



Apparel Export Promotion Council

## **GST GUIDANCE NOTE & FAQs** for Apparel Exporters, August 2017



Dear Members,

Since the roll out of GST, we have been receiving lot of queries on the procedures and provisions pertaining to the apparel sector. Please find enclosed "GST Update - August 2017" which contains compilation of the responses to these commonly asked questions, to facilitate your understanding and compliance of the GST Regime.

The enclosed note covers all the important aspects on documentation requirements, process for returns, payment, utilization of ITC, record keeping, claiming of ROSL and drawback in transitional period and post transition, job work , exports procedures and GST rates for apparel value chain, besides other FAQs.

We had released the first FAQ set in June, 2017 (please refer GST corner of AEPC website). This is the second update capturing the notifications received till now. We will continue to provide you regular updates for your easy reference on GST in apparel.

Should you have any further queries, kindly get in touch with Ms. Chandrima Chatterjee at [advisorcc@aepecindia.com](mailto:advisorcc@aepecindia.com).

With best compliments

(Ashok G Rajani)

## Index

<b>S. No.</b>	<b>Content</b>	<b>Page No.</b>
<b>1</b>	<b>GST Concept</b>	<b>4-18</b>
<b>2</b>	<b>GST Rates in Apparel Value Chain</b>	<b>19-20</b>
<b>3</b>	<b>Frequently Asked Questions</b>	<b>21-29</b>

## **IMPORTANT CONCEPTS AND FACTS**

- 1) GST is a tax on supply as against tax on manufacture (Central Excise) or sale (VAT).
- 2) GST has subsumed a large number of central and state taxes i.e. central excise duty, service tax, additional duties of excise, CVD, SAD, state VAT, purchase tax, entry tax, luxury tax, entertainment tax, taxes on advertisements, lotteries, cesses and surcharges, etc.
- 3) It is a dual GST i.e. there will be a central tax known as CGST and a state tax known as SGST/UTGST.
- 4) Intra-state supplies (within the same state/UT) are chargeable to CGST+SGST/UTGST.
- 5) Inter-state supplies (from one state/UT to another state/UT) are chargeable to IGST (Integrated GST) which is equal to the sum total of central and state tax.
- 6) Imports and exports are treated as inter-state supplies and are chargeable to IGST.
- 7) Exports and supplies to SEZ developers and SEZ units are zero-rated. Option to export on payment of tax under claim for rebate or exports under bond or letter of undertaking without payment of IGST is there.
- 8) Exporters are entitled for claiming refund of unutilized input tax credit.
- 9) ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).
- 10) Liability to pay tax arises at the time of supply. The **time of supply** is **earlier** of the following dates:
  - i. Date of issue of invoice by the supplier, or
  - ii. Date of receipt of payment by the supplier

Note 1: The supplier of goods is required to issue the invoice before or at the time of removal or delivery of goods.

Note 2: The date of receipt of payment is the date on which payment is entered in supplier's books of account or the date on which the payment is credited to his bank account, whichever is earlier.
- 11) Value for levy of GST is the transaction value i.e. price actually paid or payable when supplier and recipient are not related and price is the sole consideration for supply.

## **REGISTRATION: MIGRATION OR NEW**

- 1) Apply for migration (if not already done) of existing registration under central excise/service tax/VAT as the case may be, to the GSTN.
- 2) Obtain ID and password from the central excise/service tax/VAT department if not already received so far. Migration would not be possible unless you have the ID and password assigned to you by the department.
- 3) Apply for new registration (if you are not already registered under central excise/service tax). Facility for new registration is open on the GSTN portal from 25<sup>th</sup> June.
- 4) Before applying for registration declare your PAN, mobile no., E-mail, state or UT in PART A of Form GST REG-01.
- 5) On successful verification of above particulars a temporary reference no. shall be generated by the system and communicated to the applicant on the said mobile no. and E-mail.
- 6) Using the said reference no. submit electronically an application in PART B of FORM GST REG-01.
- 7) If everything is in order the registration shall be granted within 3 working days of date of submission of the application. If certain clarifications are sought by the proper officer the same should be submitted by you within 7 working days. In that case the registration may be granted within 7 working days of the receipt of clarification.
- 8) If the proper officer fails to take any action within 3 working days of submission of application or 7 working days of receipt of clarification, as the case may be, the registration is **deemed** to have been approved.
- 9) The certificate of registration shall be made available on the common portal in FORM GST REG-06 showing principal place of business and additional places of business.
- 10) A Goods and Services Tax Identification Number shall be assigned to you.
- 11) Apply for separate state wise registration if you have units in more than one state.
- 12) Separate registration for multiple business verticals within a state/UT is also possible at your option.
- 13) If you have units in SEZ or you are an SEZ developer, apply for a separate registration as a business vertical distinct from other units located outside SEZ.
- 14) You should display your registration certificate in a prominent location at your principal place of business and at every additional place of business.
- 15) You should also display your GSTIN on the name board exhibited at the entry of your principal place of business and every additional place of business.

