

# EY Tax Alert

## Submission of CA certificate introduced as an interim solution to process pending refund claims of exporters

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### Executive summary

The Central Board of Indirect Taxes and Customs (CBIC) has issued a circular<sup>1</sup> resolving the issue of non-sanction of refunds due to the non-transmission of data from Goods and Services Tax Network (GSTN) to the Customs Electronic Data Interchange (EDI) system.

The circular prescribes an interim solution to overcome the refund blockage through submission of certificates from a Chartered Accountant (CA).

- ▶ In cases, where there is no short payment of Integrated GST (IGST), exporters will be required to submit a certificate from a CA to the effect that there is no discrepancy between the IGST amount refunded on exports and the actual IGST amount paid on export of goods for the period July 2017 to March 2018.
- ▶ Additionally, in cases of short payment of IGST of amounts up to INR1 million, exporters will be required to first make good such shortfall, submit self-certified copy of challans and then file CA certificate. If refund amount exceeds INR1 million, exporters will also be required to submit a certificate from a CA to the effect that the shortfall amount has been liquidated.
- ▶ The exporters may be subjected to a post refund audit under the GST law.

<sup>1</sup> Circular No. 12/2018-Customs dated 29 May 2018

## Background

- ▶ In view of difficulties faced by the exporters in getting refund of Integrated GST (IGST) paid on exports, CBIC looked into the matter and identified certain procedural issues.
- ▶ It was observed that exporters had committed various errors while filing GSTR-1 and GSTR-3B as under:
  - ▶ Certain exporters mis-declared the IGST paid on export supplies as the one paid on inter-state domestic supplies while filing GSTR-3B.
  - ▶ Some exporters had short paid the amount of IGST in GSTR-3B as compared to the liability declared in GSTR-1.
- ▶ Records from GSTN could not be transmitted to Customs EDI system due to the above mismatches between GSTR-1 and GSTR-3B in relation to the amount of IGST paid on zero-rated supplies. Consequently, IGST refunds could not be processed.
- ▶ The facility to adjust GSTR-3B in subsequent months not being available in all cases led to an increase in the mismatches.
- ▶ CBIC thus issued clarifications as follows:

## Clarifications

- ▶ The circular prescribes an interim solution for issuing refund subject to submission of certificates from Chartered Accountants (CA) by the exporters.
- ▶ A post refund audit scrutiny of the exporters will be carried out.
- ▶ The Circular covers only the cases where the records have not been transmitted by GSTN to Customs EDI system.
- ▶ In case of errors such as entering invalid invoice number (SB005), non-filing of Export General Manifest (EGM) (SB002), non-filing of Gateway EGM (SB006) etc. are encountered with the records so transmitted, the provisions of earlier circulars issued by Board will apply.

### Cases where there is no short payment of IGST

- ▶ The procedure will apply to exporters whose cumulative IGST amount paid on exports and inter-state domestic outward supplies, for the period July 2017 to March 2018 as per GSTR-3B is the same as indicated in GSTR-1 for the same period, i.e., there is no short payment of IGST.
- ▶ The exporters whose refunds are processed/sanctioned will be required to submit a certificate from a CA to the Customs office at the port of export. The certificate will state that there is no discrepancy

between the IGST amount refunded on exports and the actual IGST amount paid on export of goods for the said period.

- ▶ Such certificate must be submitted before 31 October 2018.
- ▶ In case of exports from multiple ports, the exporter is at liberty to choose any of the ports of export for submission of the said certificate.

A copy of the certificate will also be required to be submitted to the jurisdictional GST office (Central/State).

### Cases where there is a short payment of IGST

- ▶ This procedure will apply to exporters whose cumulative IGST amount paid on exports and interstate domestic outward supplies, for the period July 2017 to March 2018 as per GSTR-3B is less than the cumulative IGST amount indicated in GSTR-1 for the same period.
- ▶ Such exporters will be informed by the GSTN vide an e-mail which will also state the procedure required to be followed by such exporters.
- ▶ The exporters will be required to pay an amount of IGST equal to the short payment in GSTR 3B of subsequent months so as to ensure that the total amount of IGST refund claimed is paid.
- ▶ The exporter will be required to submit self-certified copy of challan as proof of IGST payment to the Assistant/Deputy Commissioner of Customs in charge of port from where the exports were made.
- ▶ However, if the aggregate IGST refund amount for the said period is more than INR 1 million, then the exporter will also be required to submit a certificate from a CA to the effect that the shortfall amount has been liquidated.
- ▶ The exporter would also be required to give an undertaking that they would return the refund amount in case it is found to be not due to them at a later date.
- ▶ The exporters whose refunds are processed/sanctioned as above would be required to submit another certificate from a CA confirming that there is no discrepancy between the IGST amount refunded on exports and the actual IGST amount paid on exports of goods for the said period. Such certificate must be submitted before 31 October 2018.

### Post refund audit

- ▶ The exporters whose refunds are processed in the manner laid down in the circular, would be subjected to a post refund audit under the GST law.
- ▶ In case, departmental Audit detects excess refunds to the exporters under this procedure, the requisite details will be communicated to the concerned GST formations for appropriate action.

## Comments

While the procedure introduced by CBIC on interim basis might benefit the exporters whose refunds are stuck due to data mismatch, the onus of obtaining the requisite certificate and the post refund audit may add to the compliance burden.

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