

# GST Refund Provisions and Procedures in India

This comprehensive presentation covers the legal framework, procedures, and recent developments related to GST refunds in India. Understanding GST refund provisions is crucial for tax professionals and businesses to ensure compliance and optimize cash flow management.

We will examine the statutory provisions, relevant notifications, circulars, forms, timeframes, and judicial decisions that shape the refund landscape under the GST regime.



# Provisions under CGST Act 2017

## Main Refund Provisions

Section 54 establishes the fundamental framework for refund of tax, while Section 55 covers refunds in special cases. Section 56 addresses interest on delayed refunds, a critical aspect for businesses managing cash flows.

## Consumer Welfare Fund

Sections 57 and 58 establish and govern the Consumer Welfare Fund, where certain refund amounts may be credited when the burden of tax has been passed on to consumers.

## Miscellaneous Provisions

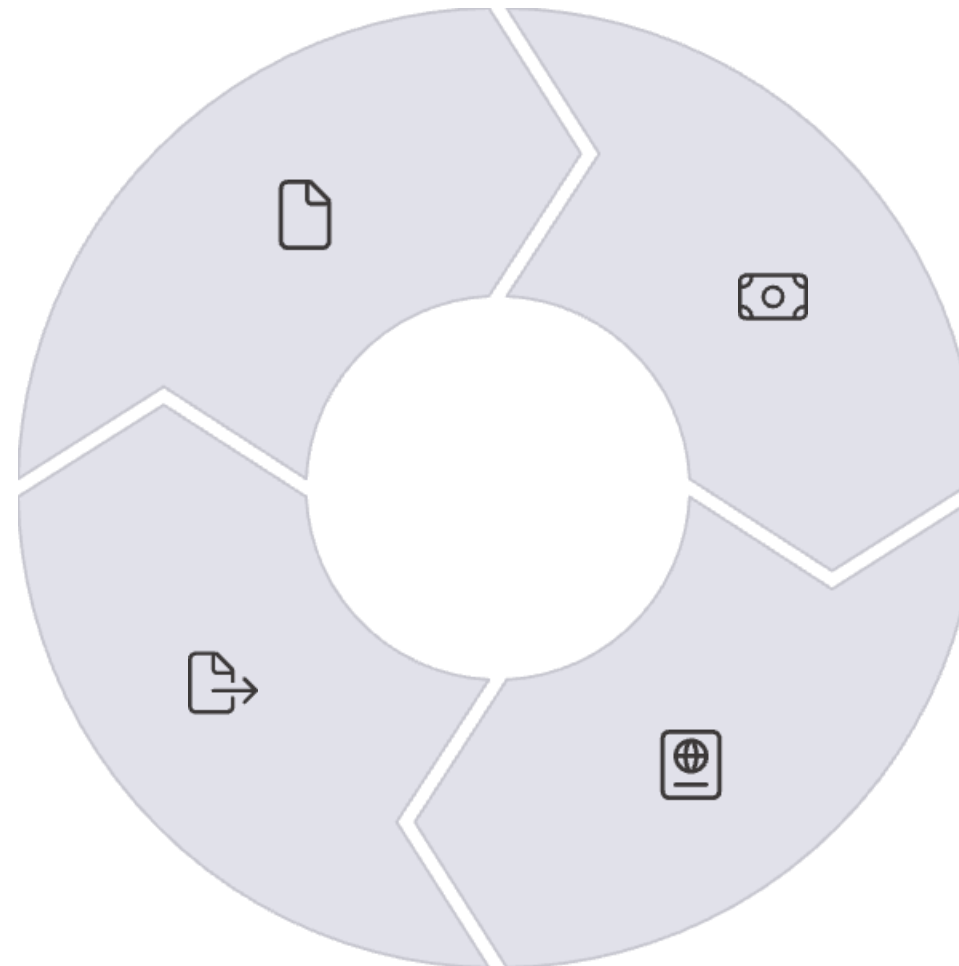
The Act also covers interest on refunds consequent to assessment orders (Section 60(5)), determination of erroneously refunded amounts (Sections 73 and 74), and transitional provisions (Section 142).

The CGST Act provides comprehensive coverage of refund aspects, including Section 77 for tax wrongfully paid, Section 115 for interest on appeal amounts, and Section 19 of IGST Act for incorrect tax payments.

# Provisions under CGST Rules 2017

**Application Process**  
Rules 89 and 90 cover application filing and acknowledgement

**Special Cases**  
Rules 95-97A address specific scenarios like exports and retail outlets



**Provisional Refund**  
Rule 91 governs granting of provisional refunds

**Order Issuance**  
Rule 92 details order sanctioning and Rule 94 covers interest orders

The CGST Rules provide detailed procedural guidelines for refund applications, processing, and special cases. Rules 96 and 96A specifically address refunds related to exports, while Rule 97 governs the Consumer Welfare Fund. Rule 97A allows for manual filing in case of technical issues.

# Notifications Related to Refunds (Part 1)



Notification No. 16/2017 – Central Tax (7th July 2017)

Established conditions for furnishing Letter of Undertaking in place of bond for export without payment of integrated tax



Notification No. 37/2017 – Central Tax (4th Oct 2017)

Extended LUT facility to all exporters, simplifying export procedures



Notification No. 39/2017 – Central Tax (13th Oct 2017)

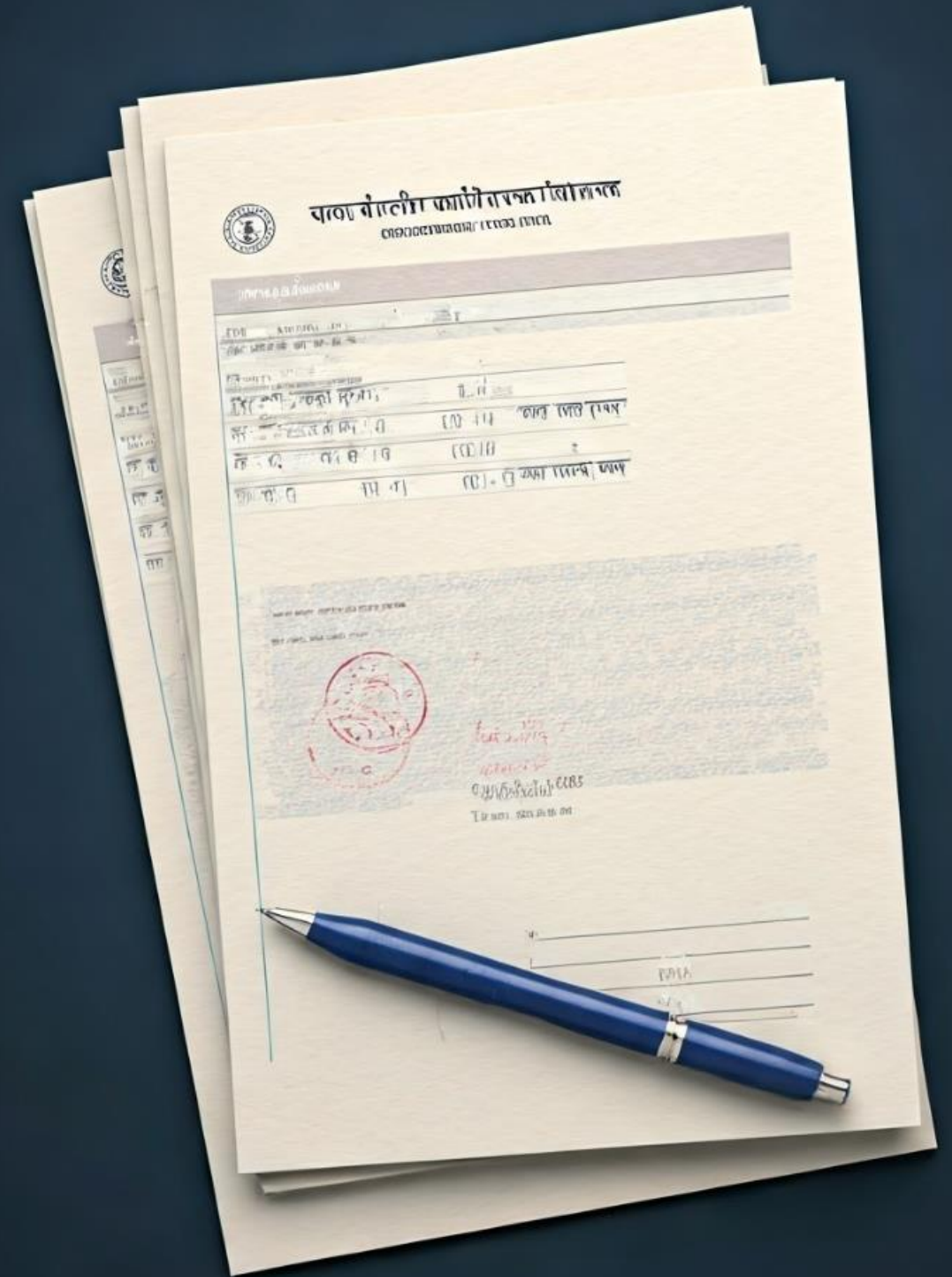
Cross-empowered State/Central Tax officers for processing and granting GST refunds



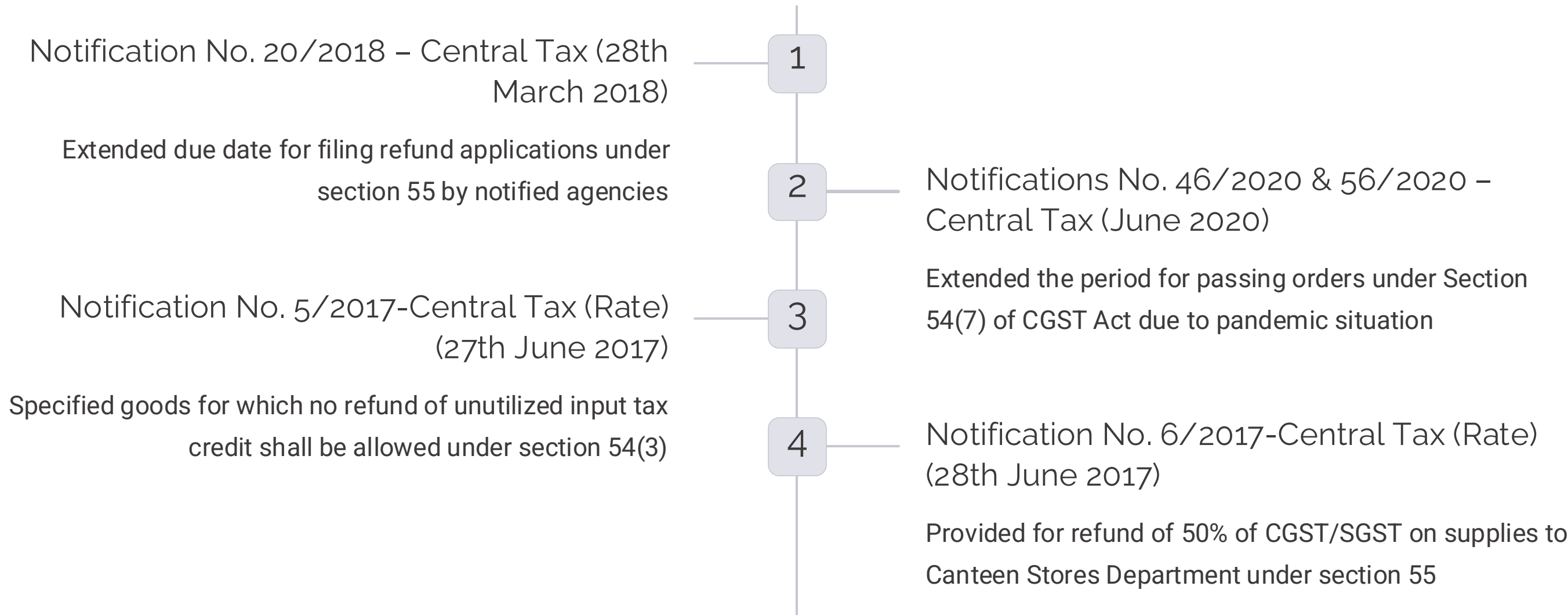
Notifications No. 48 & 49/2017 – Central Tax (18th Oct 2017)

Specified supplies qualifying as deemed exports and evidences required for claiming refunds

These notifications established the initial framework for GST refund processing, with particular focus on export facilitation and administrative jurisdiction.



