

Circular No.1060/9/2017-CX

F.No: 116/15/2017-CX-3
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, dated 27th November, 2017

To

The Principal Chief Commissioner/ Chief Commissioner of GST & Central Excise
(Chandigarh, Meerut, Kolkata and Shillong zone)

DG, GSTI, New Delhi

Subject: Procedure for manual disbursal of budgetary support under Goods and Service Tax Regime to the units located in States of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North East including Sikkim. —reg.

Madam/Sir,

As you are aware, under the Central Excise regime as its existed prior to 01.07.2017, the units located in the states of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North East including Sikkim were eligible to avail exemption from payment of Central Excise duty in terms of area based exemption notifications. While ab-initio exemption was available to the units located in the States of Uttarakhand and Himachal Pradesh, the units located in other aforesaid areas were required to pay Central Excise duty and avail exemption by way of refund of cash component of such duty paid.

2. Under [GST regime](#) there is no such exemption and the existing units which were availing exemption from payment of Central Excise duty prior to 01.07.2017 are required to pay CGST & SGST/IGST like a normal unit. Thus, presently no exemption is available to these units by way of either ab-initio exemption or by way of refund.

3. In order to obviate the hardships faced by such units, Central Government has decided to provide budgetary support to the eligible units which were operating under erstwhile Area Based Exemption Schemes, for the residual period for which the units would have operated under the schemes, by way of refund of the Goods and Services tax, limited to its share of CGST and/or IGST retained after devolution of taxes to the

states. In this regard Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry which is the administrative department for the scheme, has issued a notification dated 05.10.2017 regarding "Scheme of budgetary support under Goods and Service Tax Regime to the units located in States of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North East including Sikkim." The gazette copy of the scheme, issued on 11.10.2017, can be accessed from website www.e-gazette.nic.in under Ministry of Commerce and Industry. The new scheme is introduced as a measure of goodwill, only to the units which were eligible for availing benefits under the earlier excise duty exemption/refund schemes but has otherwise no relation to the erstwhile schemes. The scheme of budgetary support has come into operation w.e.f. 01.07.2017 for an eligible unit (as defined under para 4.1 of the scheme) and shall remain in operation for residual period (as defined in para 4.3 of the scheme) in respect of specified goods (as defined in para 4.2 of the scheme). Budgetary support under the scheme shall be worked out on quarterly basis and claims for the same shall also be filed on a quarterly basis viz. April to June, July to September, October to December and January to March. The manner and method for determination of amount of Budgetary Support, recovery procedure thereof etc has been enumerated in the scheme.

4. The amount of such budgetary support under the scheme for specified goods manufactured by the eligible units shall be determined in terms of para 5 of the scheme and shall be the sum total of (i) 58% of the Central tax paid through debit in the cash ledger account maintained by the units in terms of sub-section(1) of section 49 of the **Central Goods and Services Act, 2017** and (ii) 29% of the integrated tax paid through debit in the cash ledger account maintained by the units in terms of section 20 of the **Integrated Goods and Services Act, 2017**. However, where inputs are procured from a registered person operating under Composition Scheme under Section 10 of the Central Goods and Services Act, 2017 the amount i.e. sum total of (i) & (ii) above shall be reduced by the same percentage as is the percentage value of inputs procured under Composition scheme out of the total value of inputs.

5. The budgetary support shall be disbursed from the budgetary allocation of DIPP, which shall further allocate to PAO, CBEC for its disposal. The eligible unit is required to obtain one time registration and file an application for payment of budgetary support. The application shall be processed by the Deputy/Assistant Commissioner of the Central Taxes for sanction of the admissible amount. The sanctioned amount shall be credited into bank accounts of the beneficiaries through PFMS platform of the Central Government.

6. The claim for the quarter ending September, 2017 has already become due. In order to mitigate the difficulties of the eligible units, it has been decided that units would be registered on the basis of application filed by them manually and application for claim of budgetary support for the said quarter would also be filed and processed manually. The approval of the registration for the scheme and processing of the application for budgetary support for the quarter shall also be undertaken manually by the jurisdictional Deputy Commissioner/Assistant Commissioner of the Central Tax. The sanctioned amount shall be credited into the bank accounts of the beneficiaries through the PFMS

platform in a manner fully compliant with the direct transfer of the benefit to the account of the assessee.

7. The standard operating procedure for the claims relating to the first quarter ending September, 2017 shall be as per para 8 to para 9 below.

8. Registration of the eligible units under the scheme

(i) The application for registration under the scheme by the eligible units shall be submitted in triplicate in the format attached to this circular. The application shall be signed by the proprietor/partner/managing director of the eligible unit or by the person authorized by him in this behalf and supported by the self-authenticated copies of the documents in support of information as per the application. The registration under GST is a necessary pre-requisite for the scheme.

