Circular No. 05/2018-Customs

F.No.450/119/2017-Cus.IV
Government of India
Ministry of Finance
Department of Revenue
(Central Board of Excise & Customs)
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Room No. 227B, North Block, New Delhi.
Dated the 23rd February, 2018

To

All Principal Chief Commissioners/Chief Commissioners of Customs/Customs (Preventive)
All Principal Chief Commissioners/Chief Commissioners of Central Tax and Central Excise
All Principal Commissioners/Commissioners of Customs/Customs (Preventive)
All Principal Commissioners/Commissioners of Central Tax and Central Excise

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Subject: <u>Refund of IGST on Export– Invoice mis-match Cases –Alternative Mechanism with Officer Interface</u> - reg.

Madam/ Sir,

1. Numerous representations have been received from exporters / trade associations seeking resolution of various problems which have hindered the sanction of refund of IGST paid on exports. CBEC has issued Circular No 42 / 2017 dated 07-11-2017 which highlighted the common errors that hindered the sanction and disbursal of refund of IGST paid against exports. Subsequent to the said Circular, outreach programmes have been undertaken and advisories, advertisements and FAQs have been issued to create awareness amongst the exporter community regarding the common mistakes and errors which hold up the refund process. Information is being made available to exporters on a real-time basis with regard to the errors status on ICEGATE website for registered users. Details of refund sanctioned is being sent through SMS on registered mobile phones. A positive gain of these efforts has been that errors are steadily decreasing, which has enabled CBEC to sanction more than Rs. 4000 crores of refund, so far. The matter is being closely coordinated with GSTN, which has also been tasked to provide feedback to the exporter about any failed validations to enable corrective action on their part.

2. The analysis of data post October 2017 indicates that while the quantum of errors is decreasing significantly, exporters are still committing mistakes in the information furnished to (i) GSTN while filing GSTR 1 / Table 6A or GSTR 3B and (ii) Customs EDI system while filing Shipping Bill. The pre-requisites and precautions that need to be taken for successful processing of refund claims are as follows:

(i) Exporters have to file GSTR 3B with taxable value for export and IGST paid against exports indicated in appropriate fields.

(ii) Exporters have to file GSTR 1 or Table 6A for the exports made with correct details such as Invoice number, Taxable value, IGST paid, Shipping Bill number, Shipping Date and Port Code. Large number of exporters have filed incomplete GSTR 1 or Table 6A where shipping bill number or date or port code are missing. These records are not processed / forwarded to Customs by GSTN. E-mails have been sent to exporters asking them to correct their records through amendment process of GSTR 1 i.e through Table 9 of GSTR 1 of the following month.

(iii) The aggregate IGST paid amount claimed in GSTR 1 or Table 6A should not be greater than the IGST paid amount indicated in Table 3.1(b) of GSTR 3B of the corresponding month. This check is put in the GSTN system to ensure that the refund claimed is not more than the IGST paid by the exporter. Analysis of GSTN return data indicates that this condition has failed in a large number of cases, consequently, the information filed by exporters is not forwarded to Customs by GSTN. In these cases also, e-mails have been sent to exporters asking them to correct their records through amendment process of GSTR 1 i.e. through Table 9 of GSTR 1 of the following month.

Indicate

(iv) The analysis of data further indicates that only about 32% records of GSTR 1 / Table 6A have been transmitted from GSTN to Customs. In other words, a majority of refund claims are held up either due to insufficient information or lack of due diligence on the part of exporter while filing GST returns.

(v) Exporters may be advised to use Table 9 of GSTR 1 of the following month to amend the records of previous month so as to take care of issues mentioned in paras (ii) and (iii) above. In cases where exporters have already filed information through Table 9 of GSTR 1, the said information is being validated by GSTN. The validated information is expected to be forwarded by GSTN to Customs by mid-March 2018 for further processing.

(vi) The records (i.e GSTR 1 or Table 6A) which have been forwarded by GSTN to Customs after validations mentioned at (ii) and (iii) above are processed by the Customs EDI system. In cases where the information forwarded by GSTN tallies with the information furnished in Shipping bills, refunds are automatically sanctioned by Customs EDI system. As mentioned earlier, till date about Rs. 4000 Crore has been sanctioned as refund of IGST paid.

(vii) However, there are many instances where refunds are held up on Customs EDI system due to certain errors which have been clearly brought out in the Circular No 42/2017-Customs. The major errors that are committed by the exporters are (a) incorrect Shipping bill numbers in GSTR 1 (b) GSTIN declared in the shipping bill does not match with the GSTIN used to file the corresponding GST Returns (c) the most common error hampering refund is due to mismatch of invoice number, taxable value and IGST paid in the Shipping Bill vis-à-vis the same details mentioned in GSTR 1 / Table 6A which is the most common error hampering refund. Another reason attributable to carriers is the non-filing or incorrect filing of electronic Export General Manifest (EGM).

(viii) Exporters may be advised to track the refund status and errors pertaining to their shipping bills on the ICEGATE website. The registration process demo, advisory and the needed IT configurations are hosted on the ICEGATE website under the following links.

