

Trade policy review only after resolving exporters' cash woes, says Ministry

Two options being looked at by Finance, Commerce Ministries to end liquidity crisis

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The Commerce Ministry will come up with the mid-term review of the foreign trade policy (FTP), initially scheduled this month, only after resolving the liquidity issues faced by exporters under the Goods and Services Tax (GST) regime, a government official has said.

"Two options are being examined by the Centre to deal with cash shortage faced by exporters who are no longer entitled to tax exemptions under various incentive schemes and have to instead pay taxes upfront and later claim reimbursement. Without a resolution to the issue, there is no point coming out with a mid-term review," the official told *BusinessLine*.

One option is the much debated introduction of e-wallet facility for exporters for virtual

payment of taxes while the other is putting in place an actual wallet for use by exporters with money deposited by the Centre.

The Finance Commerce Ministries will thrash out both options and examine others too, if required, to reach an understanding, before sorting the matter with the GST Council.

According to estimates made by the exporting community, over ₹1.85 lakh crore of their working capital may get stuck annually because of the time-lag between paying taxes and then getting refunds instead of exemptions.

e-wallet facility

In the previous round of consultations before the GST was implemented on July 1, the Commerce Ministry had proposed that an e-wallet facility



could be introduced for exporters.

Under the mechanism, the e-wallet account of an exporter is debited based on the preceding year's exports.

Whenever the exporter is supposed to pay GST, whether for imports or for procurement by merchant exporters, the payment is made from the e-wallet. Money, however, does not go out of the e-wallet account at all. It just goes from the GST account of exporter to the GST account of the supplier. The value of the e-wallet remains the same. When the exporter gives proof of export, her account is

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again re-credited. The other option of an actual wallet is similar to the e-wallet concept, but the virtual money is replaced by actual money to be provided by the Centre. In the actual account, too, no money would go out and accounts would only be debited and credited based on GST paid and reimbursements made.

"Although the Centre is more comfortable with the actual wallet proposal as it involves real money, the Finance Ministry may have to provide ₹30,000-40,000 crore quarterly for it which it may not be comfortable with," the official said.