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Blockage of Working Capital of Exporters

There are lot of apprehensions expressed in the media about the problem of blockage of working capital for exporters post-GST. There are various figures also being discussed on the blockage of such funds, which are wild estimates. Such media reports are not based on facts.

i) First of all, it may be mentioned that in respect of 66% value of exports, exporters have preferred the duty drawback scheme instead of taking actual refund of input taxes in the pre-GST regime. Duty drawback scheme was actually extended in the post-GST regime for a period of 3 months, i.e. upto 30th September, 2017, subject to that exporter not taking input tax credit under GST. This means that as of now, for 66% of the value of exports, there is no blockage of funds.

ii) The remaining 33% of exporters always used to prefer a normal refund route for taxes paid on inputs for Central Excise separately and for VAT separately and that was made available to them only after the actual exports took place and, for such class of exporters, earlier also there was a normal blockage of funds for a period of 5 – 6 months at least except for those using facility of advance authorisation. Hence, the problem is not as grievous as it is made out to be. Notwithstanding this, the Committee on Exports is working on issues of export sector.

iii) A lot of people are speculating that the refund for inputs in case of exports under GST will be available only when regular form GSTR 3 is filed for every month. This is not the case. We are trying to find a way of giving refund by linking form GSTR 1 with form GSTR 3B and, therefore, for the month of July, where form GSTR 1 is already filed, the authorities would be in a position to process the refund applications. Therefore, the exporters, who have not yet filed form GSTR 1 for July 2017, may be advised to file it immediately and not to wait till the deadline. GSTN application for refund is also getting ready. But, in the meantime, we are also finding other ways of giving refund, if necessary through a manual procedure.

iv) The Committee on Export set up by the GST Council met on 19th & 20th August, 2017 and have discussed various methods of resolving the issue of blockage of funds for the exporters. The Committee also interacted with the exporters of eight sectors who made detailed presentations on the problems being faced by them. The Committee would present the solution to their problems before the GST Council as soon as possible.

v) In the meantime, the authorities of State Governments as well as Central Government have been requested to clear the pending refund claims of Central Excise and VAT for the pre-GST period, so that the exporters will get immediate relief.

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