

Exports under GST

Section 147: Deemed Exports: The Government may, on the recommendations of the Council, notify certain supplies of goods as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange, if such goods are manufactured in India.

Supplies notified as deemed Export:

- Supply of goods by a registered person against Advance Authorisation
- Supply of capital goods by a RP against Export Promotion Capital Goods Authorization
- Supply of goods by a registered person to Export Oriented Unit
- Supply of gold by a bank or PSU against Advance Authorization.

Taxability of deemed exports

- **Deemed Exports:** Unlike regular exports, deemed exports are not zero-rated by default.
- **Tax Payment:** Supplies for deemed exports are subject to tax and cannot be supplied under a Bond/LUT.
- **Refund Eligibility:** Refund of tax paid on deemed export supplies is admissible to either the supplier or the recipient.

Merchant Exporter & Merchant Exporter:

- Manufacturer exporter means a person who exports goods manufactured by him or intends to export such goods.
- Merchant exporter means a person engaged in trading activity and exporting or intending to export goods.
- There is no specific provision in GST law for export through third parties, commonly known as merchant exports. However, a low rate of GST of 0.1% on supplies for export through third parties has been provided by way of exemption notifications. [Expressed as 0.1% IGST on inter-State supplies or 0.05% CGST plus 0.05% SGST on intra-State supplies].
- Circular has clarified that exporter receiving goods at concessional rate of tax @ 0.1% will be eligible to take credit of the concessional tax so paid by him.
- The supplier who supplies goods at the concessional rate will be eligible for refund of ITC on account of inverted tax structure as per section 54(3)(ii) of the CGST Act.
- However, it may be noted that the exporter of such goods can export the goods only under LUT / bond and cannot export on payment of IGST.
- **Notification No. 41/2017 IT(R) and 40/2017 CT(R): A merchant exporter can purchase goods at 0.1% GST if:**
 - ✚ Goods are bought on tax invoice from a registered supplier.
 - ✚ Goods are exported within 90 days from invoice date.
 - ✚ Supplier's GSTIN & invoice details are mentioned in shipping bill.
 - ✚ Exporter is registered with Export Promotion Council.
 - ✚ Concessional purchase order copy is given to supplier & jurisdictional officer.
 - ✚ Goods move directly to port/ICD/airport/LCS or via registered warehouse (including registered principal/additional place of business).
 - ✚ If aggregating from multiple suppliers → goods must first move to registered warehouse before export.
 - ✚ In case of warehouse aggregation → invoice endorsement & warehouse acknowledgement must be shared with supplier & officer.
 - ✚ After export → copy of shipping bill + EGM/export report proof must be given to supplier & jurisdictional officer.

Circular Summary - Sub-contracting of Services by Exporter

When an Indian exporter outsources part of a service contract to a person outside India:

1. Two Supplies Exist: Export of services: Indian exporter to Foreign client (for full contract value). Import of services: Foreign subcontractor to Indian exporter (for outsourced portion).
2. Tax Treatment: Entire contract value = Export of services.
Indian exporter must pay IGST under Reverse Charge (RCM) on outsourced portion (import of services). IGST paid under RCM is eligible for ITC.
3. Consideration Received Outside India: Even if part of payment is directly made by foreign client to foreign subcontractor, the full contract value still qualifies as export, provided: IGST on imported portion is paid by Indian exporter; and RBI permits retention of that portion of consideration outside India.
4. Result: Export benefits apply on 100% of contract value, subject to compliance.

Export to Nepal & Bhutan: Exports of g/s to Nepal & Bhutan are treated as normal zero-rated exports under GST (eligible under LUT) even if payment is received in INR, as permitted by RBI.