Registration Demo link:
https://www.icegate.gov.in/Download/New_Registration_Demo_Updated_APPROVED.pdf

Registration Advisory link:
https://www.icegate.gov.in/Download/v1.2_Advisory_Registration_APPROVED.pdf

Java set up for the DSC upload:
https://www.icegate.gov.in/Download/JavaSetupForDSC.pdf

Once the registration is obtained, the exporters can check the status of IGST refunds associated with their exports and the corresponding error message, if any. This enquiry takes GSTIN Number, Port-code and Return Month as inputs and based on the input, Shipping Bill Number, Shipping Bill Date, Return Month, Invoice Number, Invoice Date, Response Code and Processed date is displayed as a result of the enquiry. The records displayed are those that have been received from GSTN and processed by the Customs Automated System.

(ix) The analysis of Customs data indicates that while most of the errors mentioned in para (vi) above are decreasing, the error mentioned at (c) in para (vii) is most prevalent. The error mentioned at (c) in para (vii) is about invoice mis-match. This error is because of the fact that exporters are using two sets of invoices, one invoice for GST and another invoice for Customs which is resulting in mismatch of invoice numbers, including mis-match in taxable value and IGST paid in those invoices. It is once again reiterated that exporters may be advised to take due care to ensure that the details of invoice such as invoice number, taxable value and IGST paid mentioned in GSTR 1 and shipping bill match with each other and the invoice issued is compliant with the GST Invoice Rules, 2017.

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3. Recognizing that invoice mis-match has been the major reason why the refunds have been held, it has been decided to provide an alternative mechanism to give exporters an opportunity to rectify such errors committed in the initial stages. This envisages an officer interface on the Customs EDI System through which a Customs officer can verify the information furnished in GSTN and Customs EDI system and sanction refund in those cases where invoice details provided in GSTR 1/ Table 6A are correct though the said details provided in the shipping bill were at variance. It is pertinent to note that refund claims would be processed in only those cases where the error code is mentioned as SB005. Further, it may also be noted that all refunds shall continue to be credited electronically through the PFMS system, and no manual payment / cheque should be issued. The procedure for processing of IGST refund claims in these cases would be as follows:

a. The exporter shall provide a concordance table indicating mapping between GST invoices and corresponding Shipping Bill invoices, as annexed in support of the refund claim to the designated officer in the Custom house. A scanned copy of concordance table may also be sent to dedicated email address of Customs location from where exports took place.

b. Customs EDI system shall display list of all the invoices pertaining to such SBs vis-a-vis the invoice data received from GSTN. The officer shall verify the following:

   i. Duly certified concordance table submitted by the exporter as per Annexure A indicating mapping between GST invoice and corresponding Shipping Bill invoice;
   ii. IGST taxable value and IGST amount declared in the Shipping Bill.
   iii. IGST details declared in the Shipping Bill should be in proportion to the goods actually exported.

c. After determining the correct refund amount, the officer need to enter the same into the Customs EDI system. The officer has the facility to edit the IGST paid details in case of short shipment or incorrect calculation by the exporter. The officer shall complete the verification by accepting or rejecting or amending the same.

d. Once all the invoices pertaining to Shipping Bill are verified by the officer, the system shall calculate the scroll amount against a shipping bill, after subtracting the drawback amount for each invoice where applicable, and display the refund amount to the officer for approval.
e. Invoices in any particular GSTR 1 where refund is sanctioned shall be disabled in the system to prevent refund against same invoice in future.
f. Once refund is sanctioned by the officer, the shipping bills would be available for generating scroll as per normal process.

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4. In order to ensure smooth operation of the prescribed procedure, Custom Houses may open a dedicated cell and e-mail address for the purpose of IGST refund and give wide publicity.

5. This procedure is available only for Shipping Bills filed till 31st December 2017. All Chief Commissioners are requested to issue Public Notice and Standing Orders, in this regard. Difficulties, if any, may be brought to the notice of the Board. It is again emphasized that Board is taking all possible steps to alleviate the difficulties associated with IGST refunds. However, ultimately it is the responsibility of the exporters to ensure careful and correct filing of returns for hassle free sanction of IGST refunds.

6. Hindi version will follow.

Yours faithfully,

Encl: As above.

(**Zubair Riaz**)
Director (Customs)

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Annexure A

The Concordance between GST Invoice and Export Invoice declared in Shipping Bill is as follows:

Name of the Exporter: -

GSTIN:-

Port Code :		SB No:		SB Date:	

Concordance Table

Sl no	GST Invoice No / Date	Taxable Value as per GST	IGST Amount as per GST	Sl. No	Corresponding SB Invoice No. /Date	Taxable Value as per SB	IGST Amount as declared per SB	Final (corrected) IGST Amount as per actual exports*
1				1.				
2								
3								
4				2				
5				3				

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* after reducing amount pertaining to Short shipment etc.

I declare that all the details declared here are true to my knowledge and all items contained in the invoices have been exported out of India.

I further declare that all the GST invoices pertaining to this Shipping Bill have been filed as part of GSTR1/ 6A in Common portal and is available for verification and refund.

Place:

Date:

Authorised Signatory