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L&S Update

an e-update to clients from
Lakshmikumaran & Sridharan

**GST Update No. 53, dated
24th October , 2017**

- **GST Implications on supplies to
merchant exporters**

GST Implications on supplies to Merchant Exporter

- ✓ Notification No. 40/2017-Central Tax (Rate) dated 23.10.2017 has been issued enabling registered **suppliers to supply goods to registered recipient for export** on payment of GST at the effective rate of 0.05% CGST subject to the conditions specified therein. Similar notification has also been issued under other relevant Acts.
- ✓ Accordingly, supplier shall charge GST at the rate of 0.1% (0.05% CGST + 0.05% SGST or 0.1% IGST) on supplies made to recipient for export irrespective of actual rate applicable on such goods.
- ✓ The above benefit is subject to fulfilment of prescribed conditions.

Major conditions specified in Notifications

1. The registered recipient shall export the said goods within a period of ninety days from the date of issue of a tax invoice by the registered supplier.
2. The registered recipient shall place an order on supplier for procuring goods at concessional rate and a copy of the same shall also be provided to the jurisdictional tax officer of the supplier.
3. The registered recipient shall indicate the GSTIN of the supplier and the tax invoice no. issued by the supplier in respect of the said goods in the shipping bill/bill of export.
4. Post export, copy of shipping bill/bill of export containing details of GSTIN and tax invoice of the supplier along with proof of export general manifest or export report having been filed has to be provided to registered supplier as well as jurisdictional tax officer of such supplier.
5. Other conditions related to movement of goods, consolidation of goods from various vendors, registration with export council etc. have also been prescribed.

L&S Comments:

Though the notification is a welcome move for resolving working capital related issues for merchant exporters, certain connected issues remain unanswered:

- How the credit accumulated at the end of supplier would be handled. Can such supplier claim refund of accumulated credit under the provisions as applicable for an exporter?
- Whether exemption shall be available to merchant exporter undertaking certain processes like packaging etc. which does not change the character and usage of the product?
- Certain other procedural aspects to be clarified such as:
 - o What is the time frame for submission of documents to jurisdictional officer of supplier, etc?
 - o What is the procedure to be followed in case of issuance of debit note/credit note by the registered supplier, etc?

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