

Exporters under scanner for tax scheme misuse

Sources say refunds of 600 entities not being processed

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Exporters are misusing the government's duty drawback scheme by claiming it along with refunds of integrated goods and services tax (GST), according to GST authorities, who are doing an investigation into this.

Over 100 such exporters — mainly in apparel, drugs, and leather — have been “illegally” drawing benefits from two routes, according to two officials privy to the probe.

“We have detected that several exporters have been allegedly making integrated GST refund claims on exports while part of the amount is also being claimed through the duty drawback route, which is illegal,” one of the officials said.

From the probe, the authorities are learnt to have stalled the refunds of about 600 exporters, amounting to ₹2,000-3,000 crore and pending since September 2022, according to an exporter.

Some have filed writ petitions in different courts, he said.

An official said this could delay refund issuances to exporters.

These exporters are from mainly four cities, Mumbai, Surat, Ludhiana, and Tirupur, officials said.

In case the exporters are found guilty, show-cause notices will be issued by the GST

UNDER THE SCANNER

► **Officials say over 100 exporters** have ‘illegally’ drawn benefits

► **Exporters found to have misused duty drawback incentives** despite claiming IGST refunds

► **Duty drawback can be only claimed for compensating unrebated taxes and duties**, not for GST

► **Some exporters have moved court** seeking relief

► **GST authorities verifying refunds and incentives** claimed



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authorities.

Subsequently, they have to pay for the wrongful gains in the form of an 18 per cent interest rate and penalty.

Explaining the illegality, an official quoted above said the duty drawback scheme was for compensating “unrebated taxes and duties” embedded in the cost of manufacturing exported goods.

Exporters pay taxes and duties such as value-added tax, mandi tax, and electricity duties.

cars like the Maybach, the AMG, the S-Class, the EQS, and the GLS, has grown by 69 per cent in Calendar 2022.

“Mercedes-Benz raised the volume penetration of its top-end segment to 22 per cent in 2022, up from 12 per cent in 2018. Although all three segments - luxury, core luxury, and top-end luxury - have grown in absolute volume on-year, the growth for the top-end has been the highest,” says Iyer. Why this sudden penchant for super-luxury? Dhillon feels that after the pandemic, the you-only-live-once attitude has given rise to the indulgence quotient when it comes to buying luxury goods, including cars.

Exporters...

Claiming both for the same goods is prohibited. On the other hand, under IGST, exports would be zero-rated, which means they can take credit of taxes (GST) paid on the input side for making the output supply. The suppliers hence are entitled to claim refunds. Currently, IGST refunds are

issued to exporters automatically based on the shipping bills filed with the Customs and goods and services tax returns filed with the central tax authorities. The refunds are issued within a fortnight of filing returns without any manual intervention.

Duty drawback claims take a month. “Duty drawback and IGST refunds are separate schemes to incentivise exporters and must not be linked to interpreting issues. Any delay in giving these benefits impacts the working capital flow and is against the objectives of the government to provide timely benefits to exporters,” said Abhishek Rastogi, founder of Rastoji Chambers. In the past, exporters had allegedly misused the duty drawback scheme, taking advantage of the difficulty in ascertaining the market value of exports. An exporter may quote a higher price on low-quality ready-made garments to claim higher reimbursement, sources said, explaining the reasons behind such evasion.

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