

Intricacies of Refund under GST

IDTC Refresher Course- WIRC ICAI

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Who can Claim Refund

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S. No.	Categories	Time Period
1	Any person can claim refund of tax and interest, if any paid on such tax. Registered person can claim refund of any un-utilized balance in his / her Electronic Cash Ledger (ECL) – S. 54 (1) CGST Act	Within 2 Years from the date of payment of tax or interest.
2	United Nation Organisation, Multilateral Financial Institution and Organisations, Consulate, Embassy of foreign Country etc. – S. 54(2) CGST Act	Before expiry of 6 months from the last day of the quarter in which supply is received.
3	Refund of un-utilized Input Tax Credits – Zero rated supplies and Inverted rate structure (Rate of tax on inputs higher than rate of tax on output supply) – S. 54(3) CGST Act	At the end of tax period

Tax period means period for which return is required to be furnished –
2(106)

Who can Claim Refund

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S. No.	Categories	Time Period
4	Exporter of goods or service or both	Filing of shipping bill and return in From GSTR-3 or GSTR-3B or Table 6A
5	Supplier of goods or services or both to a Special Economic Zone (SEZ) developer of a unit located in SEZ.	Goods or Services are admitted / receipt of services in full in SEZ and endorsed by specified officer of zone.
6	Deemed Exporter	At the end of tax period.

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Refund includes

- ❖ Refund of tax paid on zero rated supplies; or
- ❖ Inputs or Input Services used in making such zero rated supplies;
- ❖ Supply of goods regarded as deemed exporters;
- ❖ Un-utilized input tax credit – Inverted rate of tax structure.



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Refund ineligible

- ❖ Un-utilized balance in Electronic Credit Ledger;
- ❖ Goods exported out of India are subject to export duty;
- ❖ Suppliers avails drawback in respect of central tax or claims IGST paid on such supplier.



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Refund – Zero Rated Supplies

- ❖ Zero rated supplies means any of the following supply of goods or services or both
 - (i) export of goods or services or both; or
 - (ii) supply of goods or services or both to a SEZ developer or a unit located in SEZ
- ❖ Export of Goods: 2(5) of IGST
It means taking out of India to a place outside India.



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Refund – Zero Rated Supplies

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❖ Export of Services: 2(6) of IGST

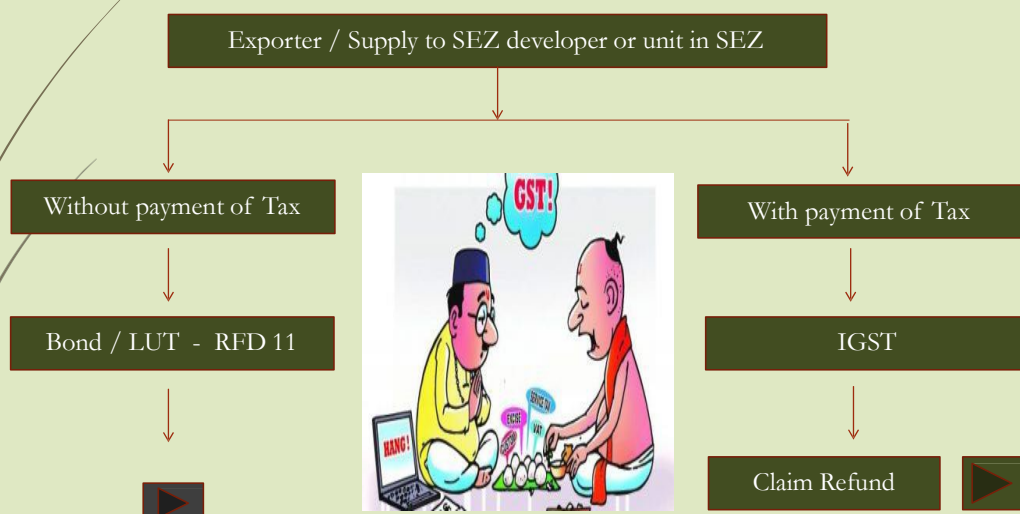
- supplier of service is located in India;
- recipient of service is located outside India;
- place of supply of service is outside India;
- payment for such service has been received by the supplier of service in convertible foreign exchange;
- supplier of service and recipient of service are not merely establishment of a distinct person.



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Refund by Zero rated supplier – Outward Supply

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Relief Package for Exporters

Blockage of Working Capital

To prevent cash blockage of exporters due to upfront payment of GST on inputs etc. the Council approved two proposals, one for immediate relief and the other for providing long term support to exporters.

