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Speedy recovery of refund in GST on Exports

- CA Akbar Basha

The removal of exemption and need to go for a refund which invariably get delayed has been an issue with the exporters for decades. Only the duty drawback scheme for goods has been working well.

Considering the difficulties faced by exporters in claiming refund of GST paid on inputs / outward supplies (exports), GST Council in large interest to support the export community approved the few beneficial packages for exporter of goods on payment of IGST on exports, vide instruction no 15/2017-Customs dated 09.10.2017.

The instruction is made applicable only to exporter of goods on payment of IGST on exports. However, the Council by 18.10.2017 as Diwali gift to exporters would come out with a mechanism to fast track the refund to exporter of services on payment of IGST/ export of services through LUT, exporter of goods vide LUT without payment of GST, including supplies to SEZ's. We anticipate that the refund process to be prescribed would be a manual process for the said category of exporters, since GSTR-2 has been enabled only from 11.10.2017 upto 31.10.2017, subject to extensions to keep up its past track record.

In anticipation of the fast track refund mechanism, the paper writer has made an attempt to list down documents to be kept ready by exporters to claim fast track refund for the months of July 2017 and August 2017 in subsequent paragraphs.

Exporter of Service/ Goods under LUT:

The above two categories of exporter who have exported the goods/ services under LUT, may keep the following documents ready for filing the fast track refund.

1. Arrange month wise input invoices on which CSGT/ SGST or IGST or UTGST was paid.
2. Prepare month wise Input tax credit register, containing the input invoice details along with the details of payment made to vendor.
3. Month wise statement of Export of Goods/ Services made under LUT to be prepared.
4. Month wise statement of domestic and export turnover details to be prepared.
5. Refund claim amount should be arrived by adopting the following formula as prescribed in Rule 4 of Refund Rules as below:

Export turnover of goods and or Services * Net ITC/ Adjusted Total turnover.

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6. Refund claim amount shall be debited in the books of accounts, and subsequently once the GST return is filed the said amount shall be debited in the respective GST Return.
7. GSTR-1 and GST-3B for the month of July 2017 may be arranged.
8. Copies of Shipping bills made be furnished in case of export of goods or GSTR-1 its self may be held sufficient.
9. In case of Service Exporter, agreement with its foreign client may be called for.
10. In case of Service Exporter has realized the consideration in convertible exchange, copy of Bank realization certificate may be arranged.
11. Exporter of Service may have to prepare the statement of co-relation between export invoice and FIRC/BRC on receipt basis.
12. A Certificate from Chartered Accountant on correctness of the claim may be obtained, as a secondary evidence.

Alternatively based on Certificate of Statutory auditor in the prescribed manner as may be notified, refund may be sanctioned, without submitting any of the documents.

Supplies made to SEZ

Suppliers to SEZ unit could keep the following documents ready for filing the refund claim:

1. Supplier should obtain certificate of receipt of goods or services by concern SEZ unit, consequently such supplies made to SEZ unit/ Developer should be endorsed by the authorized officer of SEZ.
2. Arrange month wise input invoices on which CSGT/ SGST or IGST or UTGST was paid.
3. Prepare month wise input tax credit register, containing the input invoice details along with the details of payment made to vendor.
4. Month wise statement of supplied including supplies to SEZ.
5. Month wise statement of domestic turnover details to be prepared.
6. Proportionate refund claim amount formula may be prescribed to arrive at the refund claim amount, considering the supplies made to SEZ and other supplies.
7. Refund claim amount shall be debited in the books of accounts, subsequently once the GST return is filed the said amount shall be debited in the respective GST Return.
8. GSTR-1 and GST-3B for the month of July 2017 may be arranged.

Fast track system to process the refund of IGST paid on export of goods for the month of July 2017 has been initiated from 10.10.2017, the following actions/ documents are required to be taken.

In case of export of goods on payment of IGST outside India, shipping bill filed by the exporter

shall be deemed the refund application. The exporter of goods for the month of July 2017 should have filed the shipping bill with IGST and corresponding GSTR-1 for the month of July 2017 should also have been filed.

Pre-requisites for claiming refund of IGST paid on Export of Goods for the month of July 2017.

1. Filing of Export General Manifest- Exporter of Goods to claim refund of IGST paid on export of goods should have filed the shipping bill, including export invoice by charging IGST. Secondly the concerned airlines/ shipping line/ carriers should have filed the EGM report at the gateway port of ICD.
2. Exporters who have exports made through CHAs shall **follow -up with the concerned airlines/ shipping line/ carriers to have filed the EGM for processing of IGST refund.**
3. Exporter of goods on payment of IGST should have filed the GSTR-1 for the month of July 2017, to ensure that the details of zero rated supplies declared in column 6A of the said GSTR-1 match with the shipping bill details.
(In case of any mistakes or typing errors in shipping bills may be not rectifiable, on the other hand in mistakes in GSTR-1 could be rectified at the time of filing of monthly return, but an opportunity to encash the fast track refund may be missed out).
4. As return for the month of July 2017 is still not been made available by GSTN, every exporter of goods on payment of IGST should ensure that the GSTR-3B for the month of July 2017 is filed. As filing of GSTR-3B is mandated to file the refund of IGST paid on export of goods.
5. In case exporter of goods who has not filed GST 3B, may have to wait until he files the monthly return and thereafter file refund claim.
6. Refund shall be processed at the bank account details available with the customs, there could be scenarios wherein the bank account details made available at the time of GST registration is different from the bank account details available with customs, exporters are required to align both these account details ensuring a common bank account details are made available with customs department and GSTN.
7. As refund payments are being processed through PFMS portal, (Public Finance Management System), exporter are required to validate their bank account with PFMS, and the status of validation will be available at ICES.

Conclusion

It is said that having the knowledge and taking action consistently are two different aspects. Many of us have an understanding that refunds are very difficult and may not be possible.

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Therefore some basic effort is made and not followed through. At times the already burdened accountant is give this as an additional responsibility and the extra time required for following up is missing.

In GST it is expected that the refunds would be faster and Government has also made its intention clear. In case of delays representation should be made to the GST Council. For any doubts mail: akbar@hiregange.com.

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