

# 'Automated IGST refunds on pan masala, tobacco, similar items be restricted from Oct 1'

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**NEW DELHI:** Automated refund of Integrated GST (IGST) on export of pan masala, tobacco, and similar other items will be restricted from October 1, the finance ministry has said.

Exporters of such items will have to approach jurisdictional Tax officers with their refund claims and get them cleared, as per a notification dated July 31.

The changes in the notification will come into effect from October 1. Tax experts said the move is aimed at checking tax evasion in the sector, as there might be over-valuation of goods which are being exported, thus leading to higher IGST refund outgo. Manual checking of refunds will ensure that valuation is optimally done and taxes are paid at all stages.

The items on which automated IGST refund restriction has been imposed include pan masala, unmanufactured tobacco, hookah, gutkha, smoking mixtures for pipes and cigarettes and other items, including mentha oil. Such items attract 28 per cent IGST, plus a cess.

AMRG & Associates Senior Partner Rajat Mohan said such restriction on automated

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refunds for pan masala Tobacco & other similar items would lead to a blip in exporters' cash flow, reduce global competitiveness in the sector, and increase compliance and administrative burden on the exporters. Restricting IGST refunds may lead to a temporary increase in tax revenue for the government, as the refund amount will remain with the government for a more extended period.

"India is one of the world's major exporters of pan masala, primarily to countries in the Middle East, Southeast Asia, and some African nations. Therefore, exporters of pan masala may see a constrained cash flow position in the last quarter of 2023, impacting normal course of business," Mohan added.

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