refunds, which is a fully automated process, are claimed using fraudulent ITC by some exporters. Thereby, the procedure specified in the instruction 15/2017-Cus dated 09.10.2017 stands modified to the extent as under:

- a. DG(Systems) would work out a suitable criteria to identify risky exporters and forward the same to Risk Management Centre for Customs (RMCC) and respective Chief Commissioners of Central Tax (CCCT).
- b. The list of past IGST refunds to such exporters would be informed to CCCT.
- c. 100% verification of export consignments of such exporters would be done and an alert shall be placed for suspension of their IGST refunds.
- d. Various other processes are also be set wherein the Customs and GST authorities would work together and share information in order to address the above issue as detailed in the attached circular.

In cases where no malpractices are reported on verification, the IGST refund shall be processed. However, where it has been found that the exporter has availed ITC fraudulently or on the basis of ineligible documents and utilized the said ITC for payment of IGST claimed as refund, the customs officer will not process the refund claim.

**H&A comments: Assesses are advised to get the credits reviewed by themselves or by professionals before filing the refund claim in respect of export on payment of IGST, ensuring eligibility of credits. In case the GST authorities are of the view that the ITC is ineligible for any reason or that the refund is sought to be claimed fraudulently, and thereby the refund is not processed, the officer should issue an order rejecting the refund claim. The assessee can then file an appeal in respect of such order.**

**Challenges to be faced by Exporters after this circular:**

- i. **Refund of IGST under export on payment of IGST, which presently is processed automatically and on fast track mode, would now get delayed considering the additional process to be followed on the basis of this circular.**



- ii. Exporters could be forced to map the invoices based on which ITC was used to pay IGST in respect of export, this could be a challenging and impractical task on exporters.
- iii. This circular could be used as weapon to bring a genuine exporter under the scanner in guise of identification of suspicious cases.
- iv. Classification issues could crop up in process of implementation of this circular.

**Disclaimer:-** This material and the information contained herein prepared by Hiregange & Associates is intended for clients and other Chartered Accountants, to provide updates under GST and is not an exhaustive treatment of such subject. We are not, by means of this material, rendering any professional advice or services. It should not be relied upon as the sole basis for any decision which may affect you or your business.

**Our Locations:** Bangalore | Hyderabad | Visakhapatnam | NCR (Gurgaon) | Mumbai | Pune | Chennai |

[www.hiregange.com](http://www.hiregange.com)

Team Hiregange