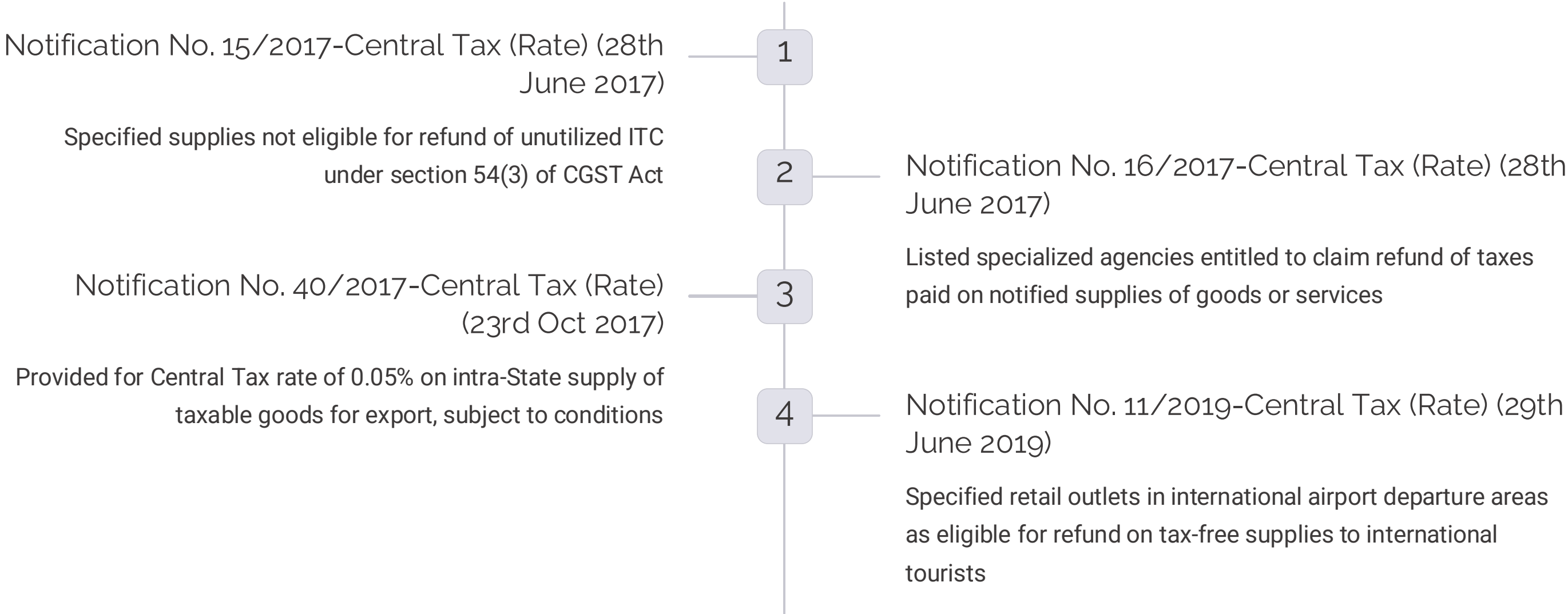
# Notifications Related to Refunds (Part 2)



These notifications addressed specific aspects of refund processing, including restrictions on certain refunds and special provisions for government entities.



# Notifications Related to Refunds (Part 3)



These notifications created specific refund frameworks for specialized scenarios, including diplomatic missions, exporters, and duty-free shops at international airports.



# Circulars Related to Refunds (Part 1)



## Export-Related Circulars

- Circular 5/5/2017: Bond/LUT for exports without payment of integrated tax
- Circular 8/8/2017: Clarifications on furnishing Bond/LUT for exports
- Circular 14/14/2017: Supplies procurement by EOU/EHTP/STP/BTP units



## Manual Filing Procedures

- Circular 17/17/2017: Manual filing for zero-rated supplies
- Circular 24/24/2017: Manual filing for inverted duty structure, deemed exports



## Special Entity Refunds

- Circular 36/10/2018: Processing applications for UIN entities
- Circular 37/11/2018: Clarifications on exports related refund issues

These circulars provided critical clarifications on refund procedures, especially focusing on export promotion and addressing implementation challenges during the initial GST rollout phase.

# Circulars Related to Refunds (Part 2)

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## LUT/Bond Clarifications

- Circular 40/14/2018: Clarifications on Bond/LUT furnishing
- Circular 45/19/2018: General refund clarifications

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## ITC Refund Issues

- Circular 56/30/2018: Removal of ITC refund restrictions on fabrics
- Circular 59/33/2018: Various refund clarifications

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## Special Entity Processing

- Circular 60/34/2018: Processing refunds for Canteen Stores Department
- Circular 63/37/2018: Processing refunds for UIN entities

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## Additional Clarifications

- Circular 70/44/2018 and 79/53/2018: Various refund issues

These circulars addressed operational challenges in refund processing and provided clarity on specific scenarios faced by taxpayers, especially government entities and exporters.







## Circulars Related to Refunds (Part 3)



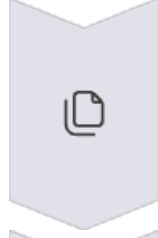
### Technical Updates

- Circular 88/07/2019: Changes in previously issued circulars
- Circular 94/13/2019: Clarifications on refund issues



### Portal-Related Issues

- Circular 104/23/2019: Processing refunds for taxpayers wrongly mapped on portal
- Circular 106/25/2019: Refunds for duty-free shops at international airports



### Procedural Clarifications

- Circular 110/29/2019: Eligibility to file refund for specific period/category
- Circular 111/30/2019: Refund procedure after favorable appeal orders



### Electronic Process

- Circular 125/44/2019: Fully electronic refund process and single disbursement

These circulars addressed technical and procedural aspects of refund processing, resolving practical issues faced by taxpayers and tax officials alike.

# Circulars Related to Refunds (Part 4)

- 1 — Circular 131/01/2020 (23rd Jan 2020)  
Standard Operating Procedure to be followed by exporters for refund processing
- 2 — Circular 135/05/2020 (31st March 2020)  
Clarifications on various refund-related issues during initial COVID-19 period
- 3 — Circular 139/09/2020 (10th June 2020)  
Additional COVID-19 related refund clarifications and adaptations
- 4 — Circular 147/03/2021 (12th March 2021)  
Post-COVID refund issues and updated clarifications

These recent circulars addressed challenges in refund processing during the COVID-19 pandemic and introduced standardized procedures for exporters to ensure smoother processing of refund claims. The circulars helped maintain continuity in refund processing despite the disruptions caused by the pandemic.



# Forms for GST Refund Processing

## Application Forms

- RFD-01: Standard refund application under rule 89(1)
- RFD-01A: Manual refund application under rules 89(1) & 97A
- RFD-01B: Refund order details for applications filed in RFD-01A
- RFD-10: Application for specialized UN agencies, embassies, etc.
- RFD-10B: Application for Duty Free/Duty Paid Shops

## Processing Forms

- RFD-02: Acknowledgment under rules 90(1), 90(2) & 95(2)
- RFD-03: Deficiency Memo under rule 90(3)
- RFD-04: Provisional Refund Order under rule 91(2)
- RFD-05: Payment Order under rules 91(3), 92(4), 92(5) & 94
- RFD-06: Refund Sanction/Rejection Order
- RFD-07: Order for Complete adjustment of sanctioned Refund

## Miscellaneous Forms

- RFD-08: Notice for rejection of application
- RFD-09: Reply to show cause notice
- RFD-11: Bond or Letter of Undertaking for export

These standardized forms ensure consistency in refund applications and processing across India. The electronic workflow through these forms has streamlined the refund process for both taxpayers and tax authorities.

# Relevant Date for Refund Claims

Export by Sea/Air	The date on which the ship or aircraft in which goods are loaded leaves India
Export by Land	The date on which goods pass the frontier
Export by Post	The date of dispatch of goods by the Post Office to a place outside India
Deemed Export	The date on which the return relating to such deemed exports is furnished
Export of Services	Date of receipt of payment in convertible foreign exchange (where supply completed prior to payment) OR Date of invoice (where payment received in advance)
Order/Judgment	The date of communication of such judgment, decree, order or direction

The determination of the correct relevant date is crucial for refund claims, as it establishes the starting point for limitation periods. For unutilized input tax credit, the relevant date is the end of the financial year, while for provisional tax payment, it's the date of adjustment after final assessment.



# Time Limit for Availing Refund



## General Time Limit

For claiming refund of any tax and interest, an application must be made before the expiry of 2 years from the relevant date, as per Section 54(1) of CGST Act, 2017.



## Special Entities Time Limit

For claiming refund by UN organizations, multilateral financial institutions, foreign diplomatic missions, or consulates, the time limit is 6 months from the last day of the quarter in which supply was received, as per Section 54(2) of CGST Act, 2017.

These time limits are statutory and strictly enforced. Taxpayers must maintain proper records of relevant dates and ensure timely filing of refund applications to avoid rejection on grounds of limitation. The calculation of these time limits depends critically on the correct determination of the relevant date discussed in the previous slide.

# Time Limit for Sanctioning Refund

## 60 Days

Regular Processing

Maximum time allowed from receipt of application to sanction under Section 54(7)

## 7 Days

Provisional Refund

For zero-rated supplies, 90% provisional refund within 7 days of acknowledgment

## 5 Years

No Prosecution Period

For eligibility, no tax evasion prosecution exceeding Rs. 2.5 Cr in preceding 5 years

If the proper officer is satisfied after examination, a final sanction order is issued under Rule 92(1). The timely processing of refunds is crucial for businesses' cash flow management. Delays beyond stipulated periods may entitle taxpayers to interest under Section 56 of the CGST Act.



# Interest on Delayed Refunds and Adjustments

## Interest Rates for Delayed Refunds

If refund is not sanctioned within the time limit, interest is payable at 6% under Section 56 of CGST Act, 2017. A higher rate of 9% applies for consequential relief to an order, as per Notification No.14/2017-CT dated 28-06-2017.

This interest compensation is designed to offset the financial impact of delayed refunds on businesses' working capital.

The provision for withholding refunds provides that the proper officer may withhold payment for non-filing of returns or unpaid taxes, interest, or penalties which are not stayed. Refund may be withheld until returns are filed or payments made, as per Section 54(10) of CGST Act, 2017.

## Adjustment Against Outstanding Demands

The refund sanctioning officer is empowered to adjust refund amounts against outstanding demands under GST Act or earlier laws under Section 54(10) read with Rule 91(1) of CGST Rules, 2017.

No specific time limit, interest calculation, or personal hearing is specified in the Act for such adjustments, giving substantial discretion to tax authorities.

# Withholding of Refunds by Commissioner



## Commissioner's Withholding Power

Under Section 54(11), Commissioner may withhold refunds where the order giving rise to refund is subject to appeal or further proceedings



## Grounds for Withholding

Withholding permitted where refund grant is likely to adversely affect revenue due to malfeasance or fraud



## Duration of Withholding

Commissioner may withhold for such time as determined appropriate

Section 54(12) provides that interest at 6% is payable on amounts withheld by the Commissioner, recognizing the financial impact on taxpayers. The principle of unjust enrichment (Section 54(4)) requires claimants to establish that the incidence of tax/interest has not been passed on to another person and is solely borne by them, supported by documentary evidence.



# Exceptions to Unjust Enrichment and Refund Restrictions

## Exceptions to Unjust Enrichment

The principle of unjust enrichment does not apply to refunds related to exports or excess balance in Electronic Cash Ledger, as these scenarios inherently exclude the possibility of passing the tax burden to others.

## Restrictions on Refunds

No refund is available if the outward supply is exempted or nil rated (First proviso to Section 54(3)). Additionally, no refund of unutilized ITC is permitted if the export goods are subject to export duty (Second proviso to Section 54(3)).

## Consumer Welfare Fund

Refund amounts are credited to the "Consumer Welfare Fund" by default, as they are considered amounts held by the Government without legal authority. Only if claimants establish they bore the tax incidence will amounts be refunded directly to them (Section 54(5) read with Section 54(8)).

These provisions create a balanced approach that prevents double benefits while ensuring legitimate refunds reach the appropriate parties. The Consumer Welfare Fund serves as the default repository for refunds where the burden of tax has been passed on to consumers.

# Refund Claims: SEZ vs. Deemed Exports

## SEZ Supply Refunds

According to the second proviso to Rule 89(1), in case of supply to SEZ Unit/Developer, only the supplier can claim refund as the recipients are treated as outside the country.

This reflects the zero-rated status of SEZ supplies and ensures the refund mechanism aligns with the territorial principle of taxation, treating SEZ units as effectively outside domestic territory for GST purposes.

These provisions create distinct refund mechanisms for different categories of zero-rated supplies, recognizing the unique characteristics of SEZ transactions versus deemed exports. Businesses must carefully identify which category their transactions fall under to determine the appropriate refund procedure.

## Deemed Export Refunds

As per the third proviso to Rule 89(1), in case of Deemed Exports (Advance License/EOU/EPCG etc.), both recipient and supplier can claim refund.

However, when suppliers claim refunds, they must produce a declaration from the recipient confirming non-availment of input tax credit. This prevents double recovery of the same tax amount by different parties.

# Refund in Special Circumstances



## Business Transfer Scenario

Yes, refund of balances in the electronic Input Tax Credit ledger can be claimed when business is taken over by another entity. The proper procedure involves obtaining necessary approvals and submitting specified documents to establish the legitimate transfer of business.