## **TRANSITION**

### **CARRY FORWARD OF CENVAT CREDIT**

You are entitled for carry forward of the cenvat credit balance in your books of accounts as on 30.6.17 for which take following steps:

- (i) Prepare your return for the period ending 30.6.17 and file it on or before the due date. **The balance of cenvat credit which is intended to be carried forward must be reflected in this return.**
- (ii) Ensure that all returns under the existing laws e.g., central excise, service tax for the last 6 months have been filed. If the returns for any of the past 5 months (i.e. from January to May 2017) have not been filed, please file them immediately, but before 30.6.17. The returns for June 2017 can be filed by the due date (for example: 10.7.2017 for central excise).
- (iii) In respect of capital goods if there is any unavailed cenvat credit (i.e. total credit admissible on capital goods minus the credit already availed) which is not carried forward in the return should also be claimed.
- (iv) Verify and ensure that the credit is admissible as Input Tax Credit under the GST Acts.
- (v) Submit a declaration electronically in form GST TRAN-1 duly signed on common portal **within 90 days from 1<sup>st</sup> July, 2017**. This declaration should specify **separately** the amount of input tax credit for inputs and capital goods.
- (vi) The credit specified in GST TRAN-1 shall be credited in form GST PMT-2 (electronic credit ledger)

### **CREDIT ON STOCK**

- 1) If you are not a manufacturer or a supplier of service (i.e. you are a merchant exporter) and do not possess invoices evidencing payment of duty on inputs, you are entitled for taking credit on the stock of inputs as on 30.6.17 as below:

- (i) @ 60% if such inputs are chargeable to CGST @ 9% or more
- (ii) @ 40% if such inputs are chargeable to CGST @ less than 9%

The same principles apply for availing credit of VAT under State GST provisions.

Claims under CST Act are admissible if they are substantiated i.e. the value of the claim and the serial no. and value of declarations in Forms C and/or F and certificates in Forms E and/or H and Form I specified in rule 12 of CST rules is submitted.

- 2) For availing the above facility please ensure that you should take care of the following:
- (i) This facility is open for 6 tax periods only i.e. 6 months. It means that you should exhaust all this stock within 6 months from 1<sup>st</sup> July, 17. If any stock is left out after 6 months credit will not be available on the same.
  - (ii) You have document for procurement of such goods in your possession.
  - (iii) Such invoices/documents should not be older than 12 months prior to 1<sup>st</sup> July, 2017 i.e. they should not have been issued earlier than 1<sup>st</sup> July, 2016.
  - (iv) Check that such goods were not either NIL rated or unconditionally exempt from whole of duty of excise.
  - (v) Such stock is stored separately so as to be easily identifiable.
  - (vi) You should submit a statement in form GST TRAN 2 at the end of each of the next months i.e. July to December 2017 detailing the supplies of such goods carried out during the relevant tax period.
- 3) If prior to GST you were engaged in manufacture of taxable as well as exempted goods or providing taxable as well as exempted services but which are liable to be taxed under GST, you are entitled to take credit of :
- (i) Credit carried forward in the return.
  - (ii) Credit on inputs held in stock and contained in semi-finished or finished goods held in stock relating to exempted goods or services.

The details of such stock shall be specified in Form GST TRAN-1.

**NOTE: The credit shall be allowed in your account only after the GST on the supply of such goods has been paid by you.**

### **INPUTS OR INPUT SERVICES RECIEVED ON OR AFTER 1.7.2017**

If duty or tax on such inputs or input services has been paid prior to 1.7.2017 the credit of the same can be taken if you record the invoices or other duty paying documents in your books of account within 30 days from 1.7.2017.

### **DOCUMENTATION**

As per the GST Law and Rules all supplies have to be made under an invoice. The following points may be noted:

- (i) There is no prescribed format for invoice.
- (ii) Only the particulars/details which are to be given in the invoice have been prescribed.

- (iii) Therefore you may design your own format, if you so desire, but ensure that all the prescribed particulars are there in your format.
- (iv) Please also ensure that your invoice format is ready immediately.

**INVOICE SHALL INCLUDE THE FOLLOWING PARTICULARS**

- a) Name, address and GSTIN of supplier;
- b) A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolized as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- c) Date of its issue;
- d) Name, address and GSTIN or UIN, if registered, of the recipient;
- e) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered and where the value of taxable supply is fifty thousand rupees or more;
- f) Name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- g) HSN code of goods;
- h) Description of goods;
- i) Quantity in case of goods and unit or Unique Quantity Code;
- j) Total value of supply of goods;
- k) Taxable value of supply of goods taking into account discount or abatement;
- l) Rate of tax (Central tax, State tax, Integrated tax, Union Territory tax or cess);
- m) Amount of tax charged in respect of taxable goods (Central tax, State tax, Integrated tax, Union Territory tax or cess);
- n) Place of supply along with the name of the State, in case of a supply in the course of inter-state trade or commerce;
- o) Address of delivery where the same is different from the place of supply;
- p) Whether the tax is payable on reverse charge basis; and
- q) Signature or digital signature of the supplier or his authorized representative

NOTE 1. HSN code: No code is required to be mentioned by registered person having annual turnover in the preceding year of upto Rs. 1.5 crore. Those having turnover between Rs. 1.5 crore and 5 crore are required to be only 2 digits of HSN and those with turnover of more than Rs. 5 crore are required to mention 4 digits of HSN (Authority Notification No. 12/2017-Central Tax dated 28.06.2017).