Immediate Relief

- ❖ Extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes to sourcing inputs etc. from abroad as well as domestic suppliers.
- ❖ Holders of AA / EPCG and EOUs would not have to pay IGST, Cess etc. on imports.
- ❖ Domestic supplies to holders of AA/EPCG/EOU are considered as Deemed Exports.

Long Term Relief

"e-Wallet" which would be credited with a notional amount as if it is an advance refund. This credit would be used to pay IGST, GST etc. The details of this facility would be worked out soon. The Council desired that the "e-Wallet" solution should be made operational w.e.f. 1st April 2018.

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Deemed Exporter

- ❖ Following supplies of goods would be considered as "Deemed Exports"

Sr. No.	Description of supply	Benefit
1	Supply of goods by a registered person against Advance Authorization.	Authorization issued by DGFT for import or domestic procurement of inputs on pre-import basis for physical exports.
2	Supply of CG by a registered person against Export Promotion Capital Goods Authorisation.	Authorization issued by DGFT for import of capital goods for physical exports.
3	Supply by registered person to EOU	EOU means and EOU, Unit at Electronic Hardware Technology Park or Software Technology Park or Bio-Technology Park.
4	Supply of gold by a bank or PSU against Advance Authorization.	

N. No. 48/2017 – CT w.e.f. 13th October 2017

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Evidence required by Deemed Exporter

- ❖ **Evidences** which are to be **produced by the supplier** of deemed export supplies for **claiming refund** –
 1. **Acknowledgment** by the jurisdictional Tax officer of the –
 - Advance Authorisation (AA) holder or
 - Export Promotion Capital Goods (EPCG) Authorisation holder, as the case may be, that the said deemed export supplies have been received by the said AA or EPCG Authorisation holder, or
 - Copy of the tax invoice under which such supplies have been made by the supplier, duly signed by the recipient Export Oriented Unit (EOU) that said deemed export supplies have been received by it.

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Evidence required by Deemed Exporter

2. An undertaking by the **recipient of deemed export supplies** that **no** input tax credit (ITC) on such supplies has been availed of by him.
3. An undertaking by the **recipient of deemed export supplies** that he shall **not claim the refund** in respect of such supplies and the **supplier may claim the refund**.

[N. No. 49/2017 – CT – Dated 18th October 2017]

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Merchant Exporter

- ❖ Exemption granted on intra-state & inter-state supply of taxable goods by a registered supplier to a registered recipient for export, from so much of the Central, State & Integrated Tax leviable, as in excess of the amount calculated at the rate of 0.1% subject to fulfilment of following conditions -
 - a. Supply should be on a tax invoice – tax have to be charged to recipient;
 - b. Recipient have to export said goods within a period of 90 days from the date of issue of tax invoice by the supplier;
 - c. Recipient have to mention GSTIN, tax invoice number of the supplier in shipping bill or bill of export, as the case may be;

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Terms and
Conditions
May Apply

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Merchant Exporter

- d. Recipient should be registered with an Export Promotion Council or a Commodity Board recognized by the Department of Commerce;
- e. Recipient shall place an order on registered supplier for procuring goods at concessional rate and a copy of the same shall also be provided to the jurisdictional tax officer of the registered supplier;
- f. Recipient can move the said goods from the place of supplier –
 - (i) directly to Port, Inland Container Depot, Airport or Land Custom Stations from where goods are exported; or
 - (ii) directly to registered warehouse from where goods shall be move to Port, Inland Container Depot, Airport from where goods are exported.

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Merchant Exporter

- g. Recipient intends to **aggregate supplies** from **multiple suppliers and then export** - (i) goods from **each registered supplier** shall move to a registered warehouse; and
- (ii) **after aggregation**, recipient shall move goods to the Port, Inland Container Depot, Airport from where goods shall be exported.
- h. In the above situation, **Recipient shall** –
- (i) Endorse receipt of goods on the tax invoice;
- (ii) Obtains acknowledgement of receipt of goods in registered warehouse from warehouse operator;
- (iii) Endorsed tax invoice & acknowledgement of the warehouse operator shall be provided to **supplier as well as to jurisdictional tax officer of such supplier.**

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Merchant Exporter

- i. **When goods have been exported**, recipient shall provide copy of shipping bill or bill of exports containing details of GSTIN and tax invoice of supplier **along with** proof of export general manifest or export report **having been filed to the registered supplier as well as jurisdiction tax officer of the supplier.**

Supplier shall not be eligible for the above mentioned exemptions if the recipient fails to export the said goods within a period of 90 days from the date of issue of tax invoice.

[N. No. 40/2017 – CT (Rate) and N. No. 41/2017 – IGST (Rate) – dated 23-10-2017]

Supplier is eligible to claim refund of ITC ????