## Insolvency Professional Cases

Accumulated input tax credit on services procured by Insolvency Professionals can be claimed as refund, subject to the provisions of the Insolvency and Bankruptcy Code and maintenance of proper documentation of the services utilized in the insolvency proceedings.

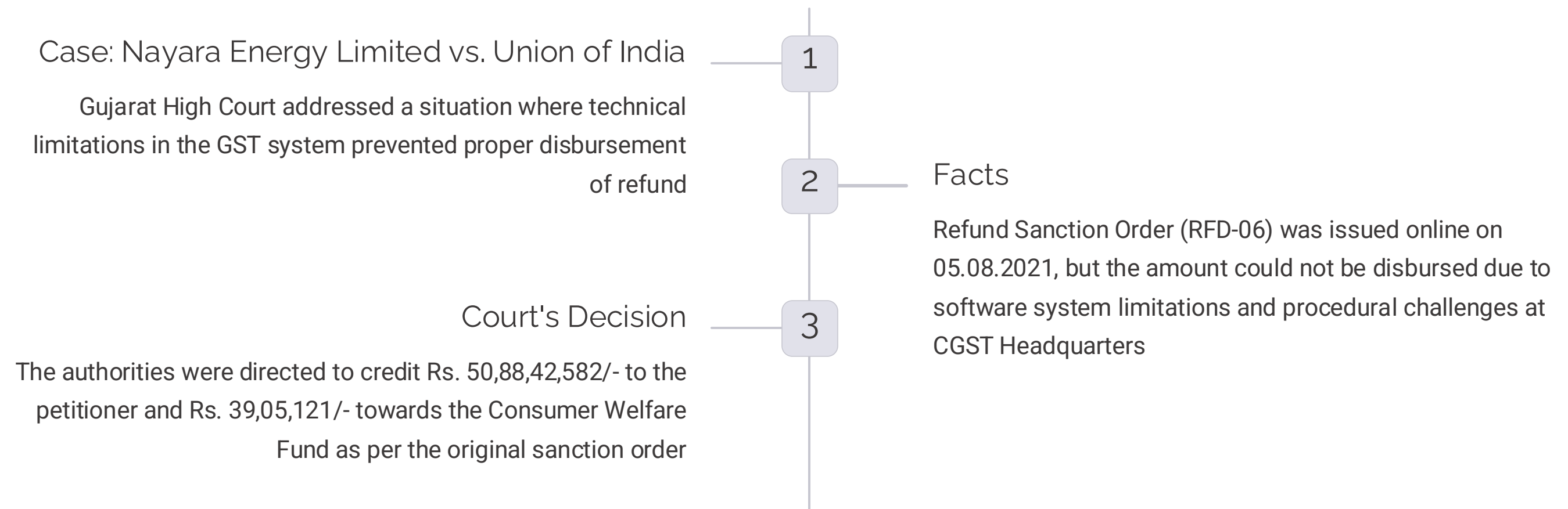


## Export-Related Credits

Input tax credit can be claimed on services when exporting goods, as services that support the export of goods qualify for ITC. However, refunds cannot be claimed on inputs procured under duty drawback or advance license schemes to prevent double benefit.

These special cases demonstrate the flexibility built into the GST refund framework to address unique business circumstances while maintaining the integrity of the tax system.

# Case Law: Refunds Cannot be Delayed on Technical Glitches



This judgment establishes the important principle that technical limitations in government systems cannot be used as a justification to delay legitimate refunds. The court recognized that once a refund is sanctioned, administrative or technical hurdles should not prevent prompt disbursement to taxpayers.





# Case Law: Interest for Delay in Payment of Refund



Case: Willowood Chemicals Pvt. Ltd. vs. Union of India

Gujarat High Court addressed a case involving significant delays in refund processing



Legal Provisions Examined

Section 56 (Interest on delayed refunds) and Rule 94 (Order sanctioning interest on delayed refunds)

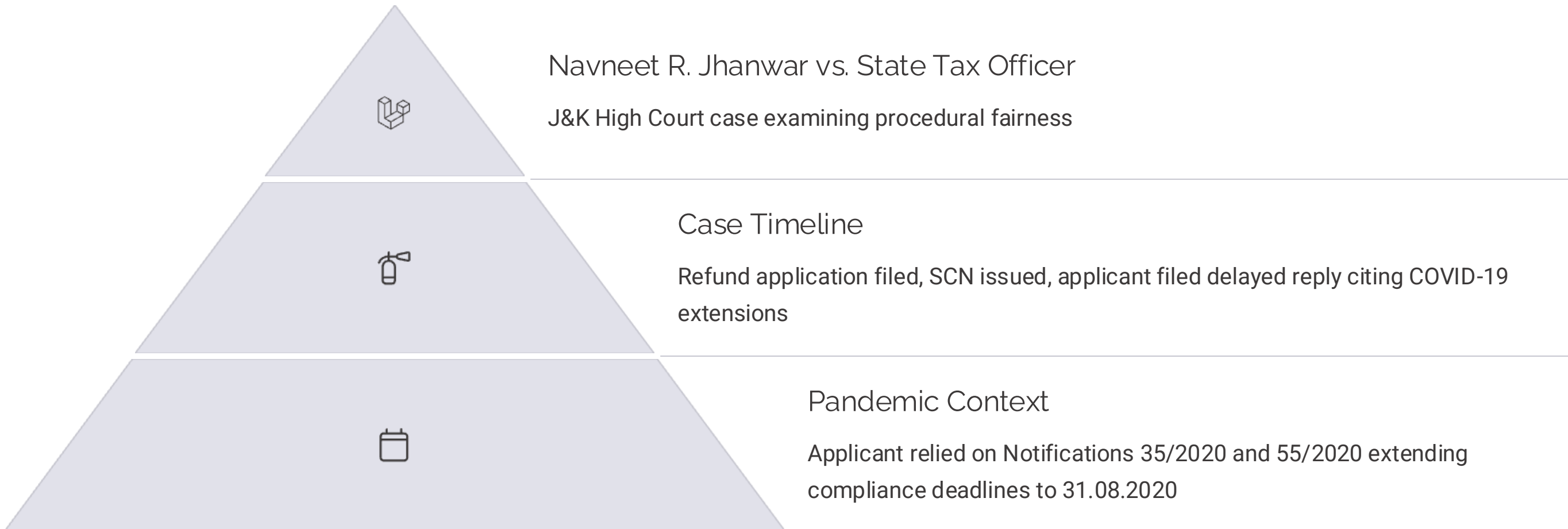


Court's Ruling

Directed interest payment on delayed refund at 9% to be paid within two months from the date of the writ order

This judgment reinforces the taxpayer's right to timely refund processing and appropriate compensation for delays. The court upheld the statutory provisions for interest payment, ensuring that tax authorities bear responsibility for procedural delays in refund disbursement. This creates a financial incentive for authorities to process refunds promptly.

# Case Law: Principles of Natural Justice and Relevant Date



This case highlights the intersection of procedural timelines and exceptional circumstances during the COVID-19 pandemic. The applicant argued that the pandemic-related extensions should apply to their response to the show cause notice, creating an important precedent for how force majeure situations impact tax compliance timelines.

# Case Law: Court's Interpretation of Natural Justice



## Constitutional Principles

The court examined Article 226 powers in context of natural justice violations



## Alternative Remedy Exceptions

Court ruled that alternative remedies don't bar writ jurisdiction when principles of natural justice are violated

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## Judicial Precedent

Referenced "forensic whirlpool" of case law establishing this principle

The High Court affirmed that even though statutory appeals might be available under Rule 107 of CGST Rules 2017, writ jurisdiction remains appropriate when there are allegations of natural justice violations. This reinforces the fundamental importance of procedural fairness in tax administration, particularly in refund matters where taxpayer liquidity is at stake.

# Case Law: Expanding on Principles of Natural Justice

## Madras High Court Precedent

The J&K High Court referenced *R. Ramadas v. Joint Commissioner of C.Ex., Puducherry* (2021) which established that show cause notices are the foundation for demands. They must be specific, provide full details, and the demand must conform to proposals in the notice without exceeding its scope.

This creates consistency in judicial approaches across different High Courts on this important procedural issue.

These observations establish important guardrails for tax authorities, emphasizing that procedural fairness and adequate notice are not merely formalities but substantive protections for taxpayers that courts will actively enforce.

## Key Observations on Natural Justice

The court emphasized that show cause notices enable recipients to raise objections, and authorities must address those objections. This is the foundation of natural justice principles in administrative proceedings.

When demands exceed the scope of show cause notices, it's equivalent to not providing any notice for that particular demand. This strict approach protects taxpayers from unfair or unexpected tax assessments.



# Case Law: Final Ruling on Natural Justice



## Final Order

The J&K High Court ordered authorities to follow proper procedure by issuing a proper show cause notice, allowing the applicant to file a reply, and only then determining whether to reject the refund.



## Procedural Requirements

The court established that even when refunds might ultimately be rejected, proper procedure must be followed to ensure the taxpayer has adequate opportunity to present their case.



## Rule 92(3) Compliance

The ruling emphasized strict adherence to the provisions of Rule 92(3) which governs show cause notices for refund rejections.

This judgment reinforces the principle that procedural fairness cannot be sacrificed for administrative expediency. Even during challenging periods like the pandemic, tax authorities must maintain proper legal procedures. The ruling establishes that timelines extended due to COVID-19 should be respected across all tax compliance requirements.

# Case Law: Refund of Input Services and Article 14

Case: Tvl. Transtonnelstroy Afcons Joint  
Venture vs. Union of India

Madras High Court case examining constitutional  
validity of input service exclusion in refunds

Article 14 Context

"Equality before law: The State shall not deny to any  
person equality before the law or equal protection of  
laws within India"

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Constitutional Challenge

Petitioner argued that for inverted duty structure  
refunds, net ITC should include input tax on services,  
claiming Article 14 equality violation

This case raised a fundamental question about whether differential treatment of input goods versus input services for refund purposes violated constitutional equality guarantees. The petitioner challenged the legislative classification as arbitrary and sought to have the provision either struck down or read down to include input services.

# Case Law: Court's Decision on Input Services Refund

✓ Constitutional Validity

Court ruled that Section 54(3)(ii) does not infringe Article 14 of the Constitution

🔖 Statutory Right

Refund was recognized as a statutory right, not a fundamental right

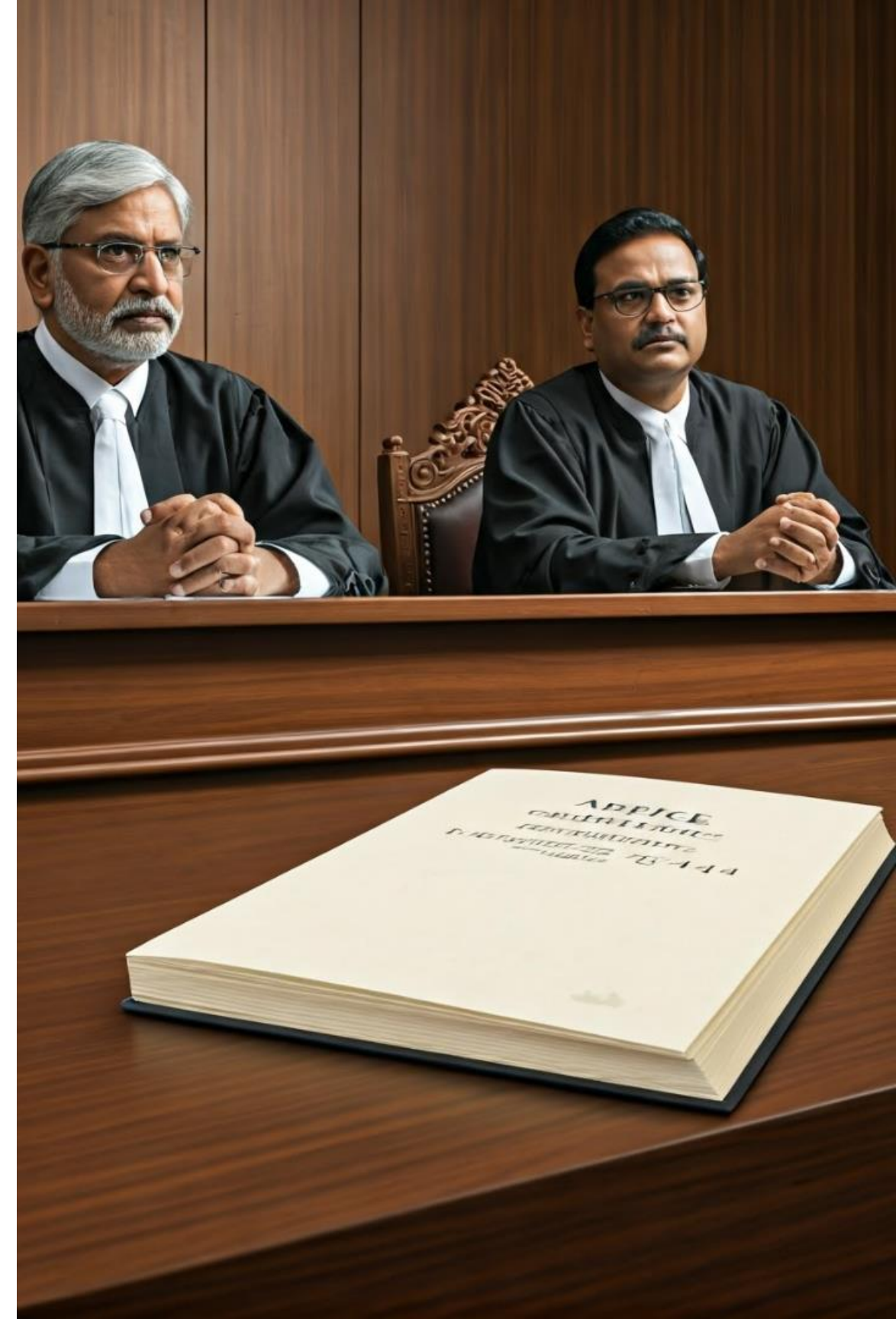
📄 Valid Classification

Court found that excluding input services from refund eligibility was a valid legislative classification

📄 No Need for Reading Down

Rejected the necessity to adopt the interpretive device of reading down the provision

The court upheld the legislature's discretion to determine the scope of refund eligibility, finding no constitutional infirmity in treating input goods differently from input services. This decision reinforces that tax policy choices, including refund mechanisms, receive considerable deference from courts unless clearly arbitrary.



