Pre - Budget Recommendations 2025-26

Indirect Taxes

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INPUTS / SUGGESTIONS FOR PRE BUDGET MEMORANDUM 2025 - 26
Indirect Taxes

GST and Customs recommendations

AMCHAM INDIA

PRE BUDGET-RECOMMENDATIONS 2025-26

Indirect Taxes			
S. No	**Area of challenge**	**Issue**	**Recommendation**
Streamlining GST Refunds			
1	Allowance of refund of GST on Capital Goods	• Presently, exporters are not eligible to claim the refund of GST paid on capital goods used for exporting goods and / or services. • The existing restriction is against the principle of indirect taxes wherein set-off of taxes paid for inputs, input services or capital goods is allowed while paying taxes on output supplies. • Denial of refund of GST paid on capital goods to such companies hampers the working capital.	• Suitable amendment should be made in section 54 of the CGST Act to allow exporters to claim a refund of the GST paid on capital goods used in export of goods and/ or services.
2	Inverted Duty Refund for Input Services	• Section 54(3) of the Central GST Act, 2017 (CGST Act) allows refund on account of inverted duty structure only in cases where the rate of tax on **inputs** is higher than the rate of tax on outward supplies.	• It is recommended to amend Section 54(3) of CGST Act to include 'input services' to allow refund in case of inverted duty structure on account of input services as well. • Similar amendment should be made in the formula as well which is prescribed in Rule 89(5)

		• Further, the formula prescribed under Rule 89(5) of the CGST Rules for calculating the refund on account of inverted duty structure **does not include input tax credit availed on input services** • Therefore, a taxpayer is eligible to claim refund only in a scenario wherein the inverted duty structure is on account of inputs and **not on account of input services**. • This leads to a dormant asset in the books which is virtually a tax cost for the taxpayer	
3	<u>Allow GST refund basis Foreign Inward Remittance Advice (FIRA)</u>	• Rule 89 of CGST Rules requires submission of Foreign Inward Remittance Certificates (FIRC) or Bank Realization Certificate (BRCs) along with refund claim application for substantiating realization of export invoices in convertible foreign exchange. • Presently, banks issue FIRA in lieu of FIRCs, containing identical details as in the FIRCs. However, field officers do not consider the same as sufficient	• Amend Rule 89 of CGST Rules to include FIRAs, along with FIRC and BRCs as documentary evidence for substantiating receipt of convertible foreign exchange against export of services • FIRA is a widely used document in banking and foreign exchange transactions. Allowing FIRA as proof could reduce delays in filing for GST refunds and simplify documentation requirements for exporters.

		documentary evidence for corroborating realization of convertible foreign exchange, as it does not find mention in CGST Rules. • The primary condition for treating services as 'export' is realization of the same in convertible foreign exchange. So long as the same is realized, taxpayer is eligible to avail benefits associated with exports, including refund of tax paid/ input tax credit availed. • Non-mentioning of the term 'FIRA' in CGST Rules is leading to denial of refund claims by field officers, although the substantive condition (i.e., realization of convertible foreign exchange) is already fulfilled.	
4	<u>Refund related issues pertaining to location appearing in BRC</u>	• The process of issuance of BRC to substantiate receipt of foreign exchange is linked to DGFT. The DGFT portal picks address of the registered office irrespective of the fact that the export invoice may have been raised from some other office of the same taxpayer.	• An instruction should be issued that the address appearing in BRC is not a determinative factor to establish receipt of foreign exchange so long as all other parameters are met (as address would always be of registered office).

