

# Mid-term review of five-year FTP before GST rollout

● GST council to address exporters' concerns over tax refund system

FE BUREAU  
New Delhi, May 6

**THE MID-TERM REVISION** of foreign trade policy 2015-2020 will be announced before July to align it with the implementation of the goods and services tax (GST), commerce and industry minister Nirmala Sitharaman said on Saturday.

Stressing the need to minimise the transitional pain for exporters due to the planned rollout of the new indirect tax regime from July 1, the minister said the exporters will have an opportunity to raise their concerns with the GST council when it meets next on May 18-19.

Sitharaman voiced concern over the system of tax refunds — rather than upfront exemption — in the GST regime as it could create working capital issues for small exporters. Also, exporters of items such as agricultural products could face difficulty in getting input tax credit (ITC), which will be available only against output taxes, she noted. The minister said her ministry was looking at parity in treatment of exporters and importers in GST regime. A team that will include the commerce secretary would seek time from the GST council on the specific issue, including one related to duty refunds of exporters.

After holding a meeting with various stakeholders in the capital on Saturday, including exporters, Sitharaman said there was no plan to scale down the 2020 export target of \$900 billion. Given the current economic and geopolitical situations globally, there are concerns that international trade may be impacted.

Thanks mainly to strong showing by petroleum and engineering sectors but also sig-



Commerce minister  
Nirmala Sitharaman

nalling a pick-up in global demand for Indian goods, merchandise exports growth touched an over five-year high of 27.6% in March. This was the eighth straight month of expansion in outward shipments after nearly two years of contraction.

In the GST regime, a pay-first-and-get-refund system is preferred over tax exemption because an uninterrupted chain of value addition with tax at each stage is integral to the proposed tax on consumption. The Director General of Foreign Trade (GSFT) had earlier esti-

imated that no-exemption-and-only-refund system would lead to a blockage of about ₹1,85,000 crore annually for manufactured goods exporters. However, the GST council has assured exporters that 90% of the refund will be given in seven days and the remaining 10% will be given in four-five months. And if there is a delay in refunds, 4-6% interest will be paid. During the meeting, suggestions were also made to explore rupee-denominated trade, especially in the southeast Asian nations and those in the middle east. Suggestions were also made that the FTP should not focus only on exports, but on imports as well.

**'We found merit in the suggestion that the review of the policy should be well in time to go along with the rollout of the GST. It means I have to announce it well in time for July 1'**