

Foreign tourists may soon get GST refund for local shopping

TNN | Jul 26, 2022, 06:13 AM IST




NEW DELHI: The government will soon begin a pilot to refund goods and services tax (GST) paid by foreign tourists visiting India as part of a move to implement a measure that is there in the statute.

The Integrated GST Act, enacted five years ago, provides for refund on goods, which are to be taken out of the country by a tourist, a person who is normally not a resident of India, and is in the country for not more than six months for non-immigrant purposes.

Several countries follow a system of GST or VAT refund for tourists for consumption outside the country as taxes are typically not exported, a principle that is followed in duty-free shops at airports as well. In these countries products above a threshold are eligible for refund of taxes, which can be claimed at the airport and the payment can be received

there or often it is transferred to the buyer's bank account.

Implementation To Take Time: E

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| <ul style="list-style-type: none">➤ Several countries follow a system of GST or VAT refund for tourists for consumption outside the country➤ With GST regime settling down, government is discussing possibility of a pilot, involving outlets such as Cottage Industries Emporium |  <ul style="list-style-type: none">➤ Many changes are required to implement the plan and it will take time, say tax experts➤ Rules to operationalise the provision need to be put in place, even for a pilot➤ Invoicing system will also need to be updated, which an official said is sought to be addressed when the pilot is run➤ A tweak in GST Network architecture will be required |
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Government sources said with the GST regime settling down, the Centre is discussing the possibility of a pilot, which will involve outlets such as the Cottage Industries Emporium and, based on the experience, it will be expanded.

Tax experts said that several changes are required to implement the plan and it will take time. To begin with, even for a pilot, the rules to operationalise the provision need to be put in place. The invoicing system will also need to be updated, which an official said is sought to be addressed when the pilot is run. This will require a tweak to the GST Network architecture.

"GST refund to international tourists is in line with global best practices as the 'consumption' of the product is not happening in India. It will be a boost to the tourism sector and items such as handicraft, textiles, etc. The government will have to come up with the rules and procedure for this refund, including the mechanism of verification to ensure that GST has been paid as B2C transactions are not separately reported as part of GST filings currently," said Pratik Jain, partner at consulting firm Price Waterhouse & Co.

Experts also warned that the system needs to be foolproof to avoid potential misuse. "The machinery provisions to enable foreign tourists to claim a refund of the GST paid on eligible purchases of goods, should be drafted very carefully to ensure that

there is no misuse of the provisions, while foreign tourists get a quick refund on their eligible purchases without too much paperwork," said M S Mani, partner at Deloitte India.