		• Due to mismatch of address in export invoice and BRC, field officers are rejecting refunds stating the reason as mismatch in the address. • Similar issue arises in cases where goods are exported from various locations of the taxpayer but the export proceeds are realized in the centralized bank account of the taxpayer	
ITC Related Issues			
5	Sale of mutual fund units should not be regarded as exempt supplies liable for reversal u/r 42 of CGST Rules	• Section 17(3) of the CGST Act requires transactions in securities to be treated as exempt supplies only for the purpose of reversal of input tax credit as per provision of Rule 42 of CGST Rules • Further, in terms of Explanation 2(b) of Rule 45 of the CGST Rules, for determining the value of an exempt supply for the purpose of Section 17, the value of security shall be taken as 1% of the sale value of such security. • An explanation was added to Rule 43 of the Central GST Rules, 2017 (CGST Rules) vide notification 3/2018 –	• Fixed deposits and mutual funds are alternative investment options available to investors. It is thus recommended that a similar benefit of non-reversal of ITC presently available for interest on fixed deposits should also be granted to the income earned from sale of mutual fund units. This will allow mutual fund industry to have a level playing field with other investment alternatives • Purpose of reversal of ITC is to disallow credit attributable to an output, which is not liable to GST. Since the money in mutual funds is professionally managed by expert fund managers after extensive market research for the benefit of investors, the investors have no role to play in determining the value of investments. Investors do not incur any expense in managing the mutual

		Central Tax dated 23 January 2018, to exclude interest on fixed deposits from the valuation of exempt service for the purpose of ITC reversal. • However, no such specific relaxation was provided for mutual funds vide the aforesaid explanation or any subsequent explanations. • Therefore, sale of units of mutual funds continues to be treated as an 'exempt supply' and thus, require reversal of ITC proportionate to the value of mutual funds sold in the hands of the taxpayer.	fund. In fact, the fund managers are responsible for studying and channelising the funds in most profitable manner. • Given the above, it can be said that the investors do not avail any services with respect to investment in mutual fund units other than the charges levied by the mutual fund. • Since no substantial services are availed by the investors in relation to investment in mutual fund units, reversal of credit should not be warranted. • Further, on expenses incurred by mutual fund, ITC is not availed by the mutual fund or by the investors. Therefore, there is no loss to the revenue if the benefit of non-reversal of ITC is extended to income from investment in mutual fund.
6	<u>Allow cross utilization of CGST credit between distinct persons</u>	• Section 49(5) of the CGST Act specifies the manner of cross-utilization of credits by a registered person. • GST is registration-linked, meaning businesses must register in each state where they operate and file separate returns for each state.	• To enhance liquidity and to unblock working capital, a specific mechanism should be introduced in the GST laws to allow use of CGST credit across states within the same legal entity. • Section 49 of the CGST Act should be suitably amended to give effect of the above recommendation

		• Multiple state registrations within the same company result in distinct credit ledgers, and there's no provision for transferring ITC between these state-specific ledgers. • This leads to issues where businesses accumulate credit in one state while facing cash outflow in others, creating inefficiencies due to complex business structures. • While **CGST** (Central GST) should be transferable across states within the same entity, the current law doesn't allow such transfers, which results in additional cash flow challenges.	• While it may take some time to build systems and processes to made credits freely transferrable, in the short run, the Government may consider allowing transfer of CGST credit through tax invoice, similar to transfer of ISD credits. • Since the above recommendation is revenue neutral to the government, it could unblock a sizeable amount of accumulated ITC, easing the working capital burdens for the businesses.
GST Compliance and Administration			
7	Extension of permission for hybrid working granted under sub-rule (1) of Rule 43A of Special Economic Zones Rules, 2006	• In terms of Rule 43A of the Special Economic Zones Rules, 2006 (SEZ Rules), an SEZ unit may permit its employees to work from places outside of SEZ upto 31 December 2024. • With the widespread adoption of remote and hybrid work models post-pandemic, employees across industries have grown accustomed to	• It is recommended to consider relaxation in hybrid working model for operation without any time limit which may be subject to certain conditions so that there is certainty to the compliance requirement for the industry. Allowing an extension for indefinite period would also not require Government to review its extension from time to time.

