

GST be made export-friendly: EEPC India

In their pre-Budget memorandum to the Finance Ministry, exporters have said the credit refunds under the impending Goods and Services Tax (GST) should be made efficient to the extent that an automatic system of tax credits be brought into operation.

Besides, multiple Advance Ruling (AR) centres at the Central and state Levels should be set up to bring about certainty for exporters. “What credit can accrue, what cannot accrue, what is exporter’s liability and what is due to him can be brought about by the AR, thus helping the export sector,” said Mr P K Shah, Former Chairman of the EEPC India.

He said the engineering sector also demands that all products made of steel should be compensated by higher drawback rates since the protection given to large steel manufacturers against imports has resulted into higher cost of production for exporters, particularly for the small and medium enterprises.

In its memorandum, the EEPC India said even though the present exemption would not be possible under the GST so as not to break the entire value-taxation chain, “it is important that the refund system be made efficient as exports are zero rated”.

In terms of direct taxes, in line with the domestic companies and non-corporate tax payers, the engineering exporters should also be allowed weight deduction to the extent of $1\frac{1}{3}$ times for expenditures incurred by exporters “This will help in boosting our exports and also favour the exporters face the protectionist tendencies in major engineering markets”, the council said.

Besides, exemption may be provided u/s. 10 of the Income Tax in respect of the profits derived on transfer of all types of incentive scrips with effect from the financial year commencing on April 12015 which will further encourage the exporters to increase their shipments.. This is because these incentives have been given by the Government to offset certain major handicaps like high freight costs which in turn make Indian products uncompetitive in global markets, etc. “Thus, if these incentives are taxed then the purpose of providing the same is defeated; only 66% of the benefit accrues to the exporter”.

For definition of the medium scale firms, the upper limits of investments in plant and machinery should be increased to **Rs. 50 crores from the present limit of Rs.10 Crores**. The upper limits of the micro and small enterprises should also be revised upwards since due to high inflation during the last couple of years, the production cost has increased considerably.