

CBIC issues clarification in respect of goods taken out of India for exhibition or on consignment basis for export promotion

Several goods are taken out of India on consignment basis for exhibitions or other export promotion events. These goods are sold only when approved by the prospective customers abroad. The unsold goods are then brought back to India. This is a widespread practice in various sectors, including the gems and jewellery industry. Exporters of these items were facing problems due to the lack of clarity on the procedure to be followed under GST at the time of taking these goods out of India and at the time of their subsequent sale or return to India. Taking cognizance of these problems and in order to help exporters, **the Central Board of Indirect Taxes and Customs (CBIC)** has now issued a comprehensive clarification in this regard vide Circular No. 108/27/2019-GST dated 18.07.2019. The key points clarified in the Circular are the following:

- The activity of taking goods out of India on consignment basis for exhibition would not in itself constitute a supply under GST since there is no consideration received at this time.
- The movement of these goods out of India shall be accompanied by a delivery challan issued in accordance with the provisions contained in rule 55 of the CGST Rules.
- Since taking such goods out of India is not a supply, it necessarily follows that it is also not a zero-rated supply. Therefore, execution of a bond or letter of undertaking (LUT), as required under section 16 of the IGST Act, is not required.
- The goods taken out of India in this manner are required to be either sold or brought back within a period of six months from the date of removal.
- The supply would be deemed to have taken place if the goods are neither sold abroad nor brought back within the period of six months. In this case, the sender shall issue a tax invoice on the date of expiry of six months from the date of removal, in respect of the quantity of goods which have neither been sold nor brought back. The benefit of zero-rating, including refund, shall not be available in respect of such supplies.
- If the specified goods are sold abroad, fully or partially, within the period of six months, the supply shall be held to have been effected, in respect of the quantity so sold, on the date of such sale. In this case, the sender shall issue a tax invoice in respect of such quantity of goods which has been sold. These supplies shall become zero-rated supplies at the time of issuance of invoice. However, refund in relation to such supplies shall be available only as refund of unutilized ITC and not as refund of IGST.
- No tax invoice is required to be issued in respect of goods which are brought back to India within the period of six months.

Please contact for any query related to this mail to Ms Bhawna Kakkar, Research Associate at bhawna.kakkar@phdcci.in with a cc to Dr S P Sharma, Chief Economist at spsharma@phdcci.in and

Ms Surbhi Sharma, Associate Economist at surbh@phdcci.in, PHD Chamber of Commerce & Industry.



Warm Regards,
Dr S P Sharma
Chief Economist
PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016, India
Tel: +91 49545454
Fax: +91 11 26855450
Email: spsharma@phdcci.in
Website: www.phdcci.in

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PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

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