

Guidance Note on GST

(A) Exports under Bond/ LUT or under Refund of IGST

(I) Exports - Zero rated supplies

All exports as well as supplies to SEZs have been categorized as Zero rated supplies in the IGST Act.

On account of zero rating of supplies, the supplier will be entitled to claim input tax credit in respect of goods or services or both used for such supplies. Every person making claim of refund on account of zero rated supplies has got two options. Either he can export under Bond/LUT and claim refund of accumulated input tax credit or he may export on payment of IGST and claim refund thereof.

(II) Calculation for Refund of Input Tax Credit (ITC) paid on inputs / input services in case of Zero rated supply without payment of Tax (under Bond or LUT)

$$\text{Refund Amount} = \frac{(\text{Turnover of Zero rated supply of goods}) \times \text{Net ITC}}{\text{Adjusted Turnover}}$$

- “Refund Amount” means the maximum refund that is admissible.
- “Net ITC” means Input Tax Credit availed on inputs and input services during the relevant period.
- “Turnover of Zero rated supply of goods” means the value of zero rated supply of goods made during the relevant period without payment of tax under Bond or LUT.
- “Adjusted Total Turnover” means the turnover in a State or a Union territory, excluding the value of exempt supplies other than zero rated supplies, during the relevant period.
- “Relevant Period” means the period for which the claim has been filed.

In case of application for refund of input tax credit, the electronic Credit Ledger is required to be debited by the applicant for an amount equal to the refund so claimed.

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(III) Filing of Refund claim

- Any claim for refund is to be filed electronically on the GSTN platform.
- Claim for refund is required to be filed along with the prescribed documents .
- Strict time frame has been prescribed for filing as well as processing and sanction / rejection of refund claim.

(IV) Grant of Provisional Refund

GST law provides for refund grant of provisional refund of 90% of the total refund claim , in case the claim relates to refund arising out of zero rated supplies . The provisional refund would be paid within 7 days from the date of acknowledgement .

(V) Time frame prescribed for filing and finalization of refund claims

Claim for refund has to be filed within two years from the relevant date.

Refund to be finalized within 60 days from the date of receipt of complete application.

Interest will be paid if the refund amount is paid after expiry of 60 days from the date of receipt of application till the date of refund. (Period for which interest is to be paid = number of days - { Date of grant of refund - [date of receipt of complete application + 60 days] . In case of delayed payment of refund claims , interest to be paid at the rate to be notified by the Government (The rate of interest notified not to exceed 6% p.a) .

(VI) Payment to be credited online

The refund claim will be directly credited to the bank account of the applicant . The applicant need not go to the authorities to collect the cheques or for any other issues related to the refund claim.

(VII) Format for claiming refund

Every claim of refund has to be filed in Form GST RFD 1. However, claim of refund of balance in electronic cash ledger can be claimed through furnishing of monthly / quarterly returns in Form GSTR 3, GSTR 4 or GSTR 7, as the case may be, of the relevant period.

Please note, in case of refund on account of export of goods, the refund rules do not prescribe BRC as a necessary document for filing of refund claim.

(VIII) Refund of IGST paid on exports and Exports under Bond scheme

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In the case of exports under Bond / LUT , the exporter claiming refund of IGST will have to 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 Refund Rules under GST. Application shall be filed only after the EGM or an Export Report is filed under the Customs Act, 1962.

In the case of exports under Refund of IGST , the shipping bill filed by the exporter shall be deemed to be an application for refund if IGST paid on goods exported out of India. Exporters have to provide details of GST Invoice in the Shipping Bill. A.R.E-1 which is being submitted presently shall be dispensed with.

(B) Duty Drawback Scheme

The Drawback Scheme will continue under the GST regime .Both the options i.e all Industry Rates of Duty Drawback and Brand Rate of Duty Drawback will be available .

At present, Duty Drawback Scheme neutralizes Customs duty, Central Excise duty and Service tax chargeable on any imported materials or excusable materials used or taxable services used as input services in the manufacture of export goods . Under the GST regime, Drawback shall be limited to Customs duties on imported inputs and Central Excise duty on items (specified petroleum products 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 rates 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.** 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.

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. In such a situation, all field formations shall ensure that exports are

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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.

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.

(C) Changes in Drawback Declarations :

A new declaration has been added for the exporter to certify that no input tax credit of CGST/IGST has been availed for any of the inputs or input services used in the manufacture of the export goods, or that no refund of IGST paid on export goods shall be claimed. For the transition period, i.e. till the exporters continue to have used inputs on which CENVAT was paid, there will be 3 declarations: **DBK001** - "I declare that no input tax credit of the Central Goods and Services Tax or of the Integrated Goods and Services Tax has been availed for any of the inputs or input services used in the manufacture of the export goods." **DBK002** - "I declare that no refund of Integrated Goods and Services Tax paid on export goods shall be claimed." **DBK003** - "I declare that CENVAT credit on the inputs or input services used in the manufacture of the export goods has not been carried forward in terms of the Central Goods and Services Tax Act, 2017." For Every Item where DBK claimed is suffix as A or C, an exporter is required to declare two codes only, i.e. (1) DBK001 or DBK002 and (2) DBK003.