# Case Law: Further Reasoning on Input Services

## Source-Based Restriction

The court found that Section 54(3)(ii) intentionally curtails refund claims to unutilized credit accumulating only due to higher tax rates on input goods compared to output supplies. This represents a deliberate source-based restriction that qualifies and limits not just eligible persons but also the quantum of refund.

This ruling establishes an important principle that when the legislature creates specific limitations in a provision, implementing rules that enforce those limitations are valid and necessary. The decision gives significant weight to the text and structure of the GST law, avoiding judicial modification of what appears to be a deliberate policy choice by the legislature.

## Rule 89(5) Conformity

As a logical extension, the court determined that Rule 89(5) of CGST Rules, including the definition of Net ITC, conforms with Section 54(3)(ii). Therefore, the court saw no need to interpret Rule 89(5) to include input services, as doing so would contradict the clear statutory limitation.



# Case Law: Supreme Court Extension of Time Limits

Supreme Court Order	10.01.2022
Original Order Restored	23.03.2020
Excluded Period	15.03.2020 to 28.02.2022
Standard Extension	90 Days from 01.03.2022

The Supreme Court's order extended time limits for all judicial or quasi-judicial proceedings. The period from March 15, 2020, to February 28, 2022, was excluded for limitation purposes. For limitation periods expiring during this timeframe, a standard 90-day extension was granted starting March 1, 2022.

If the actual balance period of limitation remaining from March 1, 2022, exceeded 90 days, that longer period would apply instead of the standard extension.



# Case Law: Applicability to GST Refunds

## 1 CBIC's Position

The Central Board of Indirect Taxes and Customs issued Circular 157/13/2021-GST dated July 20, 2021, stating that the Supreme Court's limitation extension applied only to appeals to judicial authorities, not to administrative proceedings like refund applications under Section 54.

## 2 Rationale

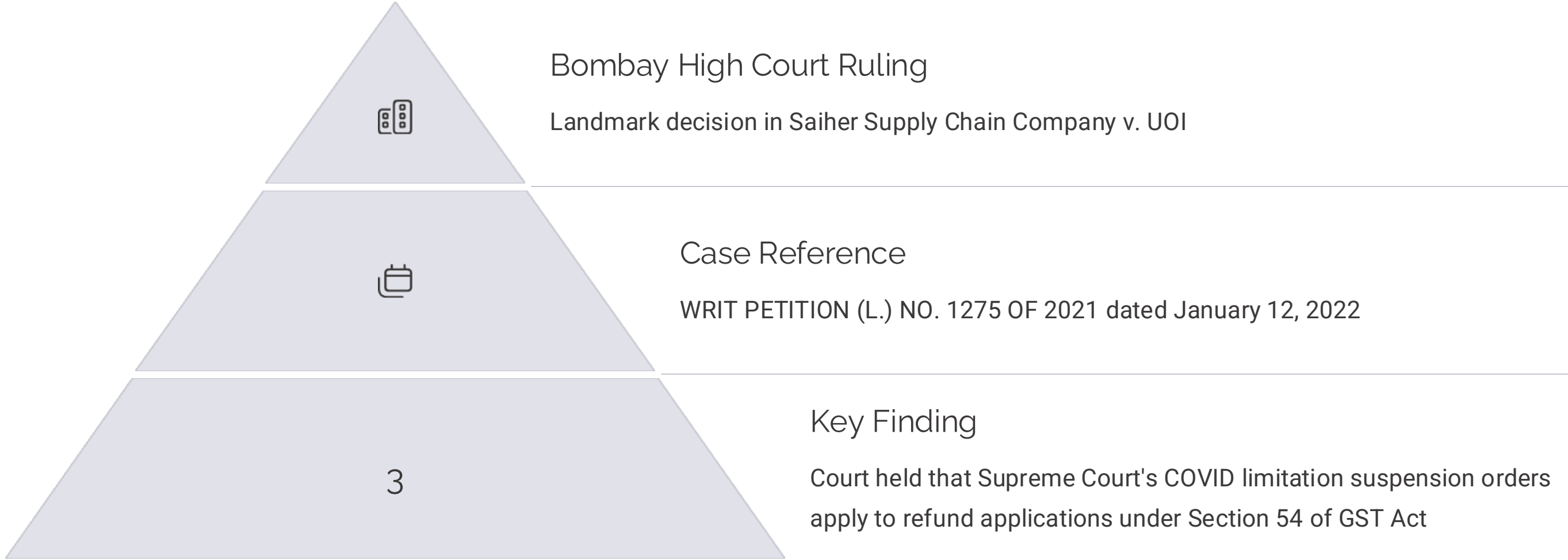
CBIC maintained that the extension covered only appeals to Joint/Additional Commissioner (Appeals), Commissioner (Appeals), Appellate Authority for Advance Ruling, Tribunal, and courts, or revision/rectification proceedings.

## 3 Explicit Exclusion

The circular specifically stated that refund applications under Section 54 were not covered by the Supreme Court's limitation extension order.

This administrative interpretation created significant uncertainty for taxpayers who had relied on the Supreme Court's order as applying broadly to all time-bound proceedings under GST. The circular attempted to restrict the scope of the judicial order, leading to potential denials of refund applications filed during the extended period.

# Case Law: High Court Interpretation of Time Extension



The Bombay High Court directly contradicted CBIC's interpretation, ruling that the benefit of the Supreme Court's extension of limitation periods extends to GST refund applications. This interpretation favored taxpayers who had filed refund applications during the pandemic period, relying on the Supreme Court's broad order extending all limitation periods.

# Case Law: Consistent Approach Across High Courts

## Madras High Court Precedent

GNC Infra LLP v. Assistant Commissioner (W.P.No.18165 & 18168 of 2021 and WMP. Nos. 19386 & 19389 of 2021, dated September 28, 2021)

The Madras High Court similarly held that the Supreme Court's limitation extension applied to refund applications under Section 54 of the CGST Act 2017.

The consistent interpretation across multiple High Courts created a strong judicial consensus that the Supreme Court's COVID-related extension of limitation periods applied to GST refund applications, despite CBIC's contrary administrative guidance. This demonstrates the courts' recognition of the extraordinary circumstances created by the pandemic and the need for flexibility in statutory timelines.

## Judicial Direction

The court remanded the case with directions to the tax authority to examine refund applications on a de novo basis and make fresh orders in accordance with Section 54 and Rule 92.

This examination had to respect the Supreme Court's order extending limitations due to COVID-19 challenges faced by litigants.

The GST system generates various error codes during the refund processing of export-related claims. Understanding these codes is crucial for exporters to resolve issues promptly and secure their refunds. The system automatically validates shipping bill details against GSTN records, with successful validation coded as SB000.

Error codes SB001 through SB006 indicate specific issues that must be addressed before the refund claim can proceed. These range from data mismatches to missing export documentation. Exporters should monitor these codes carefully to ensure timely processing of their refund claims.

# Understanding Error Codes (Part 1)

SB000	Successfully validated
SB001	Invalid SB details
SB002	EGM not filed
SB003	GSTIN mismatch
SB004	Record already received and validated
SB005	Invalid invoice number
SB006	Gateway EGM not available

These standardized error codes help streamline communication between taxpayers and the GST system. When encountering these codes, exporters should take specific actions to rectify the underlying issues. Proper understanding of these codes is essential for efficient resolution of refund processing challenges.





# Resolving Error Codes (Part 2)

## SB001 - Invalid SB details

This error typically occurs due to incorrect shipping bill number in GSTR 1/Table 6A. The mismatch is often a clerical error made when filing GSTR 1, which can be rectified through amendments using Form 9A. This form became available from December 15, 2017, in the exporter's login at the GST common portal.

## SB002 - EGM not filed

To resolve this error, exporters must approach their shipping line, airline, or carrier to file the Export General Manifest (EGM) immediately. The EGM is crucial documentation that confirms the goods have actually left India, which is a prerequisite for zero-rated export benefits.

## SB003 - GSTIN mismatch

This error occurs when the GSTIN declared in the shipping bill does not match with the GSTIN mentioned in the corresponding GST return. Similar to SB001, this requires amendments in GSTR 1 using Form 9A. Exporters should note that shipping bills cannot be amended once the EGM is filed.

These error codes often relate to documentation discrepancies that can be resolved through appropriate amendments or by ensuring proper filing of export documentation. Prompt action is essential to avoid delays in refund processing.

# Resolving Error Codes (Part 3)

## SBo04 - Record already received

This error occurs due to duplicate or repeated transmission of shipping bill-invoice records from GSTN. The previous transmission would have already been validated for IGST refund by the Customs system. No further action is typically required as the record has been processed.

If refund status remains unresolved, exporters may need to contact their jurisdictional GST officer to verify the status of the previous transmission.

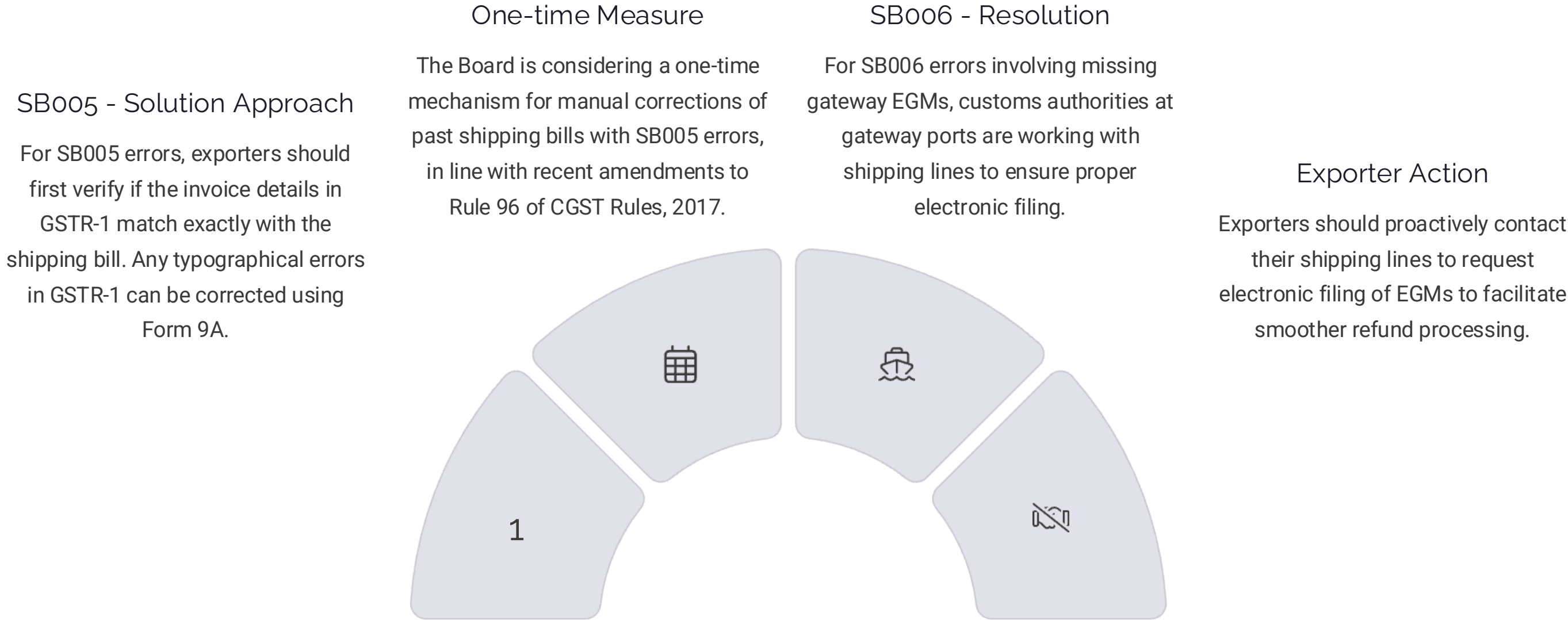
SBo06 (Gateway EGM not available) occurs in cases of exports through Inland Container Depots (ICDs) when the gateway EGM is either not filed electronically or contains errors. Exporters should approach their shipping line to ensure electronic filing of EGMs to resolve this issue.

