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**Key Changes in FTP – w.e.f 01.07.2017**

By CA Nagendra Hegde

**Changes in IEC with the introduction of GST: (Trade notice number 09 dt 12.06.2017)**

With the introduction of GST, the GST Identification Number (GSTIN) would be used for the following purposes:

- Credit flow of IGST on import of goods
- Refund or rebate of IGST on export of goods

As the above requirement is fulfilled on transaction level it has been decided that only GSTIN is required to be mentioned at the time of import and export of goods.

Further, as a measure of ease of doing business, henceforth, PAN of an entity would be used for the purpose of IEC. For new applicant's w.e.f the notified date, application for IEC will be made to DGFT and applicant's PAN would be authorised as IEC. Further, for the existing IEC holders, necessary changes in the system are being carried out by DGFT so that their PAN becomes their IEC. Hence, IEC holders shall quote their PAN in place of existing IEC in all their future documentation.

1. The Duty credit scripts cannot be used either for payment of IGST and GST compensation Cess in case of imports, or for payment of CGST, SGST, IGST, GST compensation Cess for domestic procurement.
2. Under GST, Exemption from payment of Integrated GST and Compensation Cess would not be available for imports under advance authorisation.
3. Importer has to mandatorily pay IGST unless exempted and take Input tax credit as applicable under GST rules. However, imports under Advance Authorisation would continue to be exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, wherever applicable.
4. Applicable GST would need to be paid while making local procurement, using an invalidation letter of Advance Authorisation/DFIA. Recipient of goods can take Input Tax Credit (ITC) of the GST paid on such local procurement. This Input Tax Credit can be utilized as per GST rules.
5. Advance Release Order facility shall not be available for procurement of inputs under Advance Authorization scheme except for inputs listed in 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. RAs are directed not to issue ARO except for Schedule-4 items as stated above.

6. Imports/exports under the replenishment schemes for the Gems and Jewellery sector covered under chapter 4 of FTP and HBP shall be subject to Customs Notification issued/ to be issued in this regard.

**7. Imports by EOU:**

- a. EOU are presently allowed duty free Imports of goods for their authorised operations. In GST regime, the import of goods covered under OST would be exempted from the whole of the duty of customs (BCD). But such goods would attract integrated tax and compensation cess leviable under sub-section (7) and (9) of the said Act. The taxes so paid on imports will be neutralized by ITC.
  - b. For the indigenous procurement of goods covered under GST, the EOU will not get ab-initio exemptions. Such supplies would be on payment of CGST/SGST/UTGST/IGST. The taxes so paid will be neutralized by ITC.
  - c. EOUs would be required to pay only CGST & SGST or IGST, as the case may be, besides paying back of whole of the duty of customs specified under the First Schedule to the Customs Tariff Act, 1975 (BCD) exemptions, if availed, on inputs used in manufacture of such finished goods.
  - d. Applicable GST would be payable on the transfer/supply of goods from one unit of EOU / EHTP / STP / BTP to another.
8. The supplies made to different deemed exports categories till the date prior to the date of operationalization of GST, the benefits would be available as per the provision existed till the date of operationalization of GST.
9. The drawback as provided under Chapter 7 would be limited to the refund of basic custom duty only. In respect of eligible items covered under Schedule 4 of Central Excise Act, 1944 refund would also be covered under the drawback provided the item is eligible for such supply.

- CA Nagendra Hegde

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