(D) Factory Stuffing / Dock Stuffing of Export Containers

At present, there are three categories of containers which arrive at the port/ICD :

- Containers stuffed at factory premises or warehouse under self-sealing procedure.
- Containers stuffed / sealed at factory premises or warehouse under supervision of central excise officer.

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- Containers stuffed and sealed at Container Freight Stations/ Inland Container Depot.

The Government has decided to do away with the sealing of containers with export goods by CBEC officers. Instead, self-sealing procedure shall be followed.

The procedure to be followed by the exporters as follows :

Any exporter desirous of availing this procedure shall inform the jurisdictional Custom Officer of the rank of Superintendent or Appraiser of Customs, at least 15 days before the first planned movement of a consignment from his/her factory/ premises, about the intention to follow self-sealing procedure to export goods from the factory premises or warehouse.

The jurisdictional Superintendent or an Appraiser or an Inspector of Customs shall visit the premises from where the export goods will be stuffed & sealed for export. The jurisdictional Superintendent or Inspector of Customs shall inspect the premises with regard to viability of stuffing of container in the premises and submit a report to the jurisdictional Deputy Commissioner of Customs or as the case may be the Assistant Commissioner of Customs within 48 hours. The jurisdictional Deputy Commissioner of Customs or as the case may be the Assistant Commissioner of Customs shall forward the proposal, in this regard to the Principal Commissioner/Commissioner of Customs who would grant permission for self sealing at the approved premises.

Once the permission is granted, the exporter shall furnish only intimation to the jurisdictional Superintendent or Customs each time self-sealing is carried out at approved premises. The intimation, in this regard shall clearly mention the place and address of the approved premises, description of export goods and whether or not any incentive is being claimed.

Where the visit report of the Superintendent or an Appraiser or an Inspector of Customs regarding viability of the stuffing at the factory/ premises is not favorable, the exporter shall bring the goods to the Container Freight Station /Inland Container Depot/Port for sealing.

Self-Sealing permission once given by a Principal Commissioner/Commissioner of Customs shall be valid for export at all the customs stations. The customs formation granting the self sealing permission shall circulate the permission along with GSTIN of the exporter to all Custom Houses/Station concerned.

Transport document for movement of self-sealed container by an exporter from factory or warehouse shall be same as the transport document prescribed under the GST Laws.

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In the case of an exporter who is not a GST registrant, way bill or transport challan or lorry receipt shall be the transport document.

The exporter shall seal the container with the tamper proof electronic-seal of standard specification. The electronic seal should have a unique number which should be declared in the Shipping Bill. Before sealing the container, the exporter shall feed the data such as name of the exporter, IEC code, GSTIN number, description of the goods, tax invoice number, name of the authorized signatory (for affixing the e-seal) and Shipping Bill number in the electronic seal. Thereafter, container shall be sealed with the same electronic seal before leaving the premises.

The exporter intending to clear export goods on self-clearance (without employing a Customs Broker) shall file the Shipping Bill under digital signature.

All consignments in self-sealed containers shall be subject to risk based criteria and intelligence, if any, for examination / inspection at the port of export. At the port/ICD as the case may be, the customs officer would verify the integrity of the electronic seals to check for tampering if any enroute. The Risk Management System (RMS) is being suitably revamped to improvise the interdiction/ examination norms. However, random or intelligence based selection of such containers for examination/scanning would continue.

The above revised procedure regarding sealing of containers shall be effective from 01.09.2017. A future date has been prescribed since the returns under GST have been permitted to be filed by 10.09.17 and also with the purpose to give enough time to the stakeholders to adapt to the new procedures. Therefore, as a measure of facilitation, the existing practice of sealing the container with a bottle seal under Central Excise supervision or otherwise would continue.

(E) Changes in Shipping Bill :

Under the GST Laws, taxpayers would be filing their outward supply returns on GSTN for all the supplies made by them including exports. For exports, they will be required to quote the Shipping Bill and export invoice details which shall be validated by the Customs EDI system. The confirmation of the export by Customs shall be made once the EGM is filed and closed (*in case of ICDs, it should be Gateway EGM, not train Summary*). Based on this validation only the taxpayer (exporter) shall be granted refund of the IGST paid by him on the exported goods. This validation shall also act as the proof of export in case the exporter has made the supply under bond or LUT without payment of IGST. For facilitating the above, Shipping Bill forms have also been modified to capture the necessary details. The revised SB format would be effective from **28th July, 2017**.

(F) Export Invoice :

Export invoice should be compliant to GST Invoice Rules (not exceeding sixteen characters containing only alphabets, numerals and two special characters (“/” and “-”). The export invoice should be issued by the supplier cum exporter in compliance with the GST Invoice Rules. It may also be noted that as per the GST Invoice Rules, in case of export of goods or services, the invoice shall carry an endorsement “SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX” or “SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”, as the case may be, and shall also contain the following details: (i) name and address of the recipient; (ii) address of delivery; and (iii) name of the country of destination. Other details to be given in the invoice table of the Shipping Bill shall include Third Party remittance details as per RBI requirements, Terms Place(INCOTERMS), End Use (as per the codes available in Imports)etc., as the case may be.