		greater flexibility in work arrangements. • In SEZs, where on-site working requirements remain rigid, this shift has presented new challenges in retaining talent. Employees are increasingly reluctant to revert to full-time, office-only work, particularly if similar positions outside SEZs offer hybrid or remote options.	• This hybrid policy would align SEZs with modern workforce expectations, reduce turnover, and attract and retain talent more effectively.
8	<u>Introduction of GST compliance rating</u>	• Section 149 of the CGST Act provides for the assignment of a GST compliance rating score to every registered person based on their adherence to the provisions of the Act. • The rating will be determined using parameters set by the government. However, these parameters have not yet been prescribed, and the compliance rating system has not been introduced. • The aim of this system is to encourage timely compliance and tax payments. However, fraudulent practices, such as the use of fake credits, by certain taxpayers can negatively impact the entire taxpayer community.	• The government should expedite the formulation and introduction of the GST compliance rating system, as envisaged under Section 149 of the CGST Act. This will provide a transparent and effective way to assess and reward compliant taxpayers.

9	Amendment in GST registration certificate	• In case taxpayer has multiple GST registrations, repetitive exercise needs to be carried out multiple times to amend the certain common fields by login into each GST registration. It is inefficient and error-prone to repeat the same activity for each GST registration. • While taxpayers amend GST registration certificate for addition/deletion of director and additional place of business etc. there is no option of uploading any supporting documents at the time of making application for amendment. After submitting the application for amendment, the field officers issue online notices to submit proof of addition/deletion of director or deed for additional place of business etc. • This increases the overall lead time in addition /deletion of director and adding an additional place of business etc. in the existing GST registration.	• At the time of making an amendment, facility should be given to update/ amend the common fields once at Permanent Account Number (PAN) level for all registrations so that such amendments can be carried out once for all GST registrations. • At the time of making an amendment application itself, an option for uploading supporting documents for any change in GST registration should be given, in order to provide ease of doing business.
10	Non issuance of notice in Form DRC-01C in respect of difference in ITC appearing in Form GSTR 2B	• Frequent notices in Form DRC-01 are being issued highlighting difference in ITC availed in form GSTR 3B of a	• In terms of section 16(4) of CGST Act, a taxpayer can claim ITC in respect of any invoice or debit note for supply of goods or services or both till 30th November following the end of financial

	vis-à-vis ITC claimed in the GSTR 3B return of that month.	particular month with the ITC appearing in GSTR 2B of that month. • Reply to such notices are required to be submitted in Form DRC-01C - Part B within 7 days, which results into undue hardship for the taxpayer, especially when the taxpayer is registered in multiple States. • Hence, issuance of notices highlighting difference in credit availed in a month without taking cognizance of cumulative unavailed credit of that financial year is adding difficulties to businesses.	year or furnishing of the relevant annual return, whichever is earlier. • Thus, the GST law allows ITC of earlier months to be taken in future months and availment of ITC is linked to a financial year and not to a particular month. • Thus, form GSTR 2B of a particular month should not be considered for the purpose of matching of credit availed in GSTR 3B for that month. Rather, GSTR 2B for the cumulative period should be considered for computing the difference in ITC, if any. • Accordingly, it is recommended that notice under Form DRC-01C should not be issued on the basis of difference of ITC available in Form GSTR 2B and ITC claimed in the GSTR 3B return of that month.
Industry Specific recommendations for GST Rates and Exemptions			
11	Request for reduction of GST rates for making the beverages which include fruit juices and aerates waters which do not include sugar	• Classification of carbonated beverages with fruit juice, is uncertain and contentious. The AAR has ruled these products as "carbonated water-based flavored drinks" (HSN 22021020), attracting a higher tax rate, whereas the industry argues they should be classified under "fruit pulp or fruit juice-based drinks" (HSN	• Rate of GST on fruit juices and vegetable juices, not containing added spirit, whether or not containing added sugar or other sweetening matter should be reduced to 5%. • Further, compensation cess should also be removed from such goods so that it can become viable to consumers over the aerated drinks