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Documents required for refund claim

Event	Documents
Export of Goods	Statement containing – i. Number and date of shipping bill or bills of export; ii. Number and date of relevant export invoices
Export of Services	Statement containing – i. Number and date of invoice; ii. Bank realization certificate / foreign inward remittance certificate
Supply of goods to SEZ / Deemed Exports	Statement containing – i. Number and date of invoice; ii. Evidence of endorsement; iii. Declaration that SEZ has not availed any input tax credit (ITC) iv. Declaration that recipient has not claimed refund.
Supply of services to SEZ	Statement containing – i. Number and date of invoice; ii. Evidence of endorsement; iii. Declaration that SEZ has not availed any input tax credit (ITC) iv. Details of payment along with proof.

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Processing of refund claims

- ❖ Powers to grant refunds has been delegated to the Officers of State and UT GST Act, who are authorized to be the proper officer for the purpose of granting or sanctioning of refunds under section 54 or 55.
- ❖ However, they are not authorized to sanction refund of IGST paid on export of goods or services and such power is vested with Officers of Central GST Act.

[N. No. 39/2017 – CT – Dated 13-10-2017]

SANCTION

Sanctions are required to move forward!!! In simple words, something that serves as a support for your action.


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Refund under Inverted rate Duty Structure

- ❖ In the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula:-
- ❖ Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC / Adjusted Total Turnover} - tax payable on such inverted rated supply of goods and services.
- ❖ Explanation:- For the purposes of this sub-rule, the expressions –
- ❖ (a) —Net ITC|| shall mean input tax credit availed on inputs during the relevant period other than the input tax credit availed for which refund is claimed under subrules (4A) or (4B) or both; and
- ❖ [—Adjusted Total turnover|| and —relevant period|| shall have the same meaning as assigned to them in sub-rule (4).]

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Refund under Inverted rate Duty Structure

- ❖ a statement [1A] containing the number and the date of the invoices received and issued during a tax period in a case where the claim pertains to refund of any unutilised input tax credit under sub-section (3) of section 54 where the credit has accumulated on account of the rate of tax on the inputs being higher than the rate of tax on output supplies, other than nil-rated or fully exempt supplies;
- ❖ a declaration to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed does not exceed two lakh rupees:
- ❖ No prosecution Declaration [as per Rule 91(1)]



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No Refund under Inverted rate Duty Structure

- ❖ No refund is allowed for the following under inverted rate duty structure:
- ❖ Various Woven fabrics as described under Notification No. 5/2017 dt. 28.06.2017
- ❖ Rail locomotives, Railway Coaches, Railway or tramway goods vans and wagons, not self-propelled as described under Notification No. 5/2017 dt. 28.06.2017
- ❖ No refund of unutilised input tax credit shall be allowed under sub-section (3) of section 54 of the said Central Goods and Services Tax Act, in case of supply of services specified in sub-item (b) of item 5 of Schedule II of the Central Goods and Services Tax Act. [Construction Services]
- ❖ Corduroy fabrics [5801] from 22.09.2017 vice N. No 29/2017



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No Refund under Inverted rate Duty Structure

- ❖ Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials [5608]
- ❖ Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)".[5806]
- ❖ Vide N.No 44/2017 dt. 14/11/2017



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Refund allowed under Inverted rate Duty Structure

- ❖ “Provided that,-
- ❖ (i) nothing contained in this notification shall apply to the input tax credit accumulated on supplies received on or after the 1st day of August, 2018, in respect of goods mentioned at serial numbers 1, 2, 3, 4, 5, 6, 6A, 6B, 6C and 7 of the Table below; and
- ❖ (ii) in respect of said goods, the accumulated input tax credit lying unutilised in balance, after payment of tax for and upto the month of July, 2018, on the inward supplies received up to the 31st day of July 2018, shall lapse.”. [26.07.2018]



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Latest Updates

- ❖ Complete E module for refund is now available.
- ❖ New application if defect memo in RFD-03 is issued. ITC will get recredited to ECL
- ❖ Reply to all notices to be given online along with relevant uploading of documents.
- ❖ Refund shall be processed by only one authority either state or centre.
- ❖ IGST Refund needs to be claimed in full and balance ITC refund to be distributed between CGST & SGST equally. (adjustment can be done if CGST ITC is over and SGST ITC is still available). [Circular 33T of 2018 dt. 14/11/2018 of mahagst]
- ❖ GSTR 3B & GSTR1 Discrepancy has to be resolved.

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Aap
convince ho
gaye ya
main aur
bolu!



Thank You All
for your patience
hearing !!

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When people leave a Marvel movie
before the post-credit scene, scream:

***"Picture abhi baaki
hai mere dost."***