New Exim Regime

What is the issue?

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Exporters will benefit from the subsuming of 17 central and state taxes in the GST and a comprehensive set-off of input tax on goods and services.

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How will GST help Export and Import?

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- The provisions in GST would reduce the cost of manufactured goods and services and make exports competitive.
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- In addition, the exports will be exempted from payment of GST and, if paid, the tax would be refunded.
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- This tax exemption/refund policy is in keeping with the WTO rules that say no taxes should be exported.
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- Accordingly, exports have been treated as “zero-rated supply” under the IGST Act.
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- Supplies made to a SEZ developer or SEZ unit have also been accorded the same status.
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- Exporters can avail credit of the input tax on the inputs procured for the production of such zero-rated supplies.
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- An exporter would get the refund of GST paid on inputs and exemption from payment of GST on the final product.
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- It has been agreed that 90 per cent of the refund amount would be

granted within seven days of the filing of an application.
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- Refund of the balance would be granted after verification of documents.
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- The GST route of refund on taxes paid would not be available to exporters who procure goods from the firms (a) not registered with GST on account of low turnover, or (b) opting for GST under the composition scheme.
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- Import will be treated as inter-State supplies and IGST will be levied as the additional duty of customs in addition to the basic customs duty on import.
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- Customs duty will now have only two components in most cases: basic customs duty and IGST.
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- However, other duties such as anti-dumping or safeguard duties, etc., wherever applicable, will be levied as before.
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- Tax paid (IGST) on imported goods will be eligible for credit as input tax credit to the importer.
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- GST would affect the efficacy of all export promotion schemes.
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- Till now, the facility of exemption from the payment of all duties is available to exporters under export schemes like Advance authorisation or the Export Promotion Capital Goods.
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- Post GST, the exemption only from the basic customs duty would be available.
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- Similarly, 100 per cent Export Oriented Units would lose the duty exemption privilege and be like any DTA unit that will get exemption only from payment of basic customs duties on exports.
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- Also, no supplies would be treated as deemed exports.
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- This means the supplies to EOU/STPI/mega power projects that are currently exempt from central taxes will become taxable.
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- The new Duty Drawback scheme under GST will refund only the Basic Customs Duty and Central Excise duty paid on the exempted inputs.
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- But the exporter would pay GST at the time of buying of inputs and will

get the refund after the exports that would take place after 6-12 months.
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- High-interest rates would increase the working capital cost and make exports expensive.
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- However, these increased expenses would be partly offset by the lower tax rates and reduced cascading effect.
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Source: Hindu Business Line

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