NOTE 2. Exports: In the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,- (i) name and address of the recipient; (ii) address of delivery; and (iii) name of the country of destination:

### **SYSTEMS/IT**

The GST law compliance is very heavily dependent upon use of Information Technology and computers. All returns are to be filed online on GSTN portal and invoices need to be uploaded. You should therefore ensure:

- (i) You have adequate systems and requisite personnel to man them.
- (ii) Some of your staff is familiarized (preferably have some hands on experience) with operation of GSTN modules.
- (iii) Appropriate arrangements are in place for uploading of invoices (which will depend upon the no. of invoices generated). Uploading can be done through specially designed software (which are available in the market) or manually. You may take a call depending upon your workload.

### **RETURNS**

Every registered person has to file electronically 3 returns every month and an annual return. The monthly returns are:

- (i) Return of outward supplies (GSTR-1)– to be filed by 10<sup>th</sup> of the following month.
- (ii) Return of inward supplies (GSTR-2) – to be filed from 11<sup>th</sup> to 15<sup>th</sup> of the following month.
- (iii) Return of Inward and Outward supplies, ITC, tax payable and tax paid (GSTR-3) – to be filed by 20<sup>th</sup> of the following month.

(iv) Annual return (GSTR-9) – to be filed by 31<sup>st</sup> December of next year

For seamless operations under GST please ensure the following:

- (i) All your outward supplies and inward supplies are properly accounted for and entered in your system.
- (ii) Periodical invoice matching is done with your suppliers as well as buyers to avoid any mismatch of credit. The periodicity may be decided according to your volumes/workload.
- (iii) Proper coordination with the suppliers as well as buyers for uploading and matching of invoices should be worked out and followed.
- (iv) Mismatch if any should be preferably rectified before submission of the final return.
- (v) A track of payments for the supplies is kept as the credit is denied if the payment is not made within 6 months.
- (vi) The returns are filed in time as late filing will attract late fee as below:
  - @ Rs. 100/day (max Rs. 5000/-) in case of monthly returns
  - @ Rs. 100/day (max 0.25% of turnover in state) in case of annual return.

## **PAYMENTS**

- (i) The **due date** for making payment of tax liability is the **20<sup>th</sup> of the next month**.
- (ii) There will be electronic cash ledger, electronic credit ledger and electronic liability ledger on GST Portal for each registered person.
- (iii) You can deposit the tax by internet banking, NEFT, RTGS, CREDIT/DEBIT card and Over the Counter. However there is a limit of rs. 10000/- per tax period on over the counter payments.
- (iv) Date of credit to the government account is the date of payment for credit in electronic cash ledger.
- (v) You may make the payment of tax by way of debit in the electronic cash or credit ledger or both.

## **MANNER OF UTILISATION OF INPUT TAX CREDIT (ITC)**

You can use your ITC in the following manner:

- (i) Credit of IGST to be first used for payment of IGST, remaining for CGST & balance for SGST/UTGST
- (ii) Credit of CGST to be first used for CGST, remaining for IGST
- (iii) Credit of SGST to be first used for SGST, remaining for IGST

- (iv) No cross utilization of credit of CGST and SGST is allowed i.e. the credit of CGST cannot be utilised for payment of SGST and vice versa.

### **INPUT TAX CREDIT (ITC)**

ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).

The following points need to be noted:

- (i) **ELIGIBLE TAXES:** Credit is available in respect of the input taxes namely, CGST, SGST, UTGST, IGST and GST payable on reverse charge or payable when purchase is made from unregistered suppliers.
- (ii) Conditions for availing ITC include:
1. You are in possession of invoice/debit note/bill of entry or other prescribed document;
  2. You have received the goods or services;
  3. Tax has actually been paid by the supplier to government;
  4. Requisite returns have been furnished.
  5. If goods are received in lots or installments, credit shall be taken on receipt of last lot or installment.
  6. No depreciation of the tax component of cost of capital goods and plant and machinery is claimed under the Income Tax act.
- (iii) **Last date for availing credit:** ITC cannot be availed after filing of return for the month of September of next Financial Year or filing of Annual Return whichever is earlier
- (iv) Full ITC is allowed on capital goods in one go.
- (v) Only Proportionate credit is allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes.
- (vi) Similarly only proportionate credit is allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies.
- (vii) ITC available only on provisional basis for a period of two months until payment of tax and filing of valid return by the supplier.
- (viii) Matching of supplier's and recipient's invoice details will be done on the GST Portal. ITC to be confirmed only after matching of such information. ITC to be reversed in case of mismatch.
- (ix) The Input Service Distributor mechanism for distribution of ITC of input services is also there.

## **NEGATIVE LIST FOR ITC**

Input tax credit will not be available on the following inward supplies.