		2202 99 20), which has a lower tax rate. • Additionally, all aerated waters including those which do not contain added sugar are labeled as "Demerit Goods," attracting a 28% GST and 12% Compensation Cess. • However, many products now use stevia leaf extract which is the best and safest sugar substitute which does not cause any obesity or diabetes or any other major health issue as substitute of sugar. • Therefore, the aerated waters which does not contain sugar should not be treated as demerit goods and accordingly no compensation cess should be levied.	containing sugar so as to promote healthy lifestyle.
12	<u>Exemption for Training Services</u>	• Notification No. 12/2017 (S no. 72) exempts services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the Central Government, State Government, or union territory administration.	• It is recommended that the GST exemption benefit provided to Government borne training services is extended across the supply chain and should not be restricted only to the main contractor level to boost business in India.

		• The said benefit appears to be available only to the main contracting party with the Government and not to the entire supply chain down the line (sub-contractors etc.). As a result, ITC is restricted in the hands of the main contracting party.	
13	Introduction of GST Exemption for the construction of military and commercial Airports	• Exemption in relation to the construction of Airports which existed under the Service tax law has not been extended under the GST regime	• Re-instatement of blanket exemption for the construction of both defence and commercial airports should be re-introduced under the GST regime.
14	Reduction of GST rates on Maintenance, Repair and Overhaul (MRO) services provided by Indian Companies	• The GST rate on MRO services related to Aircraft was reduced to 5% with effect from 1 April 2020. • This move was highly anticipated and welcome decision by the Government	• It is recommended that the GST rate on MRO services be further reduced to Nil to make Indian MRO Companies more comparable and competitive with foreign MRO companies.
15	Inclusion of Aviation turbine Fuel/Petroleum products under GST	• Petroleum products such as petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel have presently been kept outside the GST regime and thus not leviable to GST. • As a result, ITC in relation to the said goods is not available and the taxes paid thereon still remain a cost.	• Considering seamless flow of credit as one of the agenda for the introduction of GST, introduction of these items under GST will allow ITC without any break in chain. • It is suggested that petroleum products should also be brought under GST at an early date so as to allow ITC thereon. • This will minimize the cascading effect of taxes.

		• Considering the huge amount of taxes involved, it increases the cost of doing business while at the same time breaking the seamless chain of credit, thereby defeating the purpose and principle of input credit scheme.	
16	Removal of restriction of ITC of Input and Capital goods for Economy class	• Currently, an Airline Operator can claim Input Tax Credit (ITC) only on input services related to economy class revenue. However, for revenue generated from non-economy class services (i.e., business or first class), the Airline Operator is eligible to claim ITC on both inputs (such as spare parts, food items, etc.) as well as input services. • This limitation means that operators have to bear the cost of goods (pertaining to the economy revenue), which affects the pricing, profitability, and operational costs for economy class offerings. • The differential treatment of ITC claims for economy and non-economy class services also lead to administrative complexity. Airlines need to segregate and track input,	• Considering seamless flow of credit as one of the agenda for introduction of GST, it is recommended to extend the eligibility to claim ITC on inputs, capital goods and input services for all classes of travel, including economy class. • This would widen the scope for availing ITC and reduction of overall costs of the airline operator.