## SBo05 - Invalid invoice number

This complex error relates to invoice number mismatches. The invoice number in shipping bill must match the GST-compliant invoice reported in GSTR-1. If the error is due to data entry in GSTR-1, it can be amended in Form 9A.

However, if separate invoices were used, correction is more complicated. The Board is considering a mechanism for manual corrections in line with amendments to Rule 96 of CGST Rules, 2017.

# Resolving Error Codes (Part 4)



Understanding and promptly addressing these error codes is crucial for exporters to ensure smooth processing of their GST refund claims. Many issues can be resolved through proper documentation and coordination with shipping companies and customs authorities.



# Recent Changes in Refund Process

The GST refund process has undergone several significant changes in recent years to improve efficiency and taxpayer experience. These modifications address various operational challenges identified during the implementation of the GST system.

The changes include procedural simplifications, new functionalities on the GST portal, enhanced validation mechanisms, and revised documentation requirements. These improvements aim to streamline the refund process while maintaining appropriate safeguards against fraudulent claims.

In the following slides, we will examine specific updates to the refund process that tax professionals and businesses should be aware of.

# EVC Enabled for Companies



## EVC for Companies

Electronic Verification Code (EVC) functionality has been extended to companies, providing an alternative to Digital Signature Certificates for authentication.



## Refund Applications

EVC can now be used for filing refund applications, simplifying the authentication process and reducing dependence on physical digital signature devices.



## Registration

The registration process can also utilize EVC, streamlining the onboarding experience for new taxpayers.



## Returns & Payments

Returns filing and tax payments can be authenticated using EVC, providing a consistent authentication method across all GST transactions.

This expansion of EVC functionality represents a significant move toward digitalization and process simplification. By reducing the technical barriers to authentication, the GST system has become more accessible, particularly for businesses that faced challenges with digital signature infrastructure.



# Changes to Refund Undertakings

## PMT-03 Undertaking Modification

The text for submission of undertaking for release of refund through PMT-03 has been modified. This change reflects evolving requirements for refund processing and ensures greater clarity in the undertaking language.

The updated wording ensures taxpayers clearly understand the conditions and implications of submitting a refund claim through the PMT-03 process.

These modifications to the undertaking text ensure more accurate representations of the available options for taxpayers. By encompassing both cash and credit ledger adjustments, the system now reflects the full range of adjustment possibilities available under the GST framework.

## Adjustment Option Expansion

Previously, the undertaking only mentioned adjustment through the cash ledger. The modified text now includes the credit ledger as an additional option for adjustment.

This expansion provides greater flexibility to taxpayers in managing refunds and adjustments, allowing them to optimize their tax positions according to their specific business needs.

# Refund Application Withdrawal Option



## New Withdrawal Functionality

Taxpayers can now withdraw refund applications by filing Form GST RFD-01W. This new functionality provides an important option for taxpayers who may need to retract applications with errors or those filed inadvertently.



## Timing Limitation

The withdrawal option is available only until a specific point in the processing timeline. Applications can be withdrawn before the Refund Processing Officer issues either an acknowledgment in Form GST RFD-02 or a deficiency memo in Form GST RFD-03.

This withdrawal functionality represents a significant improvement in taxpayer service, providing flexibility to correct filing errors without requiring intervention from tax authorities. It streamlines the refund process by allowing taxpayers to self-correct issues, reducing the administrative burden on both taxpayers and tax officers.

Electronic Cash Ledger
Goods & Services without Payment of Tax
SEZ unit/ SEZ developer (without payment of tax)
Accrued due to Inverted Tax Structure
Excess payment of deemed export
Refund to SEZ unit/ SEZ Developer (with payment of tax)
Excess payment of tax
Refund on supply which is subsequently held to be inter-State supply
Refund on excess payment of deemed export
Provisional Assessment/Appeal/Any other order

# New Options for Refund Applications

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## New Refund Categories

Additional refund categories expand the system's ability to handle more specific refund scenarios

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## Procedural Steps

Each new refund type follows a standardized workflow for consistent processing

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## Processing Days

Standard processing timeframe applies to these new refund categories

The expansion of refund application options now includes categories for assessment/provisional assessment/appeal/any other order and for excess payment of tax. These additions provide greater specificity in refund processing, enabling more precise tracking and handling of different refund types. The new options reflect the evolution of the GST system to accommodate the diverse circumstances under which refunds may be required.

# Refund Application for SEZ Supplies

<sup>7</sup>[Statement-4 [rule 89(2) (d) and 89(2)(e)]

Refund Type: On account of supplies made to SEZ unit or SEZ Developer (on payment of tax)

GSTIN of recipient	Document Details				Shipping bill/Bill of export/Endorsed invoice by SEZ		Taxable Value	Integrated Tax	Cess
	Type of Document	No.	Date	Value	No.	Date			
1	2	3	4	5	6	7	8	9	10
									—;

## Statement 4 Introduction

A new requirement mandates that taxpayers must upload Statement 4 when filing refund applications related to supplies to SEZ units or SEZ Developers. This standardized statement format ensures consistent information provision across all SEZ-related refund claims.

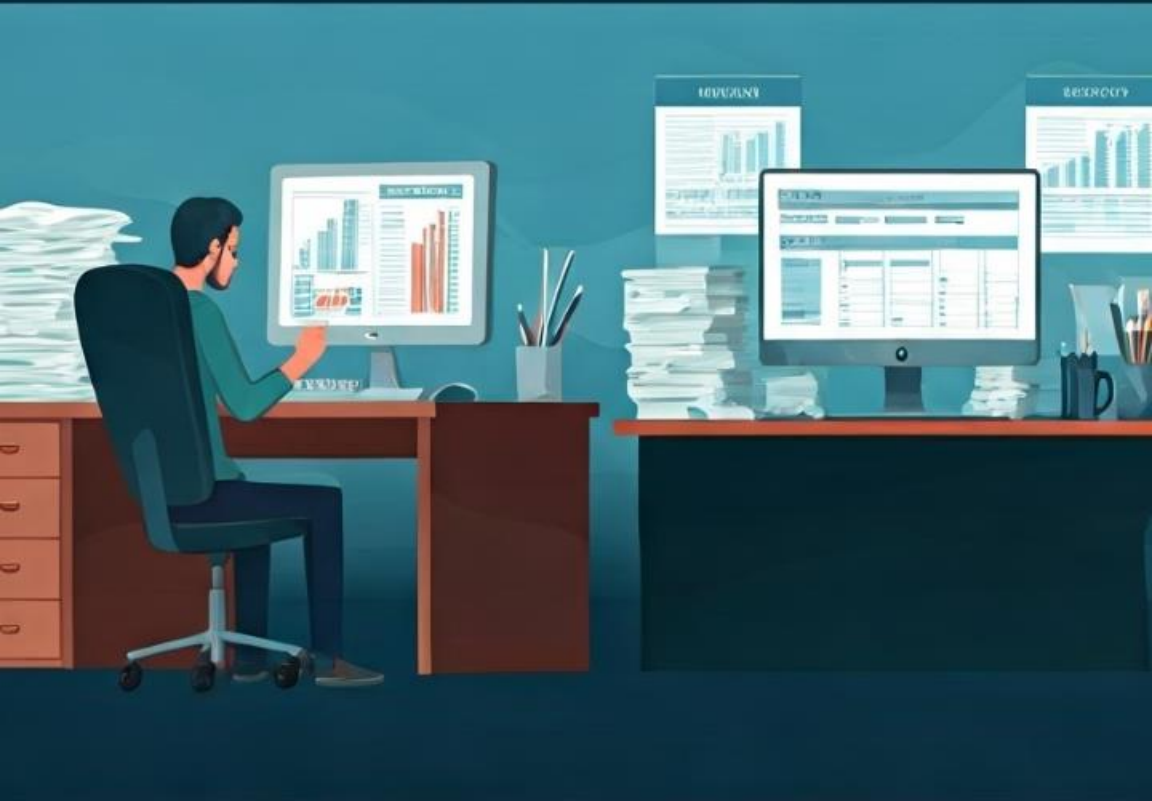
## Documentation Requirements

Statement 4 captures comprehensive details of supplies made to SEZ entities, including invoice particulars, shipping bill information, and tax components. This standardized format simplifies verification by tax authorities and reduces processing time.

## Verification Process

The information in Statement 4 enables cross-verification with SEZ records and GST returns, enhancing the system's ability to validate legitimate claims efficiently while identifying potentially fraudulent applications.

The introduction of Statement 4 represents an important step in standardizing documentation requirements for SEZ-related refunds. This standardization improves processing efficiency while providing a robust verification mechanism for tax authorities to ensure that only legitimate claims are processed.



# Evolution of GST Refund Process



## Initial Manual Process

After GST rollout in July 2017, applicants had to file refund applications in FORM GST RFD-01A on the common portal, print it, and physically submit it to tax offices with supporting documents.



## Partial Electronic Process

Circular No. 79/53/2018-GST dated 31.12.2018 specified that refund applications in FORM GST RFD-01A and supporting documents should be submitted electronically, but post-submission processing remained manual.



## Fully Electronic Process

From 26.09.2019, the entire refund procedure became fully electronic, with all steps from submission to processing undertaken electronically on the common portal.





# Types of Refund Claims Processed Electronically

## Export-Related Refunds

- Unutilized ITC on account of exports without payment of tax
- Tax paid on export of services with payment of tax

## SEZ-Related Refunds

- Unutilized ITC on account of supplies to SEZ Unit/Developer without payment of tax
- Tax paid on supplies to SEZ Unit/Developer with payment of tax

## Other Refund Types

- Unutilized ITC due to inverted tax structure
- Refund of excess balance in electronic cash ledger
- Refund on account of assessment/appeal/any other order

# Electronic Refund Application Process



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## Filing Application

File FORM GST RFD-01 on the common portal with required statements, declarations, undertakings, and supporting documents.

↑

## Document Upload

Upload up to four documents (maximum 5MB each) along with the refund application. Physical submission is not required.

#

## ARN Generation

Application Reference Number (ARN) is generated after completing the filing process and uploading all supporting documents.

✓

## Electronic Transfer

The application with all supporting documents is electronically transferred to the jurisdictional proper officer for processing.

# Eligibility Requirements for Filing Refund



## Return Filing Requirement

All returns in FORM GSTR-1 and FORM GSTR-3B which were due before the refund application date must be furnished. Special provisions apply for composition taxpayers, non-resident taxable persons, and Input Service Distributors.



## Undertaking for ITC

Applicants must provide an undertaking that they would return the refund amount with interest if it's found that requirements of clause (c) of sub-section (2) of section 16 read with section 42(2) of the CGST Act have not been complied with.



## Time Period Restrictions

Refund claims for a tax period or by clubbing successive tax periods cannot spread across different financial years. Registered persons with turnover up to Rs. 1.5 crore can apply for refund on a quarterly basis.

# Deficiency Memo Process

## Application Review

Proper officer reviews the application within 15 days of ARN generation

## Fresh Application

Applicant must file fresh refund application after rectifying deficiencies



## Deficiency Identification

If deficiencies are found, FORM GST RFD-03 is issued

## Automatic Re-credit

ITC/cash debited is automatically re-credited to electronic ledgers

# Key Points About Deficiency Memos

## 1 Timely Issuance

Either an acknowledgement (FORM GST RFD-02) or a deficiency memo (FORM GST RFD-03) must be issued within 15 days from the date of ARN generation. Once an acknowledgement is issued, no deficiency memo can be subsequently issued.

## 2 No Multiple Deficiency Memos

Once an application has been submitted afresh after a deficiency memo, another deficiency memo should not be issued unless the original deficiencies remain unresolved or new substantive deficiencies are noticed.

## 3 Time Limit for Fresh Application

A rectified refund application submitted after a deficiency memo is treated as a fresh application and must be submitted within 2 years of the relevant date as defined in section 54(14) of the CGST Act.



