

Online service tax refund of tax on 18 services

As exports face adverse conditions amid a slowdown in growth, the government today came out with a mechanism to provide online refunds of tax paid on 18 services used beyond factory gate for outbound shipment of goods. Upbeat exporters exuded confidence that they can tackle the difficult situation ahead in the current calendar year, if the government continues to be proactive in supporting their cause.

Earlier, the Central Board of Excise and Customs (CBEC) issued a notification to provide average rates of service tax refund, ranging from 0.03 per cent to 0.20 per cent of the freight-on-board value of exports. This average rate of refund is in respect of 18 services used beyond the factory gate like those provided by an insurer, transporters from inland container depots to ports and by ports among others. The finance ministry said service tax refund would be credited to the accounts of exporters directly.

“As in the case of payment of duty drawback, the service tax refund will be enabled by the Indian customs electronic data interchange (EDI) system resulting in the amounts getting directly credited into the exporters’ bank accounts within a few days of confirmation of export without additional export documentation,” the statement added.

Customs officers have separately been vested with powers of central excise and service tax for this purpose. A proposal to this effect was part of Finance Minister Pranab Mukherjee’s Budget speech for this fiscal. The ministry had said the scheme limits public interface as well as reduces transaction costs in obtaining refunds.

The Federation of Indian Export Organisations said refunds through EDI would save both transaction time and costs, as there will be no requirement of application. “There will be reduced documentations once the facility to track status online will be available,” its president Ramu S Deora noted.

He said the government’s continued proactive measures would facilitate exporters to sail through in 2012, when they look set to face numerous challenges.

The idea was first mooted by the committee that was formed under minister of state for commerce and industry Jyotiraditya Scindia in December 2009 with the aim of reducing the transaction cost by 10 per cent of the export value.

Currently, the duty drawback is directly credited to accounts of exporters maintained

at customs houses, but exporters have to file claims separately to get service tax refunds. This leads to severe delays in refund and loss of time, as it entails a plethora of complex paperwork.

Facing external adverse conditions, India's merchandise exports grew just 3.9 per cent in November 2011-12 year-on-year, against a whopping up to 80 per cent rise in the earlier months of this fiscal. Exports reached only 192.7 billion dollars in the first eight months, prompting experts to disbelieve the prospect of meeting a target of \$300 billion set for the current financial year.

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