		capital goods and input service expenses accurately across different classes, increasing the burden of compliance and record-keeping.	
17	Dual taxation on lease of aircraft parts from Free Trade Warehouse Zone ('FTWZ') to an Airline operator located in the Domestic Tariff Area ('DTA')	• In case any goods are imported into an Indian FTWZ for the purposes of lease to an Indian DTA Customer, then there is a Dual Levy of IGST: • Basic Customs Duty ('BCD') and Integrated GST (IGST) by the Importer on Record (Airline Operator) for clearance from FTWZ to DTA • Applicable GST on lease rentals by the Lessor to the Airline Operator • Accordingly, this may lead to a situation whereby the Airline Operator may need to discharge import GST on clearance of parts from FTWZ. Further, the FTWZ unit while raising lease rental invoices, will be required to levy GST on the lease rentals. This results into a Dual taxation.	• In Cross-border leasing mechanism, specified parts imported by scheduled airline operators are exempted from customs duty, whereas, for any leased parts, the import GST is exempt subject to certain conditions. One such condition is that the importer should pay GST on lease rentals (as services) under reverse charge mechanism. • However, in a model where a unit located in the FTWZ leases out parts to a unit located in the DTA, it results in Dual taxation. • Hence, an exemption is recommended either on clearance of good from FTWZ to DTA area or on Lease of goods to a DTA unit.
Dispute Resolution and Legal Clarifications			
18	Formation of centralized Appellate Authority for Advance Rulings	• With GST being a nascent law, there have been several points of conflict between the taxpayers and tax authorities.	• Expedite the creation of the National Appellate Authority for Advance Ruling, ensuring it is fully functional with adequate resources and expert personnel to handle cross-state discrepancies in

		• Even though GST also provides facility for seeking clarifications with the Authority of Advance Rulings (AAR), various benches across states have given contradictory rulings leaving the taxpayers confused. • While the proposed National Appellate Authority for Advance Ruling was envisaged for resolving such disputes on account of contradictory rulings, such authority is also not yet functional.	rulings. This body should serve as a central mechanism to resolve conflicts arising from contradictory rulings by AAR benches across different states • Instructions are issued to the field formations not to pursue matters involving disputes upto a certain threshold.
19	Creation of a Special Bench or Fast-Track Tribunal for pending service tax cases	• There are a significant number of pending Service tax cases in various appellate forums such as CESTAT, High Courts, and the Supreme Court. • Delays in judicial proceedings prolong the uncertainty for taxpayers and block potential revenue for the Govt.	• Establish a special fast track bench at CESTAT or create a dedicated Service Tax Disposal Tribunal that would exclusively handle pending Service tax cases • This dedicated CESTAT can focus on clearing the backlog in an expedited manner. By prioritizing these cases, the Government can provide quicker resolutions, reduce taxpayer uncertainty, and free up capacity in regular judicial forums for newer cases.
20	Removal of GST 'intermediary' definition.	• The GST legislation contains the definition of 'intermediary' services making supplies that would otherwise qualify as export of	• The Government should consider amending the GST law to restore the zero-rated status for intermediary services provided to foreign clients.

		services (and hence zero rated) be subject to GST, which becomes a cost for the service recipient. • As a result of the inclusion, services provided by Indian subsidiaries are liable to GST which used to qualify as exports prior to 1st October 2014. • This results in significant tax costs for the group and is considered to be a barrier to business in India. • These provisions are out of step with Global Best Practice (e.g. EU VAT)	• This can reduce tax burden on companies, enhancing India's attractiveness as a global business hub, and promote ease of doing business.
21	Clarification on tax type for intermediary Services provided to overseas customers	• In cases where intermediary services are provided to overseas customers, there is ongoing uncertainty regarding the type of tax that the Indian taxpayer is required to discharge — whether it should be IGST or CGST and SGST. • This ambiguity often results in unnecessary litigation with tax authorities, even though the taxpayer has paid the full tax liability and the recipient has not claimed any ITC.	• In order to get certainty and avoid unnecessary litigation, it is necessary that appropriate clarification should be issued, clarifying whether IGST or CGST and SGST should be discharged by the Indian companies providing intermediary services to customer located outside India
Relaxations under the Customs laws			
22	Rationalization of Import Duties on Medical Devices	• One area of concern within the Medical Technology sector is the high	To provide a much-needed relief to the medical device industry, we seek the following:

