



Week of 17th June, 2019

A. CHANGES IN THE GST REGIME

Modification of mechanism to verify IGST payments

The CBIC has vide Circular No. 16/2019-Customs dated 17th June, 2019 modified the automated procedure for claiming IGST refund. This has been done due to the rising number of fraudulent ITC claims filed by exporters. The procedure involves (1) identification of suspicious cases; (2) inserting alert in the system; (3) examination of the export goods; (4) suspension of the IGST refund; and (5) verification by GST formations. As per the modified procedure, the customs officer shall not process the refund claim in case malpractices are observed during verification.

Assurance of IGST refunds to genuine exporters

Based on the above circular, it was observed by the GST department that the newspapers have created misleading impression that the genuine exporters would suffer due to such verification procedure. Therefore, the CBIC has vide press release dated 20th June, 2019 clarified that the above modification is done for dishonest exporters who fraudulently obtain refund and the genuine exporters would continue to receive their IGST refunds timely in an automated environment.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

35th GST Council meeting

The 35th GST Council meeting to be held on 21st June, 2019 would be the first meeting of the new finance minister, Mrs. Nirmala Sitharaman. The meeting is expected to touch upon the following subjects: -

- Reduction of GST rate for electric vehicles
- Extension of tenure for national anti-profiteering authority
- Uniformity in GST rate on lottery
- E-invoicing on B2B sales by businesses
- Single point sanction for GST refunds
- Set up of national bench of appellate authority for advance ruling

Mismatch in return under lens

As per media reports, 3,500 exporters out of 12 lakh registered exporters are under the lens of the tax department for a possibility of evading taxes or false refund claim. Keeping apart the traditional approach to

detect the wrongdoers, the tax department is now clinging on data mapping technique to identify the taxpayers evading taxes. A financial triangulation has also helped the tax authorities to identify those evading taxes by matching the GST database with information available with the income tax and customs departments.

Verification of exporters

Presently under GST regime, every exporter making a claim of refund on account of exports being the zero-rated supplies can either (1) export without payment of IGST under a bond/ letter of undertaking and claim a refund of accumulated ITC or (2) export on payment of IGST and claim refund thereof. The facility of automatic refund is available only for those exporters who have paid IGST while exporting goods as the claim of refund by exporters who have not paid IGST while exporting have a possibility of misrepresenting by fake invoices and fake ITC. The CBIC has therefore directed the GST officers to verify these exporters before sanctioning their IGST refund claims.

GST on petroleum products

Petroleum products are not covered under the GST ambit and state taxes are levied on these products. The state governments are therefore not keen on bringing these products under the GST ambit as they fear losing state revenue considerably. As per media reports, the Centre has temporarily ruled out the idea of bringing petroleum products under GST.

Glossary

CBIC – Central Board of Indirect taxes and Customs

GST – Goods and Services Tax

GSTR – Goods and Services Tax Return

B2B – Business to Business

IGST – Integrated Goods and Services Tax

ITC – Input Tax Credit

GST Council – A constitutional body comprising of members of the Central and the State Governments to recommend changes under the existing GST regime

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