# Provisional Refund Process



## Application Acknowledgement

Proper officer issues acknowledgement in FORM GST RFD-02

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## 90% Provisional Refund

Officer sanctions 90% of the refundable amount within 7 days

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## Final Order Issuance

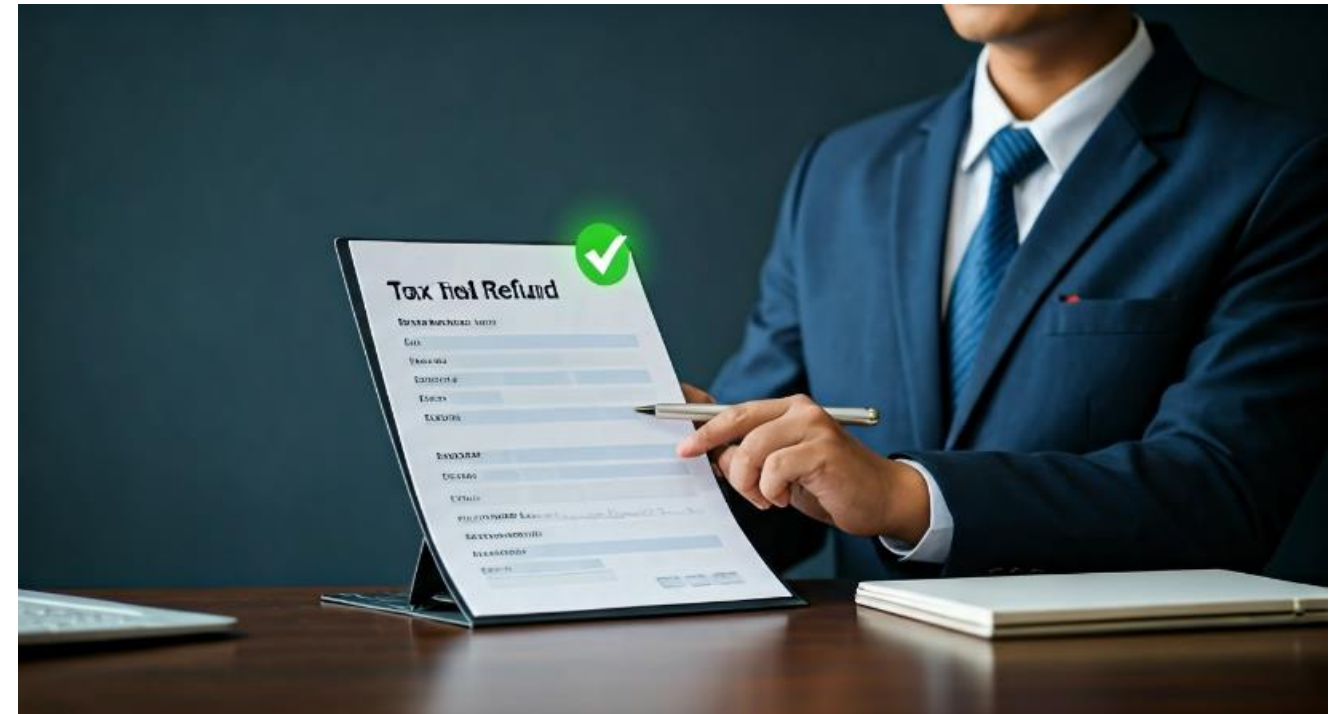
Final refund order in FORM GST RFD-06 is issued after detailed verification

# Direct Final Refund Option

## Conditions for Direct Final Refund

If the proper officer is fully satisfied about the eligibility of a refund claim on account of zero-rated supplies and believes no further scrutiny is required, they may issue a final order in FORM GST RFD-06 within 7 days of acknowledgement issuance.

In such cases, issuing a provisional refund order in FORM GST RFD-04 is not necessary, streamlining the process for clear-cut cases.





# Handling Excess Provisional Refunds



## Identification of Excess Refund

When final refund amount is determined to be less than the provisionally sanctioned amount



## Show Cause Notice

FORM GST RFD-08 is issued under section 54 read with section 73/74 of CGST Act



## Adjudication Process

Notice is adjudicated following principles of natural justice with final order in FORM GST RFD-06



## Recovery Mechanism

Excess amount is entered in electronic liability register through FORM GST DRC-07

# Example of Excess Provisional Refund

₹100

Original Claim

Applicant files refund claim on account of zero-rated supplies

₹90

Provisional Refund

Proper officer sanctions 90% as provisional refund

₹70

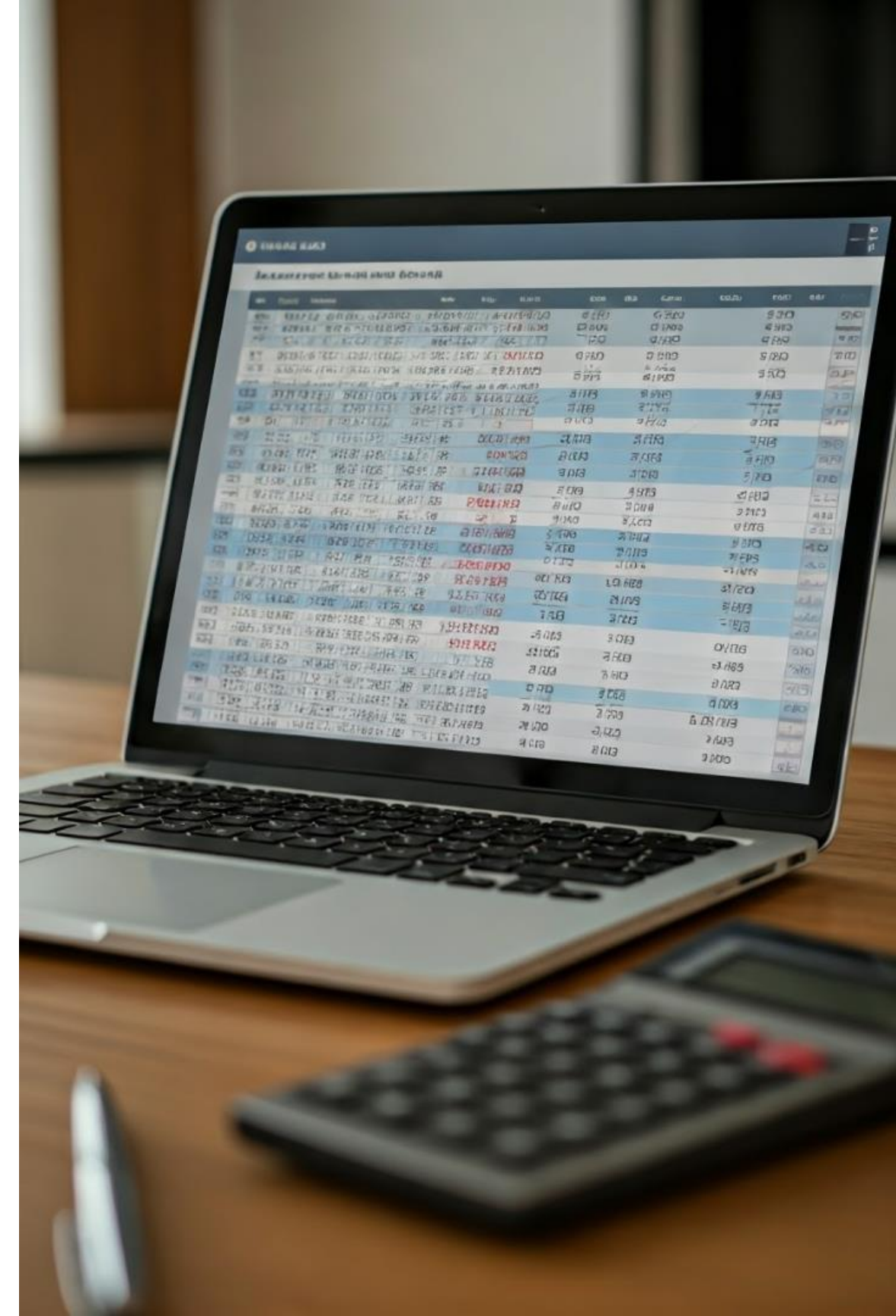
Final Eligible Amount

On detailed examination, only ₹70 is found admissible

₹20

Excess Refund

Amount to be recovered with interest and penalty if applicable





# Scrutiny of Export Refund Applications

## Shipping Bill Verification

Proper officers must check shipping bill details through ICEGATE SITE ([www.icegate.gov.in](http://www.icegate.gov.in)) by entering port name, shipping bill number, and date to verify Export General Manifest (EGM) details.

## GSTR-1 Data Examination

Information in Table 9 of FORM GSTR-1 of the relevant tax period and subsequent periods should be considered while processing refund claims to ensure consistency.

## Discrepancy Resolution

In case of discrepancies between data in FORM GSTR-3B and FORM GSTR-1, proper officers should refer to Circular No. 26/26/2017-GST dated 29.12.2017 for rectification procedures.



# Re-crediting Electronic Credit Ledger

1

## Rejection of ITC Refund

When refund of unutilized/accumulated ITC is rejected due to ineligibility under CGST Act provisions



## Show Cause Notice

FORM GST RFD-08 is issued under section 54 read with section 73/74 of CGST Act



## Adjudication Order

After following principles of natural justice, order is issued in FORM GST RFD-06



## Re-credit Process

Rejected amount is re-credited to electronic credit ledger using FORM GST PMT-03 after receiving undertaking from applicant



# Undertaking for Re-credit

## Purpose of Undertaking

Before re-crediting rejected refund amounts to the electronic credit ledger, the proper officer must receive an undertaking from the applicant stating either:

- The applicant will not file an appeal against the rejection order, or
- If an appeal is filed, it has been finally decided against the applicant

This ensures that there is no double benefit if the rejection is later overturned through the appeals process.





# Handling Export Refund Errors in GSTR-3B

## Common Error

Registered persons sometimes declare export of services or zero-rated supplies to SEZ in column 3.1(a) instead of column 3.1(b) of FORM GSTR-3B, while correctly showing details in GSTR-1.

## System Limitation

The portal validation restricts refund amount to the integrated tax mentioned under column 3.1(b), preventing legitimate refund claims from being processed.

## Solution Provided

For tax periods from 01.07.2017 to 30.06.2019, refund claims are allowed if the amount claimed doesn't exceed the aggregate of integrated tax mentioned in columns 3.1(a), 3.1(b), and 3.1(c) of GSTR-3B.

# Single Disbursement Process

Single Officer Approach  
One tax officer handles entire refund process

PFMS Disbursement  
Payment through Public Financial Management System



Unified Sanction Order  
Single sanction order covers all tax heads

Consolidated Payment  
One payment order for the entire refund amount

# PFMS Integration for Refund Disbursement



## Master File Creation

Common portal generates a master file with applicant's details including GSTIN and bank account information

2

## Bank Account Validation

PFMS validates the bank account details provided in the refund application



## Unique Assessee Code

PFMS creates a unique code combining GSTIN and validated bank account number



## Refund Disbursement

The unique code is used for all refund payments to that account, avoiding repeat validations





# Bank Account Validation Process

## Handling Validation Errors

If bank account details in a refund application are invalidated, PFMS sends an error message to the common portal, which is made available to the applicant and refund officers on their dashboards.

Upon receiving such an error message, the applicant has two options:

1. Rectify the invalidated bank account details by filing a non-core amendment in FORM GST REG-14
2. Add a new bank account by filing a non-core amendment in FORM GST REG-14



# Bank Account Selection for Refund



## Drop-down Selection

Updated bank account details appear in a drop-down menu on the dashboard, allowing applicants to choose any account from their registration database, including newly added or rectified accounts.



## Revalidation Process

The chosen bank account details are sent to PFMS for validation again. The proper officer can issue the payment order in FORM GST RFD-05 only after the selected bank account has been validated.



## Post-Payment Validation Errors

If a validation error occurs after payment order issuance, the order is invalidated by the common portal, and a new payment order must be issued with newly selected bank account details.



# Interest on Delayed Refunds

## Interest Calculation Rules

Section 56 of the CGST Act mandates that if any tax ordered to be refunded is not refunded within 60 days of application receipt, interest at 6% per annum must be paid to the applicant.

Interest is calculated from the date immediately after the expiry of sixty days from the date of receipt of application (ARN) till the date on which the amount is credited to the applicant's bank account.

6%

Interest Rate

Annual rate for delayed refunds

60

Days

Grace period before interest applies

45

Days

Recommended processing time

# Adjustment of Refund Against Outstanding Demands

## Adjustment Process

The provisions relating to refund allow for partial or complete adjustment of sanctioned refund amounts against any outstanding demand under GST or under any existing law.

Such adjustments, whether partial or complete, are made in FORM GST RFD-06. This includes recovery of any tax, interest, fine, penalty, or other amounts recoverable under existing laws as arrears of tax under GST.