- (i) Motor vehicles except when they are used for transportation of goods, etc.
- (ii) Food and beverages, outdoor catering, health services, etc.
- (iii) Membership of a club, health and fitness centre
- (iv) Rent-a-cab, life insurance, health insurance except where notified by Government as obligatory for employers to provide its employees
- (v) Travel benefits extended to employees on vacation
- (vi) Works contract services for construction of immovable property (other than plant and machinery)

Plant and machinery means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services and includes such foundation and structural supports but excludes –

- (i) Land, building or any other civil structures;
  - (ii) Telecommunication towers; and
  - (iii) Pipelines laid outside the factory premises
- b. Goods or services received for construction of an immovable property (other than plant or machinery) on his own account
  - c. Goods or services used for personal consumption
  - d. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

## **ACCOUNTS AND RECORDS**

You should maintain a true and correct account of the following at your principal place of business, as mentioned in the certificate of registration:

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

### **ACCOUNT OF STOCK**

Accounts of stock in respect of each commodity received and supplied, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof.

You should maintain separate account of advances received, paid and adjustments made thereto

Separate account of IGST, CGST, SGST, UTGST have to be maintained.

### **PERIOD FOR RETENTION OF ACCOUNTS/RECORDS**

The records/accounts have to be maintained by you:

- (i) For 72 months from the date of filing of the annual return in normal cases
- (ii) However if any appeal/revision/litigation/investigation is pending the accounts/records are to be maintained till one year after disposal of such appeal/revision/litigation/investigation or 72 months as mentioned above, whichever is later

### **REFUNDS**

You are entitled for claiming refund of duties paid on your exports or inputs or input services used in making such zero rated supplies or refund of unutilized input tax credit.

1. You can claim refunds within a period of two years from the relevant date i.e.
  - (i) In case of exports by sea or air, the date on which ship or the aircraft on which goods are loaded leaves India
  - (ii) In case of exports by land, the date on which the goods passed the frontier
  - (iii) In case of exports by post, the date of dispatch of goods by the post office
2. All refunds claim have to be filed online
3. You are entitled for provisional refund of 90% of the total amount claimed within 7 days of the date of acknowledgment of your refund application.

Therefore you should file your refund application complete in all respects so that they are acknowledged at the earliest.

4. Refund of goods exported prior to 1.7.2017 shall be dealt with under the existing laws only.

#### **HOW TO CLAIM ROSL FOR JULY 2017**

The claim for ROSL is made on the shipping bill itself as prescribed in Para 6 of Circular no. 43/2016-Customs, dated the 31st August, 2016 (reproduced below):

“6. The claim cum declaration of eligibility has to be made by exporter on drawback exports at item level. The drawback exports (shipping bill or bill of export) may be standalone or in combination with other schemes. The options in permutation with the ROSL Scheme are being provided with separate scheme-codes which the exporter is to declare at item level to make claim cum declaration for the rebate. For EDI shipping bill, selection of the scheme-code involving ROSL scheme at the time of export shall itself amount to making claim cum declaration of eligibility. For EDI shipping bill this shall be the only means to make the claim. If need for manual shipping bill arises, only then the exporter printing the claim cum declaration on the shipping bill shall be accepted. No claim for rebate shall lie except in this manner. The scheme-codes are being publicized by the Systems Directorate.”

Since the rates of ROSL have been restored to the higher levels for the transitional period with effect from 1<sup>st</sup> July, 2017 the CBEC has prescribed the procedure for availing ROSL at higher rates vide circular no. 34/2017 dated 9/8/2017 as per which the exporters are not required to file any fresh claim for refund for the period from 1/7/2017 to 4/8/2017. The refunds at higher rates shall be passed by the customs at the time of scroll out. However, the exporters shall have to file a consolidated undertaking for the above said period in the proforma given in the circular itself. From 5/8/2017 onward higher rates of ROSL can be claimed in the shipping bill itself.

In so far as the claims for August 2017 onward are concerned they can be made on the shipping bills themselves being filed now. However, it may be noted that the above said undertaking must be given for such claims.

## **JOB WORK**

### **TRANSITIONAL PROVISIONS**

Inputs/semi-finished goods sent for job work prior to 1.7.2017 shall not be chargeable to any tax if such inputs/semi-finished goods are received back within 6 months from 1.7.2017 after completion of job work or as such.

You should take the following steps:

1. Ensure that your job workers complete the job work and send back the inputs/semi-finished goods before 31<sup>st</sup> December 2017.
2. In case the job work is likely to take longer, seek extension of the time period from the commissioner who can extend this time limit by maximum 2 months.
3. The job worker as well as the manufacturer declare the details of inputs/semi-finished goods held in stock by the job worker on behalf of the manufacturer as on 1.7.2017.

### **JOB WORK PROCEEDURE AFTER 01.07.2017**

1. The principle has to give an intimation to the jurisdictional officer regarding job work. List of job workers may be submitted.
2. You may send inputs or capital goods to job worker for job work without payment of tax.
3. Inputs or capital goods can also be sent from one job worker to another job worker and likewise.
4. The inputs or capital goods must come back after completion of job work or otherwise within 1 year and 3 years respectively.
5. In case you don't receive back the goods within the above mentioned stipulated time limit it will be treated as a deemed supply by you to the job worker on the day when the inputs or capital goods were sent out.
6. You can supply such inputs or capital goods from the place of business of job worker, subject to the following:
  - (i) Either the place of business of job worker is declared as an additional place of business of the principal, or,
  - (ii) The job worker himself is a registered person
7. The responsibility for keeping proper accounts for inputs or capital goods shall lie with the principal.

