

Easing of Processes for Small Exporters

The current law requires furnishing of LUT by exporters and suppliers to SEZ units. One of the issues raised by NASSCOM in the recent representation filed with the Committee of Exports was that small exporters not meeting the criteria of minimum receipts of Rs. 1 Crore in foreign remittances as specified in Notification 16/2017 – Central Tax dated July 7, 2017 would be required to furnish a bond along with Bank guarantee which is an unnecessary burden. NASSCOM had as part of the detailed representation highlighted that for small exporters the requirement of furnishing the Bank guarantee at 15% of the bond value and corresponding additional document is a cumbersome process and puts an additional cost burden.

We are glad to inform you that the Finance Ministry has vide a press release provided below proposed to ease the burden on small exporters by prescribing a relaxation for exporters of goods and services. It proposes to allow furnishing of a LUT instead of a Bond and therefore effectively prescribing a waiver of requirement of furnishing bank guarantee by such exporters. The relevant extract of the press release is as follows:

“Small exporters have brought to the notice of the Government the difficulties in furnishing bond with requisite bank guarantee. To facilitate exports under GST, it has been decided that the facility of furnishing Letter of Undertaking, in place of a bond, for exporting goods or services or both shall be allowed to exporters and no bank guarantee will be required. The relevant notification for this shall be issued in due course.

The issue of cash blockage is expected to be partially addressed by this measure. More measures are under consideration.”