		custom duties levied on medical devices and equipment. • The high customs duty have adversely impacted the costs for these products in India which is derailing the government's efforts to provide affordable healthcare to masses through schemes like Ayushman Bharat program (PMJAY) and also to the other mid-income group patients - outside the PMJAY scheme. • The customs duty on most of the medical devices in many neighboring countries like Nepal, Bangladesh, Sri-Lanka, Bhutan is much lower than in India, which is leading to smuggling of the low-bulk-high-value devices into India. • This not only impacts the revenue for the government but also the patient are being treated with products which are not backed by adequate legal & service guarantees.	• Reduction of customs duties to atleast 2.5%) • Rollback of the additional 5% health cess ad valorem imposed on imported medical devices.
23	Import Duties Rationalisation: Eye Care (HS Code: 90213900, 90185090)	• Presently, the Custom duty rate on intraocular lenses, ophthalmic accessories, and instruments is	It is recommended that the Basic Customs Duty on Intra Ocular Lenses, Ophthalmic equipment and accessories should be reduced to Nil and Health Cess should be rolled back

		27.40%, which hinders the widespread adoption of this solution.	• According to the World Health Organization, cataract is the main cause of preventable blindness. Ophthalmic equipment and devices play a central role in the efficient diagnosis, treatment and management of preventable blindness.
24	<u>Levy of demurrages also on Custom holidays:</u>	• While calculating the demurrage charges, holidays are also counted for which importer is not responsible.	• The holidays should be kept out for calculation of penalty / demurrage charges at port. • The demurrage / penalty for long weekend / holidays on which Importer is not responsible should not be charged
25	<u>Reduction of BCD rate on Lenscare solution, which is subservient to usage of contact lenses</u>	• Lenscare solution is a disinfectant for contact lens and is a sub-servient product, which is used by contact lens users. • Contact lenses are subject to 10 percent Basic Customs Duty (BCD) under HS code 90013000, whereas Lenscare solution is subject to 20 percent BCD under HS code 33079020. • Due to high custom duty, the product that is technology and quality intensive, has become costlier resulting in customers moving away from contact lens category.	• It is recommended that BCD on Lenscare solution is reduced to 10 percent, in line with the BCD on contact lenses and spectacle lenses. • Lenscare products being used in conjunction with the usage of contact lenses, should be taxed at the same rates as a contact lens so that a level playing field can be provided to contact lenses with spectacle lenses.

		• This has impacted contact lens consumption in India adversely, as contact lenses provide better & clear vision compared to other options available.	
26	Withdrawal of Section 65A of the Customs Act:	• The proposed new Section 65A of the Customs Act mandates payment of applicable IGST and Compensation Cess while storing the goods into Customs bonded warehouse. • The imported goods can be removed for storage in a bonded warehouse by filing a Bill of Entry for home consumption (at the time of import) and payment of IGST and Cess (if applicable). • This is a shift from the exiting process where a Bill of Entry for warehousing is filed and Customs duty (including IGST and Compensation Cess) is paid only at the time of clearance of goods from the bonded warehouse into DTA. • The above amendment seems to have been introduced considering credit of IGST is allowed in majority of sectors but will surely impact cash flows. Further, it would also severally	• The proposed new section should not be made effective and the earlier mechanism under Customs Act allowing storing of the imported goods in warehouse without payment of Customs duty (including IGST and Compensation Cess) should be continued. • Such duties should be payable only on the clearance of goods from the bonded warehouse for home consumption. • This will help Manufacturing and Other Operations in Warehouse (MOOWR) scheme to remain attractive especially for exports