8. Waste and scrap generated during the job work can be supplied directly from the place of business of the job worker on payment of tax if the job worker is registered or by the principal if the job worker is not registered.

### **DOCUMENT FOR JOB WORK**

For sending the goods on job work, the principal is not required to issue an invoice. For transportation of goods for job work, the principal may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
  - (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
  - (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
  - (iv) Harmonised System of Nomenclature code and description of goods;
  - (v) quantity (provisional, where the exact quantity being supplied is not known);
  - (vi) taxable value;
  - (vii) Tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
  - (viii) Place of supply, in case of inter-State movement; and
  - (ix) Signature.
- (2) The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely: –
- (a) The original copy being marked as ORIGINAL FOR CONSIGNEE;
  - (b) The duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

### **Export Procedures**

- 1) Exports are treated as zero-rated supplies under section 16 of the IGST Act.
- 2) Input Tax Credit is available for zero-rated supplies of exports.
- 3) An exporter can claim refund under either of the following two options:
  - I. Export under bond or Letter of Undertaking without payment of IGST and claim refund of unutilized input tax credit; OR

II. Export on payment of IGST and claim refund of such tax.

(Authority: Section 16(3) of IGST Act, Rule 96 & 96A of the CGST Rules & Circular No. 26/2017 dated 1/7/2017 – para 3).

- For option I above an application for refund has to be filed electronically on the common portal after export manifest or export report is delivered.
- For option II above no separate application is required. Shipping bill (SB) itself is deemed as an application for refund. Refund is possible only after export manifest or an export report is filed and the exporter has furnished a valid return in Form GSTR-3.

4) **Simultaneous availment of drawback at composite rates and refund of ITC or IGST under any of the above two options is not permissible.**

5) However, drawback of customs portions along with refund of ITC or IGST under any of the above two options is permissible.

***For Further Information***

<http://www.aepcindia.com/sites/default/files/pdfs/circ32-2017cs.pdf>

**Bond/Letter of Undertaking**

- 1) Bond /LUT is to be furnished in **Form GST RFD – 11** (enclosed).
- 2) The bond is to be furnished on **non-judicial stamp paper** of the value as applicable in the state in which bond is furnished.
- 3) The bond covers the amount of tax involved in the export.
- 4) Exporters can furnish a **running bond** covering the amount of tax liability estimated by the exporter himself. The value of the remaining bond can be enhanced subsequently by furnishing additional bond.
- 5) The bank guarantee shall normally not exceed 15% of the bond amount.
- 6) Commissioner can waive-off the bank guarantee or reduce the amount of the BG depending upon the track record of the exporter.
- 7) The LUT can be submitted in place of bond by:
  - I. A status holder; OR
  - II. A registered person who has received remittances of at least 10% of export turnover (but not less than rs.1crore) in preceding financial year.
  - III. The registered person has not been prosecuted under CGST Act or under any existing law involving tax evasion of more than Rs. 2.5 crore.

- 8) The LUT is to be executed by the working partner, the managing director or the company secretary or the proprietor or by a person duly authorized by such working partner or board of directors of such company or proprietor on the letter head of the registered person.
- 9) The bond/LUT is to be accepted by the jurisdictional DC/AC having jurisdiction over the principal place of business of the exporter.
- 10) For the time being the exporter is at liberty to furnish the bond/LUT before central tax authority or state tax authority.
- 11) The LUT shall be valid for 12 months.
- 12) Exports are allowed under existing LUTs/bonds till 31<sup>st</sup> July 2017.
- 13) LUTs/bonds in the revised format (Form RFD-11) have to be submitted latest by 31<sup>st</sup> July 2017.
- 14) Bond/LUT in Form RFD-11 may be furnished manually to the jurisdictional DC/AC till the module for furnishing the same is available on the common portal.

**For Further information follow the link:**

<http://www.aepcindia.com/sites/default/files/pdfs/Circular-%20LUT.pdf>

<http://www.aepcindia.com/sites/default/files/pdfs/Format%20LUT%20-%20%20Form%20RFD-11.pdf>

## GST RATES

<b>GST on Raw materials for Garments, Garments &amp; Job Work</b>	
<b>Material</b>	<b>Rate of GST (In %)</b>
<b>Yarn</b>	
Silk [5004, 5005, 5006]	5
Yarn of wool or of animal hair [5106, 5107, 5108, 5109, 5110]	5
Cotton yarn, other than khadi yarn [5205, 5206, 5207]	5
Synthetic filament yarn such as nylon, polyester, acrylic, etc. [5402, 5404, 5406] Artificial filament yarn such as viscose rayon, Cuprammonium, etc. [5403, 5405, 5406]	18
Yarn of manmade staple fibres [5509, 5510, 5511]	18
<b>Fabric</b>	
Woven fabrics of silk or silk waste [5007]	5
Fabrics of wool or of animal hair [5111, 5112, 5113]	5
Cotton fabrics [5208, 5209, 5210, 5211, 5212]	5
Fabrics of manmade textile materials [5407, 5408]	5
Fabrics of manmade staple fibres [5512, 5513, 5514, 5515, 5516]	5
<b>Garment</b>	
Readymade Garment (All goods of sale value not exceeding Rs. 1000 per piece)	5
Readymade Garment (All goods of sale value exceeding Rs. 1000 per piece)	12
<b>Accessories</b>	
Thread (Cotton, Silk, wool)	5
Thread (MMF)	18
Button	18
Zipper	18
Laces	12
Gota	5
Labels	18
Interlining	12
Dyes	18

