DGFT Proposal to Remove Threshold on GST Refunds for Exports Accepted by GST Council

In a significant move aimed at improving ease of doing business and supporting MSME exporters, the Goods and Services Tax (GST) Council has approved the removal of the minimum threshold for GST refunds on exports made with payment of tax. This decision follows a proposal from the Directorate General of Foreign Trade (DGFT), as outlined in its Office Memorandum dated May 8, 2025, and was accepted during the 56th meeting of the GST Council held in New Delhi.

Under the existing provisions of Section 54(14) of the CGST Act, 2017, exporters are not eligible to claim GST refunds if the refund amount is less than INR 1,000. This created cash flow challenges for MSME exporters, particularly those operating in the e-commerce sector, where consignments are often of low value.

Taking cognizance of these concerns, the DGFT proposed eliminating the threshold, a recommendation that the GST Council has now accepted. The Council has decided to amend Section 54(14) and remove the minimum refund threshold for exports made with payment of tax. This change is part of a broader set of next-generation GST reforms aimed at simplifying compliance and enhancing liquidity for businesses.

This reform will benefit small exporters, especially those using courier or postal services, by improving cash flow and easing refund procedures, encouraging e-commerce exporters to expand their business.

Apart from the elimination of the refund threshold, the GST Council has also announced the rationalization of GST rates. This is expected to lower input costs for exporters and make India's products more competitive in the global market.

The Commerce Secretary has welcomed the rationalization in GST rates and described it as "a decisive step in strengthening India's manufacturing base, empowering MSMEs, and enhancing the competitiveness of Indian goods in domestic and international markets."

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