		impact sectors where GST credit is not allowed or sectors where accumulation of credit is a problem. • In addition to above, the other issue that arises is related to demurrage as the Companies have now very less time to pay duties. Besides, there will be increased administrative spends as for each import invoice, there will be two payments – GST followed by Customs duty.	
27	Payment of taxes under the erstwhile laws on removal of bonded assets	• In case of clearance of bonded assets from Export oriented Unit ('EOU'), duty benefit availed at the time import of such goods needs to be paid back at the time of domestic clearance. Hence, Customs duty exemptions claimed, at the time of importation need to be paid back by the EOU unit. • Accordingly, the taxpayers are required to discharge Basic Customs Duty ('BCD') along with Countervailing duty ('CVD') and Special Additional Duty ('SAD'). While BCD was always non-creditable, CVD was eligible for credit and SAD was eligible for credit/ refund.	• Suitable amendment should be made in the GST law to either allow ITC or refund of the erstwhile taxes paid by EOU in case of clearance of bonded assets into DTA. • This would help EOUs maintain their competitiveness and ease the financial burden

		• With introduction of GST, the taxpayers are unable to claim ITC of the CVD and SAD so paid, and hence such taxes end up being a cost to the company.	
28	Procurement of raw material/assemblies by a DTA unit from an EOU	• Under Import of Goods at Concessional Rate of Duty (IGCR) Rules 2022, units selling manufactured goods in DTA don't need to reverse Basic Customs Duty (BCD). Instead, BCD is payable at a concessional rate in addition to Social Welfare Surcharge (SWSC). • In contrast, EOUs have to reverse full BCD (10% or 7.5%, as may be applicable) plus SWSC when selling finished goods into DTA. • This discrepancy discourages procurement from domestic manufacturers in EOU setups, as they face higher duty reversal rates compared to IGCR 2022.	• It is suggested that the concessional rate of BCD should be allowed to be reversed (paid) by EOU unit when the finished goods are sold into a unit operating in DTA (under IGCR)
Miscellaneous Recommendations			
29	Incentive Scheme for Services Exports for improving resilience of service exports	• Under the Foreign Trade Policy 2015-20, Services Exports from India Scheme (SEIS) provides a mechanism under which service providers who	• It is recommended that the Government should re-introduce a scheme to incentivize services sector exports from India to enable them to remain globally competitive

		had provided any of the eligibles notified services in a financial year were entitled to certain benefits. • Exporters were entitled to a 3-7% incentive on the Net Foreign exchange earned in the form of Duty Credit Scrips • These SEIS scrips could either be used to pay Customs duty or could be encashed by selling them to any importer (since these scrips are freely transferable) • The Government has withdrawn incentives provided to the Indian service exporters through the Services Exports from India Scheme (SEIS). • This is a significant dent to the export competitiveness of the Indian exporters.	• Service exports are expected to shield the Indian economy from external risks as a slowing global economy will likely weigh on the country's merchandise exports, amid a potential slowdown in developed economies. • The nature of a new scheme to replace SEIS or any other scheme designed for service exporters, will bring it at parity to the manufacturing sector where several sector specific PLI Schemes have been extended. • The scheme can also target critical sectors such as Research & Development, Data Analytics, Product Engineering, or Design and Development, etc.
30	Bring parity in taxability of units located in EOU with those in SEZ	• Supplies to SEZ units are zero-rated under GST, provided they are used for authorized operations. As a result, most procurements by these units are made without GST. Since these units are primarily engaged in exports, which are also zero-rated, this arrangement eliminates the need for	• Benefit of zero rating under GST should also be extended to supplies made to EOU units

		them to deal with the complexities of utilizing input tax credits (ITC) or claiming refunds • However, EOU units, which are similarly focused on exports and face restrictions similar to SEZ units, do not benefit from upfront exemption. Instead, they are classified as 'deemed exports.' • As a result, suppliers to EOU units sometimes charge GST to the EOU recipient and then claim a refund from the government, unlike SEZ units, where GST is not charged at all, and the refund is claimed by the supplier. This contrasts with the previous regime, where EOUs were treated at par with SEZ units for tax exemption purposes, qualifying for upfront exemptions on both domestic procurements as well as imports. • Such disparity under GST between SEZ and EOU units, even when both are engaged in exports is therefore unwarranted and should be corrected.	