<b>GST on Raw materials for Garments, Garments &amp; Job Work</b>	
<b>Material</b>	<b>Rate of GST</b>
	<b>(In %)</b>
<b>Job Work</b>	<b>GST Rate</b>
Kniting (Yarn to Grey)	5
Dyeing (Grey cloth to dyed cloth)	5
Bleaching (Grey cloth to bleached cloth)	5
Rotary Printing (All over printing on dyed cloth)	5
Raising Brushing and shearing (Removing shrinkage in cloth)	5
Fabric Cutting (Fabric is cut in cloth bit)	5*
Chest Embroidery (Embroidery on cloth bit)	5*
Chest Printing (Printing on cloth bit)	5*
Sewing (Swing on cloth bit)	5*
Garment washing (washing of stitched garment )	5*
Kaja/Buttoning (Kaja preparation or fixing button in the garment)	5*
Hand Embroidery (Embroidery on garments)	5*
Checking, ironing and packing (Checking, ironing & Packaging of garments)	5*
Other Job Work	5*
<b>Freight</b>	<b>GST Rate</b>
Air Freight	18
Sea Freight	5

*\*GST rates on Job work in whole Textile Value Chain have been reduced from 18% to 5% vide 20th GST Council Meeting on 5 August, 2017.*

Note : The inputs stated are based on the information available on public domain as on 10th August 2017. For regular updates kindly visit [www.gst.gov.in](http://www.gst.gov.in) or [www.cbec.gov.in](http://www.cbec.gov.in)

## Other Frequently Asked Questions

**Q. How will Job Work done outside the factory through a contractor be treated under GST?**

Response: There is no difference between job work done in relation to garments by a contractor (i.e. a job worker) inside the same factory or outside the factory. Job work will attract GST @ 18% (@ 5% as per decision of GST council meeting on 5/8/2017). It is advisable for the job worker to be a registered person so that the reverse charge mechanism for taking ITC may be avoided.

**Q. Job Work done outside where part of material may be like sewing thread or buttons etc. could be from the job worker/ job contractors.**

Response: If the job worker is using some of the materials like sewing thread or buttons on his own, it does not make any difference so far as chargeability of GST is concerned. The rate of GST will remain the same. Obviously the job worker will include the expenses on such items in his job work charges and discharge the GST on such charges inclusive of cost of materials used by him. However, the job worker shall be entitled to take ITC on the items procured by him and used in the job work.

**Q. For exports through Legal Undertaking, what is the minimum exports turnover in preceding financial year.**

Response: Turnover in the previous year may vary from case to case between Rs. 1 crore and Rs. 10 crore depending upon what percentage the foreign inward remittances constitute of the total turnover. For example if an exporter had a turnover of Rs. 1 crore during the previous year and the entire amount (i.e. 100%) was received as foreign inward remittances then he satisfies both the conditions of receipt of inward remittances of minimum 10% of the turnover as well as the minimum limit of Rs. 1 crore of remittances. Therefore, in his case the turnover of Rs. 1 crore in the previous year would suffice for his eligibility for LUT.

**Q. What is the GST on export of samples through courier?**

Response:

**Liability to Tax**

**Export of free samples** through any mode like sea, air, courier is treated as a "zero-rated supply" under Section 16(1) of the IGST Act. The exporter can follow any of the two options under Section 16(3) of IGST Act i.e. either without payment of IGST under bond/LUT or on payment of IGST under refund. Since execution of bonds/LUT would be a tedious and burdensome process for small consignments of samples, it would be advisable to follow the other option of paying IGST and taking refund of the same.

**Valuation**

As regards the valuation, since there is no consideration/payment to be received for the samples the invoice may mention that the commercial value of the sample is zero but an approximate value for like goods may be shown for IGST and customs purposes and tax be calculated & discharged on the same. Samples valued up to Rs. 25000/- can be sent through courier mode without any requirement of remittances. However, if the value is between Rs.25000/- and Rs. 50000, a GR waiver is required.

**Input Tax Credit**

In so far as the entitlement for ITC is concerned, the exporter of the sample would be eligible for the same in terms of Section 16(2) of the IGST Act, which provides that credit of input tax may be availed for making zero-rated supplies even if such supplies are exempt supplies.

**Q. Sr.No.257 states that, Tags, Labels, Stickers, belts, buttons or hangers, imported by bonafide exporters, without any condition.**

Response: If the tags and labels are imported by bonafide exporters then they can operate under Notification. No. 50/2017 and clear such imports without payment of customs duty without submission of bond. However, if the importer is not a bonafide exporter he will have to operate under Notification. No. 34/2017 and fulfill the conditions laid therein for availing the exemption from customs duty.

