Comments/ Action taken on issues/suggestions put forth by the members of Board of Trade in meeting dated 15.02.2019

S. No.	Issues/Suggestions	Comments
1.	**President, FIEO Shri G.K, Gupta**	
	· The scheme for sales to foreign tourist must be started immediately for handicrafts and textiles items. Foreign tourist sale for allowed 20-25 years back. Now if a person is making counter sale to foreign tourist he must get MEIS and GST refund.	In so far as MEIS on counter sale to foreign tourists is concerned, the matter pertains to DGFT who administers MEIS scheme. - As far as GST Refund is concerned, Tourist Refund Scheme is under active consideration.
	· E-wallet facility may be provided from 01.04.2019.	E-wallet facility has been deferred by GST Implementation Committee (GIC) till 31.03.2020, with a condition that if new return system is rolled out smoothly and e-Wallet scheme is ready at an earlier date, then it could be rolled out before 31.03.2020.
	· ITC refund mechanism may be made completely online to save time and cost.	At present partial manual and partial electronic system is a stop gap arrangement which will be discontinued after complete electronic refund module comes into place. Development of completely electronic ITC refund interfaceis in progress.
	· Pre import condition should be resolved and uniformity in views is expected from the RAs of DGFT.	Vide DGFT's Notification No. 53/2015-2020 dated 10.01.2019 and Department of Revenue's Notification No. 01/2019-Customs dated 10.01.2019, pre-import condition has been removed from Advance Authorization scheme for claiming IGST exemption.
6.	**Shri Ajay Sahai, DG, FIEO**	
	· Tax deduction on R&D may be exempted and should be innovative friendly and tax deduction may be enhanced to encourage innovation.	CBDT is of the view that the issue is in the nature of general suggestion without making any specific proposal. Accordingly, FIEO may be requested to provide a specific proposal on the issue along with the basis for the same.
	· In no circumstance should an export consignment be withheld until and unless there is an intelligence report requiring for such measures.	Government's initiative is towards ease of doing business. Risk Management System (RMS) is functioning on the basis of intelligence-based inputs and no consignmentsare withheldwithout intelligence. Further, random intervention is also required in order to improve the RMS as such results provide feedback.
7.	**Shri Rahul Gupta, Chairman, EPCES:**	

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	· Reverse charge mechanism has been brought in prior to September, 2019. SEZ under section 16(3) can procure as if they are in DTA. However, as purchases from the unregistered sources get covered by the Reverse charge mechanism they sought some clarification/relief in this regard.	It is clarified that reverse charge mechanism under Section 9(4) of the CGST Act, 2017 has been suspended since 13.10.2017 and no notification under concerned section has been issued after it was amended in the CGST Amendment Act, 2018.
	· All FTA Nations are given some duty benefits, some sort of relaxation should also be given for the clearances to the DTA from the SEZ units which will have cascading effect and would help SEZs to reach economics of scale.	SEZ is considered to be a territory outside the Customs territory of India. Accordingly, clearances to the DTA from SEZ units are treated as import into the country leviable to duties of Customs as leviable under the Customs Tariff Act, 1975, as per the provisions under Section 30 of the SEZ Act, 2005. As far extending best FTA rates on such clearance is concerned, DoR does not agree on the following grounds: (a) SEZs are already enjoying tax benefit on inputs, capital goods and services with world class infrastructure. So extending best FTA rates to SEZ units would put the DTA units into a more disadvantageous position leading to shifting/closure of units from DTA to SEZ to take advantage of lower Tariff. (b) Extending further tax benefit by way of extending FTA rates to SEZ will lead to inefficient way of allocating limited resources of the country and more distortion in the economy. DTA economy is much larger than SEZ economy and they are already facing a threat under the present FTA agreement. Therefore, extending it to neighboring SEZs would further compound this problem, putting large investment made in DTA units at substantial risk. (c) There seems to be no gain while extending such FTA rates to SEZ as unlike FTA partners, SEZ will not open any additional tariff lines for our exports to SEZ. In addition to above, SEZ in India cannot be related to the countries with which India is having FTAs. Accordingly, DoR's view to not to extend such benefits has been communicated to DoC from time to time in the past.
	· A request was also made to	Rule 74 of the SEZ Rules, 2006 allows units to exit from SEZ scheme subject to procedure and conditions. Such existing units can transfer their assets upon their exit as per provisions under

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	allow unit transfer/sale in SEZ as investors in SEZ may like to delink their units and achieve liquidity in the process.	Rule 74A of the said SEZ Rules. However, there are conditions inbuiltinto such provisions to prevent possible misuse of the SEZ scheme. In view of the above, the request seems to be already covered under SEZ laws.
11.	**Shri Vivek Nair, Chairman, SEPC** · Service exports are growing at 14% and overall it is 38% of foreign earnings and of this, hotels and tourism sectors are the largest components and there has been a setback in the last few years particularly after the GST has been implemented as threshold room rent over 7500/- incurs a 28% GST. The Chairman suggested that those paying in foreign exchange they should be given exemption from paying GST.	The request for GST exemption on hotel accommodation service where declared tariff is more than Rs. 7500 (generally in five star hotels) where payment is made in foreign exchange by treating it as export of service was considered by the Fitment Committee and GST Council and was not acceded to for the following reasons:- a. The supply in question does not qualify as export of service because as per Section 2(6) of IGST Act "export of services" means the supply of any service when (i) the supplier of service is located in India; (ii) the recipient of service is located outside India; (iii) the supplier of service and the recipient of service are not merely establishment of a distinct person. b. In this case, the recipient of service and the place of supply are not located outside India to treat the service as export. Also GST is a destination-based consumption tax. The services of hotels, even by foreign tourist, paying in foreign exchange are effectively enjoyed domestically i.e. consumption of service is in India and hence liable to tax in India.
14.	**Shri Pramod Kumar Agarwal, Chairman, GJEPC** · He raised the issue of IGST levied on consignments returning from foreign exhibition and that they are waiting for the Circular clarifying the issue.	It is to clarify that goods re-imported which had earlier been exported on payment of IGST do not require payment of IGST at the time of re-import. Only in the case of goods exported under bond/ LUT without payment of IGST are required to pay IGST at the time of re-import. Thus, there is no double payment of IGST. However, looking into the specific situation of gems and jewellery sector, CBIC is examining the proposal of carving out a specific exception for gem and jewellery exported on consignment basis.
	· GJEPC mentioned that while there is a policy and procedure laid down that for the exported material they are to get a replenishment,	The issue of allowing replenishment of gold/silver free of Custom duty even in cases where ITC/GST refund has been availed at the time of export is under examination in consultation with DGFT and Customs field formations.