(ii) In case more than one eligible unit is operating under the same GSTIN, separate registration is required to be obtained for each of the eligible units.

(iii) The jurisdictional Deputy Commissioner/Assistant Commissioner of the Central Taxes would examine the application in terms of the scheme as notified on the basis of documents submitted along with the application for registration.

(iv) A unique ID for each of the eligible units shall be allotted after registration and ID shall be indicated in the following manner: – sl.no./ name of Central Tax Division/name of Commissionerate/GSTIN. The ID shall be endorsed on all the three copies of the application.

(v) It shall be ensured by the jurisdictional Divisional Officer that record of registration is maintained against the no. which is part of the unique ID.

(vi) The second copy of the application after registration of the eligible unit under an official communication shall be forwarded to the DDO of the Division for registration of the unit under PFMS. This would ensure validation of the Bank Account details of the beneficiary. This exercise should be completed within 3 days of receipt of the copy of application by the DDO.

(vii) The third copy of the application after registration shall be forwarded to the ADG, DG Audit, Delhi who in turn would be providing the details to programme division (PD) of DIPP in a compiled manner. The DIPP on the basis of these details shall draw a programme for inspection of the eligible unit by a team constituted by them. Jurisdictional Commissionerate of CGST shall provide necessary assistance in carrying out the inspection. Immediately after completion of inspection a copy of Inspection report would be forwarded to the Assistant/Deputy Commissioner having jurisdiction over the eligible unit.

9. Submission of application for budgetary support by the eligible unit for quarter ending September, 2017 and its sanction

(i) An eligible unit after allotment of the Unique ID may file an application for claiming budgetary support under the provisions of para 5.7 of the scheme in the format attached

to this circular. The application shall be filed by the eligible unit only after return for the quarter has been filed and tax as per return is paid.

(ii) Once application is filed, duly supported by the prescribed document, the same shall be processed for sanction. The claim shall be sanctioned after verification of the tax paid by the eligible unit. The details relating to tax payment in cash and input tax credit availed, utilized including purchases made from a composition dealer during the quarter shall be available in the GST returns of the taxpayer, which are available on the CBEC GST Application for verification of the application for the budgetary support filed by the unit. The closing balance of the credit after end of the quarter shall also be provided for verification by the Assistant/Deputy Commissioner.

(iii) In cases where an entity is carrying out its operations in a State from multiple business premises , in addition to manufacture of specified goods by the eligible unit, under the same GSTIN as that of the eligible unit, the application for budgetary support shall be supported by additional information duly certified by a Chartered Accountant, relating to receipt of inputs(receipt from composition dealer to be indicated separately), input tax credit involved on the inputs or capital goods received by the eligible unit and the quantity of specified goods manufactured by the eligible unit vis-a-vis the inputs, input tax credit availed and specified goods supplied by the registrant under the given GSTIN.

In such case, on the basis of additional information and the refund application the jurisdictional Deputy Commissioner/Assistant Commissioner shall ensure that budgetary support is limited to the tax paid in cash after utilization of the input tax credit on the specified goods manufactured by the eligible unit. The return filed by the unit may be covering the entire transactions taking place outside the eligible unit in the same GSTIN.

(iv) Further, in cases where the other unit operating under same GSTIN, is supplying the inputs to the eligible unit as such or after manufacture , the credit availed by supplying unit on the inputs would have to be factored for determining the input tax credit of the eligible unit. The information in terms of para 5.9.2 of the scheme is required to be submitted by the eligible unit duly certified by a Chartered Accountant. The jurisdictional Deputy/Assistant Commissioner in such cases shall sanction the budgetary support after reducing input tax credit relatable to inputs used by the supplying unit under same GSTIN without payment of tax as certified by a Chartered Accountant.

(v) Para 5.8 of the scheme defines the scope of manufacture by the eligible unit. The eligible unit shall also indicate the value addition achieved by it in respect of each category of specified goods and where the value addition is higher than the limit provided in the table under the said para, the sanction of the claim shall be after verification of the value addition.

(vi) Para 6 of the scheme provides for inspection of the eligible unit by a team constituted by DIPP and the findings of the team shall be provided to the Deputy/Assistant Commissioner before sanction of the claim of budgetary support.

However, in cases where inspection cannot be conducted the budgetary support amount may be sanctioned provisionally for a period of six months.

10. A separate circular on the manner of allocation of the budget by DIPP and direct transfer of the sanctioned amount into bank accounts of the beneficiaries through PFMS would be issued shortly. In the interim, trade facility may be issued to initiate the process of registration and receipt of application for payment of budgetary support for the quarter July, 2017 to September, 2017.

11. Difficulty faced, if any, in the implementation of the Circular should be brought to the notice of the Board. Hindi version will follow.

Encl.: As above.

Yours faithfully,

(Rohan)

Under Secretary

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