**Q. What is the procedure for Merchant Exporters?**

- The merchant exporters are free to follow any of the two options for export i.e. they can export without payment of IGST under bond /LUT or on payment of IGST under refund.
- Procurement of supplies by the merchant exporters whether from manufacturers or from the market are chargeable to GST or IGST as they are at par with any supply within the country.
- Since merchant exporters shall have ITC on their procurements, they may often resort to exports on payment of IGST under refund, 90% of which would be available very quickly on the strength of shipping bill itself.

**Q. We are constructing a new factory, whether we will be able to get GST refund for new factory construction for 100% Exports. We will be paying GST on entire construction material, labour contract, etc. Will we get refund in case of Industrial Expansion / Factory Construction?**

Response: ITC of GST paid on construction material for construction of factory building is not admissible in view of the negative list contained in section 17 of CGST Act.

**Q. What is the process for claiming IGST for tax paid on import of machinery, if claiming drawback?**

Response: For claiming ITC of IGST paid on import of machinery, the standard procedure for claiming ITC would apply as contained in Section 16 of the CGST Act which inter-alia include the following:

1. Possession of Bill of Entry
2. Receipt of machinery
3. Actual payment of IGST to government
4. Submission of return in FORM GSTR-2 depicting the particulars of the Bill of Entry

**Q. We are functioning in a rented building and the owner is not yet registered under GST. Whether it is mandatory for us to register and how to book the bill for July'17, if the owner has not furnished the Regn details. We are in a system called SAP, hence may not be allowed to proceed without giving the Regn No. please clarify.**

Response: Building under question is a commercial building hired on rent from where the business is being run. If the rental income of the owner is more than Rs. 20 lakh in the preceding year he is

required to take registration. In case his income from rent is below Rs. 20 lakh, you may advise him to take voluntary registration so that your SAP compliance is also satisfied.

**Q. How to proceed with the accounting of advance payment collected from customers against Proforma invoice. Whether it is mandatory to collect GST amount along with advance payment. If so, while executing the order whether we need to bifurcate the in the Bill, please clarify.**

Response: GST is payable at the time of receipt of advance payment or raising of the invoice whichever is earlier. If advance payment is received before issue of invoice the tax is payable at that stage. At the time of final billing the full amount of the value of supply may be shown and tax be paid after making adjustment for the advance payments.

**Q. I am importing & buying locally capital goods for garments industry; which are still to arrive and will pay GST & IGST on all above. I am entitled to claim ITC refund on capital goods. Thus the refund of capital goods is related to drawback on my finished export products. If any relationship exists between refunds of capital goods ITC V/S draw back on exported products, please specify.**

Response: ITC on capital goods purchased locally or imported is admissible. There is no relationship between ITC on capital goods and drawback on export products. The restriction regarding availment of ITC while claiming composite rate of drawback are confined to ITC on inputs and input services only.

**Q. Can you please advise how will bill be available of staff travelling on business since air tickets and Hotel bills are issued in the name of the person travelling. Since individuals will not have GST number while the Corporate on whose behalf they travel will have GST number How ITC will be claimed in this case?**

Response: ITC of GST paid on air tickets and hotel bills in the name of individuals would not be available. For claiming ITC on receipt of such supplies it is advisable to incur such expenses in the name of the corporate.

**Q. For orders booked and shipped on C & F basis, the invoice and Shipping Bill is prepared is based on estimated freight which differs from actual freight invoice received after shipment. Can drawback be availed on C&F basis?**

Response: The export benefits like drawback or refund of IGST paid on export goods is linked to the FOB value of exports. Even if the invoice is prepared on C&F basis, the FOB value will have to be deduced based upon the BRC.

**Q. Is option of compounding available to jobworker/processor if total billing/turnover is below 75 lakhs ? Since compounding provision is not allowed to a service provider?**

Response: Job workers are rendering services. Therefore, they are not eligible for composition scheme under section 10 of CGST Act.

**Q. Samples/garments are sent outside the country which are free for recipient/Buyer. These samples can be for size-set, Photo-shoot , AND/OR sales. These samples are free and the overhead cost of free samples are built in product pricing. Can we get GST exemption for them?**

Response: Samples sent outside the country are treated like any other export goods and can be cleared without payment of duty. However, if the same are sent through courier, there is a value limit of Rs. 50000.

**Q. Can I claim input credit for the GST charged by the house owner on rent?**

Response: Rent of residential houses is chargeable to nil rate of tax. Therefore, no ITC.

**Q. What is definition of laces in pieces given in chapter 57? Is that means embroidery badges or any kind of lace badges pls clarify.**

Response: Laces in piece, in strips or in motifs are classified under heading 5804 and are chargeable @ 12%.

**Q. When we are importing machines under ECGC Licence, how much GST has to be paid? Whether we will get tax input credit on these machines? While under ECGC licence custom duty is "nil" and IGST also to be paid?**

Response: IGST at full rate as applicable to the machinery under import would be chargeable . ITC of the same is available.