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	duty free, on the equal value. The problem has arisen in the transitional regime, from excise to IGST refunds and which is pending for over a year. DGFT indicated that a change in policy has been proposed and Customs are looking at it. · He also raised the issue of foreign tourist sale. As the duty is very high on Gold items, plus GST discourages the foreign tourist from buying Indian articles as there is no mechanism for the refund of duty, while the neighbouring countries provide such a facility.	A Tourist Refund Scheme is under active consideration.
15	**Shri P.R Aqeel, Chairman, Council for Leather Exports** · Government should consider levying only 12% GST on footwears as it is one of the most commonly used items.	In the 15th GST Council meeting held on 03.6.2017, the Council deliberated the GST rate structure on footwear at length and after deliberation, the Council agreed that GST rate on footwear with retail sale price of less than Rs. 500 would be 5% and for the other categories of footwear, the rate of tax would be 18%. This GST rate was lower than the pre-GST tax incidence on footwear. Further, considering wide use of footwear by common people, the GST recommended extension of concessional rate of 5% GST for goods having a retail sale price not exceeding Rs.1000 per pair. Subsequently, in view of difficulty faced by the trade in case of sale under discount where 18% GST rate were applicable for footwear having RSP more than Rs 1000 even if the actual sale price was less than Rs 1000, GST council recommended concessional GST rate of 5% on footwear of sale value not exceeding Rs.1000 per pair with effect from 1.1.2019, doing away with the requirement to indelibly mark or emboss the price. Any change in GST rate that is arrived after consensus amongst various views of the members of the GST Council, at this stage, may not be advisable.
16.	**Shri Nikhil Saini, Director [Policy], Express Council of India**	

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	· He requested that there should not be any restriction on exports through express/courier mode. He requested for removal of commodity restrictions through express mode and implementation of single window clearance in courier mode, which would help the health and diagnostic services.	The issue relates to allied laws of other Partner Government Agencies (PGAs) which Customs is enforcing. Matter may be taken up with respective PGAs. Suitable action would be taken in accordance with the suggestions given by different PGAs.
17.	**Shri Karunakar. S. Shetty, President, BCBA**	
	· While parking plazas were created in Nhava Sheva but there is no examination of the goods there and goods are moved to CFS which increases the dwell time and transaction costs. The request accordingly is to carry out examination in the parking plazas created.	The provision of space for carrying out examination atport comes under the purview of JNPT. The matter may be directly taken up with the Ministry of Shipping.
	· Further, while Customs is working 24x7 other PGAs are not available 24x7 and if they can work 24x7, it will boost exports.	CBIC has already written to all PGAs to provide such facility round the clock.Matter may be taken up with other PGAs for necessary action at their end.
18.	**Shri Sager Mehta, Chairman, EPCH**	
	· Due to introduction of GST the duty drawback rates on handicraft items have been reduced by 50 to 70%. To compensate the loss, the handicraft sector may be included	Matter may be taken up with Administrative Ministry.

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	in the ROSL scheme and 2 to 4% may be refunded. · He also pointed out that members from Agra are facing difficulties in obtaining MEIS benefits with reference to specific codes namely 6802 21 90 and 6815 99 90 as there are certain ambiguities. Customs is denying MEIS benefits of 7% on 6815 99 90 and insisting on putting 6802 21 90 on the shipping bills.	 Matter is being examined.
19.	**Shri Sanjay Shah, Chairman, IOPEPC** · He requested that opening of containers from agricultural sector must be completely done away with.	 Containers are opened for examination on the basis of intelligence or risk assessment. Department has already provided the facility of factory stuffing of reefer containers with perishable export cargo under supervision of Customs officials vide Circular No. 13/2018-Customs dated 30.5.2018. Such exporters may also avail of AEO facility.
21.	**Shri A. Sakthivel, Acting Chairman (AEPC)** · Major foreign apparel brands are facing various challenges and our main constraint is duty free status enjoyed by our competing countries. As a case in point he pointed out that when GST was introduced, Apparel sector saw duty drawback rates and ROSL being reduced from 11.5% to 3.15% which is a big blow for the apparel exporters and they are not able to	 Prior to GST, the Duty Drawback Scheme used to neutralize Customs duties, Central Excise duties and Service Tax on inputs and input services used in manufacture of export goods. In GST regime, Duty Drawback Scheme neutralizes Customs duties on inputs and Central Excise duty on fuel used in manufacture of export goods. Simultaneously, exporters are eligible to avail credit/refund of GST paid on inputs used in manufacture of export goods or refund of GST paid on export goods. It is added that Ministry of Textiles has notified the scheme for Rebate of State and Central Levies (RoSCTL) for garment and made-up sector w.e.f. 07.03.2019.

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	compete in the world market. After GST, apparel exports are coming down.	