



Understanding Merchant Exporters under India's GST Regime

Introduction:

Under the [Goods and Services Tax \(GST\)](#) regime in India, a merchant exporter is an individual involved in trade, specializing in purchasing goods for export or with the intention to export them. They do not participate in any manufacturing activities. Instead, their focus is on gathering supplies from multiple registered suppliers to be exported. They receive orders from foreign companies and relay those orders to Indian manufacturers. Once the goods are produced, the merchant exporter is responsible for exporting them. They play a crucial role in facilitating international trade and promoting exports from India.

What is the tax rate applied on the purchases made by the Merchant Exporter?

The transaction between a manufacturer ('supplier') and a merchant exporter ('recipient') is supplied as per the definition provided under Section 7 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as "CGST Act") and the same is liable to tax under GST as any other normal taxable supply.

The GST Council in its 22nd meeting, in order to promote merchant exports, had decided that merchant exporters can pay a nominal tax under GST at the rate of 0.1% for procuring goods from a domestic supplier with the purpose of exporting the same. Thus, according to the **Notification no. 40/2017 – Central Tax (Rate)** the tax rate would be CGST is 0.05% and SGST is 0.05% for intra-state supply and IGST would be @0.1% according to the **Notification no. 41/2017- Integrated Tax (Rate)** in case of inter-state supply.

Example: A product that is ordinarily sold at a 12% rate of tax.

What conditions need to be fulfilled to come within the purview of a Merchant Exporter?

Under **Notification No. 40/2017-Central Tax (Rate) dated 23.10.2017**, the government brought relief for the merchant exporters subject to the fulfillment of the following conditions:

1. The merchant exporters shall be registered with the Commodity Board recognized by the Department of Commerce or an Export Promotion Council.
2. The registered supplier (Manufacturer) shall supply the finished goods, upon manufacturing, to the registered recipient (Merchant Exporter) on a Tax invoice.

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