**Q. For sewing machines GST rate is 12%. What about balance machines like embroidery machines, cutting machines, digital printing machines, dry cleaning machines , steam pressing machines etc?**

Response: The rates on embroidery machines, cutting machines, digital printing machines, dry cleaning machines, steam pressing machines is 18%. Reference serial no. 339 and 342 in Schedule III of Notification No. 1/2017 (CGST rates). ITC of tax paid on machinery is admissible

**Q. If factory building is given on rent to someone for industrial production, GST on rent GST applicable or not. If yes than what is the rate?**

Response: GST would be payable on the rental income of factory building @ 18%. It will be CGST + SGST in case intra state supply and IGST in case of inter state supply. There is no separate exemption limit for rental income.

**Q. As per procedure shown for Invoicing of the Export goods, the exporter is required to file an application before the "concerned" Authority for removal of the goods from the Factory. Reference has to be made of this APPLICATION in the Export invoice. However, it is not clarified whether this is to be done manually or through electronic means. If the same is to be sent manually, it requires additional work. On most occasions, the ACTUAL quantities of exportable pieces are known late in the night while final packing and the truck leaves for the Port even during late night hours. SO, how can we send MANUALLY this application prior to removal? If this application is to be made electronically, this is possible even in the middle of the night. We should be made aware of the web-site or the link through which this can be done.**

**Response:** As per the invoicing rules there is no such requirement of filling an application before the concerned authority for removal of goods from the factory for exports. The exporter is required to issue an invoice containing the particulars specified in Rule 46 of the CGST Rules. The only additional requirement for export is that the invoice shall carry an endorsement "Supply meant for export on payment of integrated tax" or "supply meant for export under bond or LUT without payment of integrated tax" as the case may be.

The intimation/information to the concerned authority is however required only when permission for self-sealing of containers from the factory is sought. For the time being it seems it has to be submitted manually.

**Q. A list of the job-workers has to be submitted. But no link on their GST site is seen where this can be done. Is this also required to be done manually?**

Response: In the absence of any link on the GST site the list of job workers has to be submitted manually only.

**Q. Before GST Regime, when we issue thread to Embroiderer for Job work (Embroidery) and raise a debit note against issue of thread. Now, what type of transaction we need to maintain our account of thread with embroiderer or can we continue to raise debit note against thread.**

Response: As per the job work procedure outlined in section 143 of the CGST Act the principal may send any inputs or capital goods without payment of tax to a job worker for job work and bring back such inputs/capital goods after completion of job work or otherwise without payment of tax.

No invoice or debit note is required to be issued for sending goods from the principal to the job worker as no tax is required to be paid on the same.

As per Rule 55, (Chapter VI) of CGST Rules 2017, for transportation of goods for job work the principal is required to issue a delivery challan in lieu of invoice containing the following details:

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The principal will have to maintain record of details of goods/capital goods sent to job worker and received back in Form GST ITC-04

In view of the above in the specific case mentioned in the query no debit note would be required to be issued for transportation of embroidery thread by the principal to the job worker. The principal would

issue only delivery challans as and when thread is sent to job worker and maintain accounts in Form GST ITC. It may also be mentioned that the principal is entitled for Input Tax Credit on the embroidery thread sent to the job worker.

**Q. What is the GST on sale of license/scrips (like MEIS)?**

Response: The GST on sale of license is 12%.

**Q. Can the company surrender the GST no since they fall below the 20 Lakhs limit?**

Response: Presuming that the sales are intrastate, if the total turnover is below Rs. 20 lakhs registration is not required. The company can apply for cancelation of registration in terms of section 29 (1)(c) of the CGST Act read with rule 24 (4) of the CGST Rules. They will have to fill up FORM GST REG -29 at the common portal.

**Q. Company needs to change from the composite scheme to General scheme what is the form or the procedure to change over?**

Response: As per Rule 6(2)& (3) of the CGST Rules the registered person who intends to withdraw from the composition scheme shall before the date of such withdrawal, file an application in FORM GST CMP -04 on the common portal.

**Q. The company has imported some goods and paid 28% GST + 10% customs duty on it so when the product is sold in the Indian markets can they claim rebate of this 28% GST paid**

Response: The company cannot take the ITC of IGST of 28% paid on imported goods while working under composition scheme (Reference sec10 (4) of CGST ACT). However, after exit from the composition scheme the company is entitled for taking input tax credit on the stock on the date of exit (Reference sec 18 (1) (c) of CGST ACT).

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**Please Note the following:**

1. *Exporters are advised to read relevant notifications/circular issued by the government for full information.*
2. *Concerns and issues by exporters may be sent to [advisorcc@apecindia.com](mailto:advisorcc@apecindia.com) or [wagas@apecindia.com](mailto:wagas@apecindia.com). For More Information and notifications, follow the link below:*
  - <http://www.cbec.gov.in/htdocs-cbec/gst/index>
  - <https://www.gst.gov.in/>
  - <http://www.apecindia.com/resource-center?qt-resources=5#qt-resources>
3. *For any subsequent amendment or changes, exporters are advised to reach out to websites of the respective authorities for obtaining updated information.*
4. *Information contained in this document is only for general assistance to the exporters and exporters are advised to follow guidelines contained in circular/notifications.*