Description	From	To	Amount	Percentage
Business Travel				
Business Travel				
Business	10.50		150.00	
Business Travel	11.50		100.00	
Business	12.50		120.00	
Business	13.50		140.00	
Business	14.50		160.00	
Business	15.50		180.00	
Business	16.50		200.00	
Business	17.50		220.00	
Business	18.50		240.00	
Business	19.50		260.00	
Business	20.50		280.00	
Business	21.50		300.00	
Business	22.50		320.00	
Business	23.50		340.00	
Business	24.50		360.00	
Business	25.50		380.00	
Business	26.50		400.00	
Business	27.50		420.00	
Business	28.50		440.00	
Business	29.50		460.00	
Business	30.50		480.00	
Business	31.50		500.00	
Business	32.50		520.00	
Business	33.50		540.00	
Business	34.50		560.00	
Business	35.50		580.00	
Business	36.50		600.00	
Business	37.50		620.00	
Business	38.50		640.00	
Business	39.50		660.00	
Business	40.50		680.00	
Business	41.50		700.00	
Business	42.50		720.00	
Business	43.50		740.00	
Business	44.50		760.00	
Business	45.50		780.00	
Business	46.50		800.00	
Business	47.50		820.00	
Business	48.50		840.00	
Business	49.50		860.00	
Business	50.50		880.00	
Business	51.50		900.00	
Business	52.50		920.00	
Business	53.50		940.00	
Business	54.50		960.00	
Business	55.50		980.00	
Business	56.50		1000.00	
Business	57.50		1020.00	
Business	58.50		1040.00	
Business	59.50		1060.00	
Business	60.50		1080.00	
Business	61.50		1100.00	
Business	62.50		1120.00	
Business	63.50		1140.00	
Business	64.50		1160.00	
Business	65.50		1180.00	
Business	66.50		1200.00	
Business	67.50		1220.00	
Business	68.50		1240.00	
Business	69.50		1260.00	
Business	70.50		1280.00	
Business	71.50		1300.00	
Business	72.50		1320.00	
Business	73.50		1340.00	
Business	74.50		1360.00	
Business	75.50		1380.00	
Business	76.50		1400.00	
Business	77.50		1420.00	
Business	78.50		1440.00	
Business	79.50		1460.00	
Business	80.50		1480.00	
Business	81.50		1500.00	
Business	82.50		1520.00	
Business	83.50		1540.00	
Business	84.50		1560.00	
Business	85.50		1580.00	
Business	86.50		1600.00	
Business	87.50		1620.00	
Business	88.50		1640.00	
Business	89.50		1660.00	
Business	90.50		1680.00	
Business	91.50		1700.00	



# Guidelines for Unutilized ITC Refunds

## GSTR-2A Requirement

Applicants must upload a copy of FORM GSTR-2A for the relevant period for which refund is claimed as evidence of the accountal of supply by corresponding suppliers.



## Invoice Details

Details of all invoices on which input tax credit has been availed during the relevant period must be uploaded in Annexure-B format, declaring eligibility of the input tax credit.

## Self-Certified Copies

Self-certified copies of invoices declared eligible for ITC in Annexure-B but not populated in FORM GSTR-2A must be uploaded with the application.

# Refund Amount Calculation



## Formula Application

System calculates refundable amount using formula in rule 89(4) or 89(5)

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## Credit Ledger Balance Check

Verifies balance at the end of tax period and at time of filing

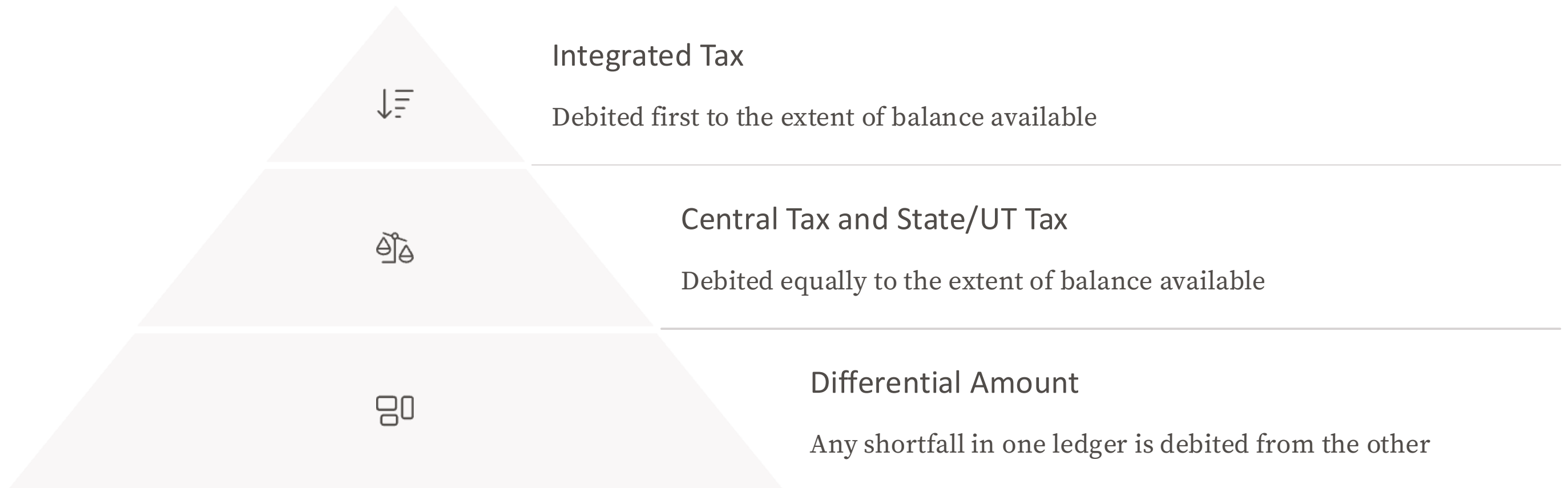
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## Minimum Amount Selection

Selects the least of the three calculated amounts as refund amount

# Order of Debit from Electronic Credit Ledger



# Compensation Cess Refund Calculation

## Separate Calculation Process

For all refund applications where refund of unutilized ITC of compensation cess is being claimed, the calculation of the refundable amount of compensation cess is done separately from other tax heads.

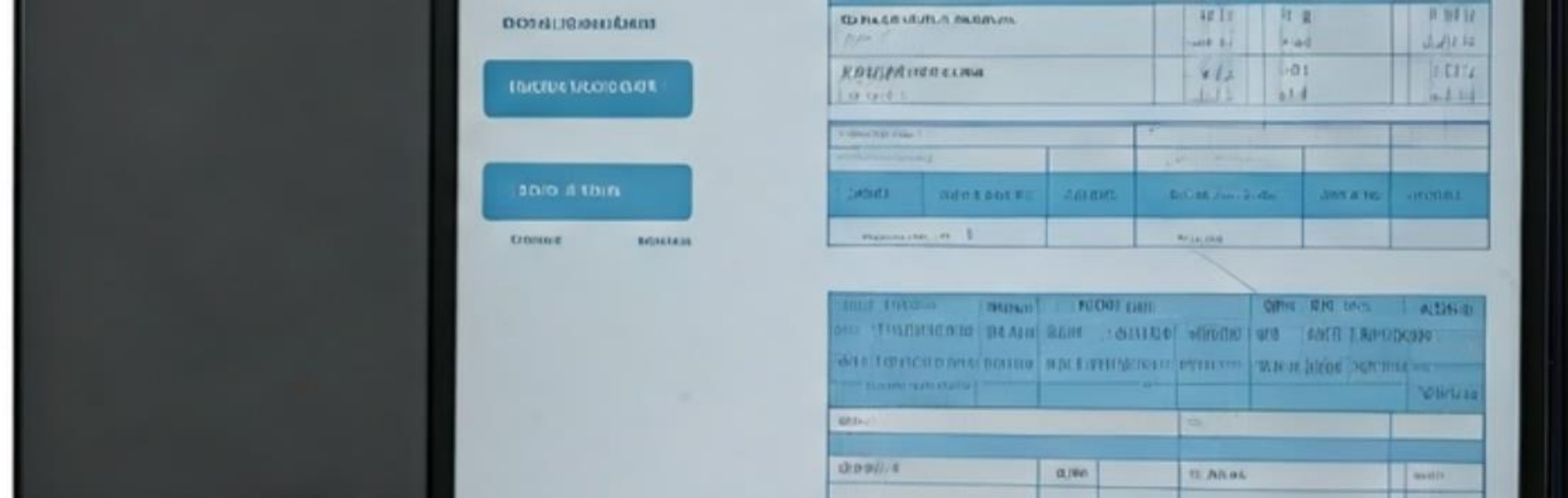
The amount calculated is entirely debited from the balance of compensation cess available in the electronic credit ledger, without affecting other tax credit balances.

The screenshot shows the 'Compensation Cess Credit Statement' form. It is divided into three main sections: 'Credit Statement', 'Debit Statement', and 'Balance Statement'. The 'Credit Statement' section shows the total credit available, which is 1,00,00,00. The 'Debit Statement' section shows the total debit, which is 1,00,00,00. The 'Balance Statement' section shows the balance, which is 0.00. The form is titled 'Compensation Cess Credit Statement' and has a sub-header 'Credit Statement'. The 'Debit Statement' section is titled 'Debit Statement' and the 'Balance Statement' section is titled 'Balance Statement'. The form is in Odia language.

Section	Item	Amount
Credit Statement	Compensation Cess Credit	1,00,00,00
	IGST Credit	0.00
	CGST Credit	0.00
	SGST Credit	0.00
	UTGST Credit	0.00
Debit Statement	Compensation Cess Debit	1,00,00,00
	IGST Debit	0.00
	CGST Debit	0.00
	SGST Debit	0.00
	UTGST Debit	0.00
Balance Statement	Compensation Cess Balance	0.00
	IGST Balance	0.00
	CGST Balance	0.00
	SGST Balance	0.00
	UTGST Balance	0.00



# Customs Smart Drawback Claim



## Drawback and ITC Refund Compatibility

### Legal Provision

The third proviso to sub-section (3) of section 54 of the CGST Act states that no refund of input tax credit shall be allowed where the supplier avails drawback in respect of Central tax.

### Clarification

If a supplier avails drawback in respect of duties rebated under the Customs and Central Excise Duties Drawback Rules, 2017, they remain eligible for refund of unutilized ITC of Central/State/UT/Integrated tax/Compensation cess.

### State Tax Refund

Refund of eligible credit on account of State tax is available even if the supplier has availed drawback in respect of Central tax, ensuring no double benefit restriction.

# Guidelines for Deemed Export Refunds



**Deemed Export Definition**

Certain supplies of goods notified as deemed exports under notification No. 48/2017-Central Tax dated 18.10.2017



**Eligible Applicants**

Either the recipient or the supplier can apply for refund of tax paid on deemed export supplies



**Required Undertakings**

Supplier must provide undertaking that recipient won't claim refund; recipient must declare supplier hasn't claimed refund



**Documentary Evidence**

Documents specified in notification No. 49/2017-Central Tax dated 18.10.2017 must be furnished



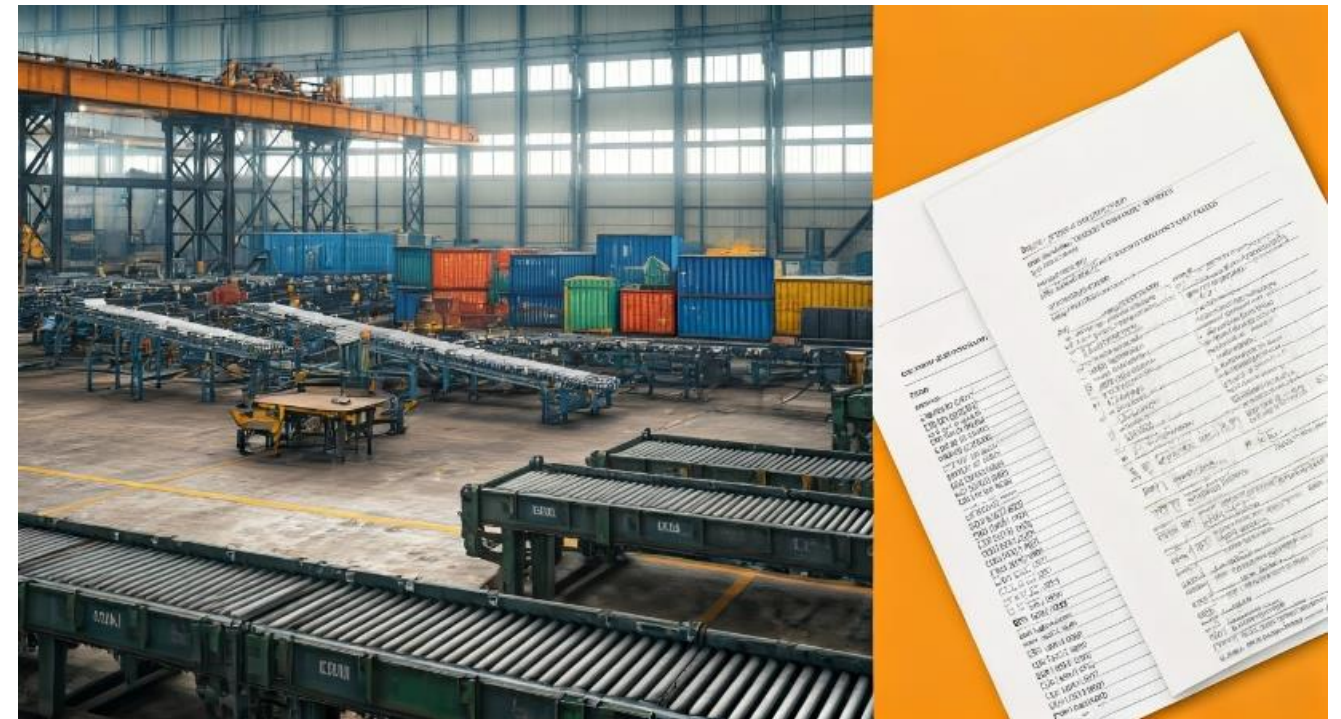


# Compensation Cess on Zero-Rated Supplies

## Eligibility for Refund

A registered person making zero-rated supplies of products not leviable to compensation cess (e.g., aluminium) can claim refund of unutilized ITC of compensation cess paid on inputs (e.g., coal) that are leviable to cess.

