THE HINDU BUSINESS LINE
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GST blues for exporters

Refund delays, with respect to IGST and input tax, have hit small units

More than eight months after the introduction of GST, exporters remain cash-strapped for working capital; this is despite assurances made by the Centre last October-November that the process of granting refunds for input tax credit (ITC) and IGST would be expedited. Given that exports of goods and services account for about 20 per cent of GDP and are characterised by labour intensity and a high working capital to sales ratio, this is no small matter. Indeed, the impact, as this month's RBI paper titled 'Working Capital Constraints and Exports: Evidence from GST rollout' points out, "Petroleum and gems and jewellery have the highest working capital/sales requirement (above 60 per cent) and they were hit the most during October... Meat, dairy and poultry... have low need for working capital (19 per cent) and saw one of the smallest decreases in exports growth." Textiles, leather, tea, electronics and plastic fall roughly in the 35-45 per cent range, while engineering goods have a higher ratio of 47 per cent; coffee, tobacco, ceramics and ores and minerals are in the 50-55 per cent range. It is disturbing that glitches have persisted for so long.

The biggest inconvenience of all for exporters is that they still have to apply offline for IGST and ITC refunds at their nearest tax office, after entering the refund due to them online. This is a software lapse. Since IGST issues need to be referred to the Centre, offline applications take time to be processed. Besides, delays arise when Customs officials point to discrepancies between the Export General Manifest and shipping bills. This is because the IGST amount may not be mentioned in the former, as the exporter may not be required to do so. Delays in processing of claims are also on account of inputting errors such as the wrong bill number or amounts being entered. Here, too, the software does not easily allow for corrections. These issues must be settled urgently. That the GST process, according to *Economic Survey 2017-18*, has increased the number of unique indirect tax payers by 3.4 million is remarkable, but in doing so businesses should not be pushed to the wall.

Small businesses, which account for a major part of the export universe, are being made to invest a disproportionate amount of time, money and resources on GST compliance. The filing of summary returns on a monthly basis, with more detailed returns being filed on a half-yearly or annual basis, would help businesses breathe more easily. The persistence of red tapism in the exports sector does not sit well with the Centre's otherwise well-earned reputation of having generally eased the conduct of business. Acknowledging the role of small units, the *Survey* observes that "India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries". The Centre must address the concerns of small units quickly.