This is clarified with reference to section 16(2) of the IGST Act and section 11(2) of the Cess Act, which allow input tax credit of Compensation Cess for making zero-rated supplies.



# Compensation Cess Refund Scenarios

## 1 Retrospective ITC Availment

If a registered person didn't avail ITC of compensation cess from July 2017 to May 2018, but later decides to avail it in July 2018 and file for refund, the refund is recomputed as if the ITC was available in the respective months when refund of other taxes was claimed.

## 2 Indirect Use in Exports

When coal is used for captive generation of electricity which is further used for manufacturing exported goods (like aluminium), refund of compensation cess paid on coal is eligible as there is no distinction between intermediate and final goods/services under GST.

## 3 Partial ITC Reversal

If a registered person reverses a portion of ITC of compensation cess monthly and shows it as a cost, only the unreversed portion is eligible for refund. The reversed ITC cannot be simultaneously claimed as a business expense and refunded.

# Zero-Rated Supplies and LUT Requirements

## LUT Filing Flexibility

The substantive benefits of zero rating should not be denied where exports have been made as per relevant provisions, even if there was a delay in furnishing the Letter of Undertaking (LUT). Such delays may be condoned and LUT facility allowed on ex post facto basis.

## Time Extension for Exports

If goods are exported after the three-month period from invoice date, payment of integrated tax first and claiming refund later should not be insisted upon. Jurisdictional Commissioner may grant extension of time limit for export on post facto basis.

## Self-Declaration Requirement

A self-declaration regarding non-prosecution is required only at the time of LUT submission, not with every refund claim where exports have been made under LUT.

# Value Discrepancy in Export Refunds

## Common Issue

In certain cases, the value declared in the tax invoice differs from the export value declared in the corresponding shipping bill under the Customs Act, creating challenges in processing refund claims.

## Clarification Provided

The value recorded in the GST invoice should normally be the transaction value determined under section 15 of the CGST Act. The same value should typically be recorded in the corresponding shipping bill.

During refund processing, the proper officer should examine both values and use the lower of the two when calculating the eligible refund amount.



# Export Proceeds Realization Requirements

## Services vs. Goods

For export of services, realization of consideration in convertible foreign exchange (or in Indian rupees where permitted by RBI) is a mandatory condition. Rule 89(2) requires submission of Bank Realization Certificates (BRC) or Foreign Inward Remittance Certificates (FIRC) with the refund claim.

## No Requirement for Goods

For export of goods, realization of consideration is not a pre-condition for refund. Rule 89(2) only requires a statement containing shipping bills/bills of export details and relevant export invoices.

Insistence on proof of realization for processing refund claims related to export of goods is not envisaged in the law and should not be demanded.

# Non-GST and Exempted Goods Exports

## LUT/Bond Requirement

For zero-rated supply of exempted or non-GST goods, the requirement for furnishing a bond or LUT cannot be insisted upon, as these are not subject to GST in the first place.



## Compliance Requirements

Registered persons exporting non-GST goods shall comply with requirements under existing laws (Central Excise Act, 1944 or State VAT law) or Customs Act, 1962, as applicable.



## ITC Refund Eligibility

Exporters of non-GST and exempted goods remain eligible for refund of unutilized input tax credit of Central tax, State tax, Union Territory tax, Integrated tax, and compensation cess used in producing these goods.



# Transitional Credit and Refund Eligibility

## Ineligibility of Transitional Credit

Refund formulae in sub-rules (4) and (5) of rule 89 use the phrase 'Net ITC', defined as "input tax credit availed on inputs and input services during the relevant period."

Since transitional credit pertains to duties and taxes paid under pre-GST laws (Central Excise Act, 1944 and Finance Act, 1994), it cannot be considered as availed during the relevant period under GST.

## Conclusion

Transitional credit cannot be treated as part of 'Net ITC' for refund calculations. Therefore, no refund of unutilized transitional credit is admissible under the current GST refund provisions.





# Restrictions on Refund of Integrated Tax



## Initial Restriction

Sub-rule (10) of rule 96 restricted exporters availing certain notifications from claiming refund of Integrated tax paid on exports



## EPCG Scheme Exception

GST Council approved amendment to allow exporters receiving capital goods under Export Promotion Capital Goods Scheme to claim refund

3

## Implementation

Notification No. 54/2018 – Central Tax dated 09.10.2018 implemented these changes

# Current Refund Eligibility for Exporters

## Pre-Amendment Imports

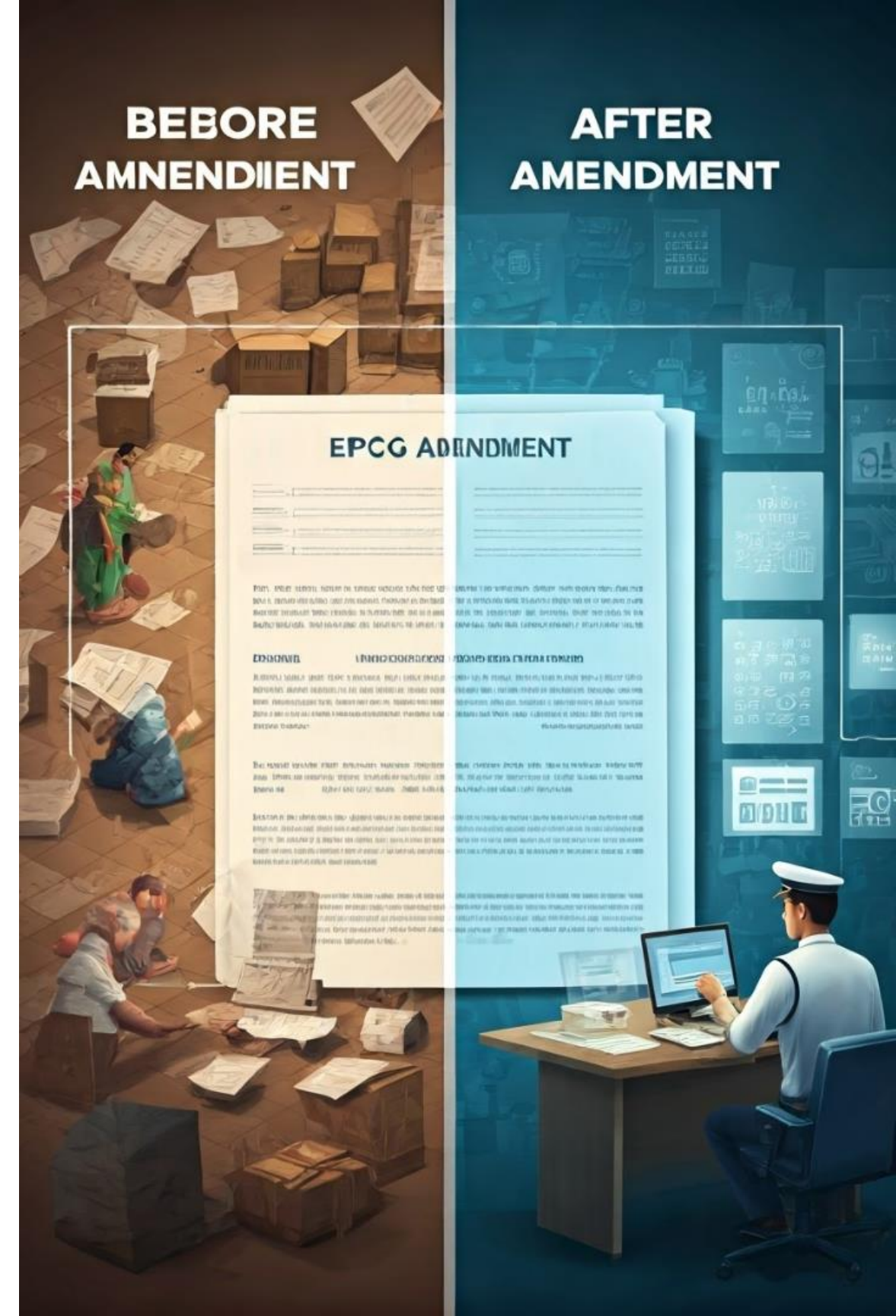
Exporters who imported inputs/capital goods under notifications 78/2017-Customs and 79/2017-Customs before 09.10.2018 remain eligible to claim refund of Integrated tax paid on exports.

## Post-Amendment Input Imports

Exporters who imported inputs under notification 78/2017-Customs after 09.10.2018 are not eligible to claim refund of Integrated tax paid on exports.

## EPCG Scheme Beneficiaries

Exporters receiving capital goods under EPCG scheme, either through import or domestic procurement, continue to be eligible for refund of Integrated tax paid on exports.



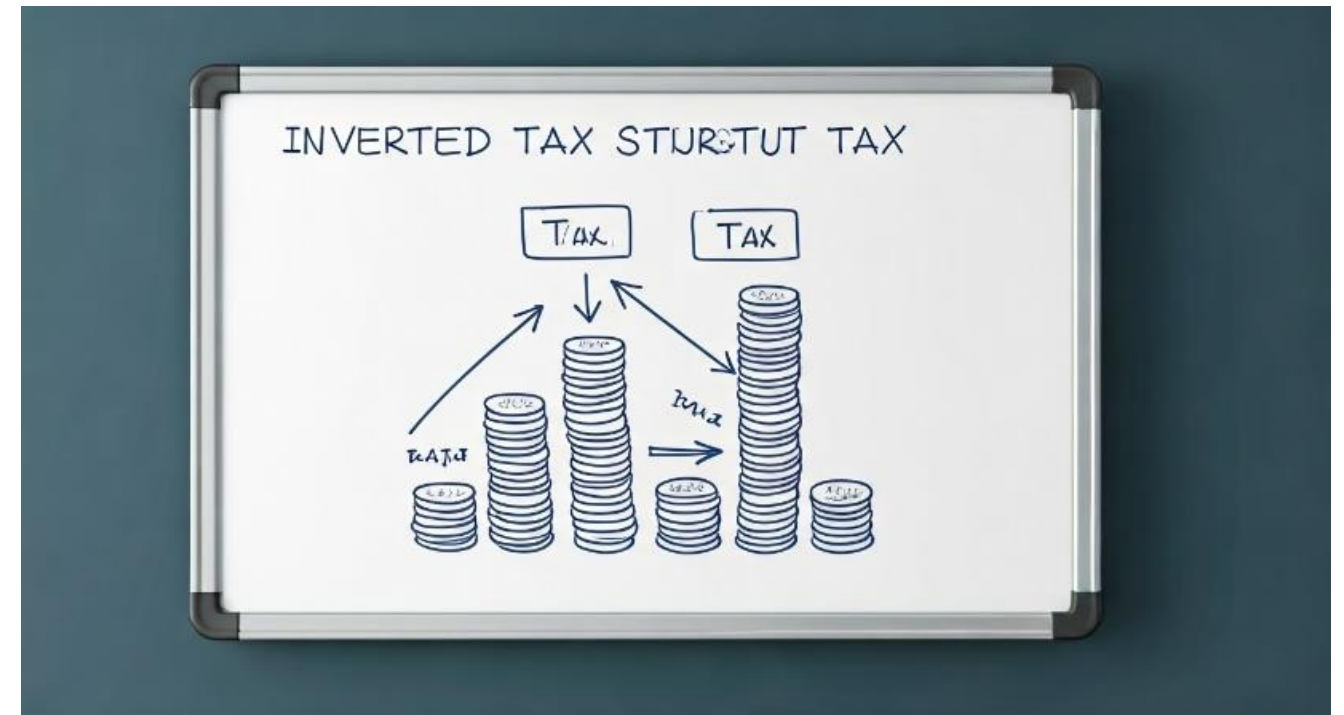


# Inverted Tax Structure Refund Limitations

## Scope of Refund

Section 54(3) of the CGST Act provides for refund of unutilized ITC where credit has accumulated due to rate of tax on inputs being higher than the rate on output supplies (inverted tax structure).

Section 2(59) defines inputs as any goods other than capital goods used in business. Therefore, the law does not allow refund of tax paid on input services or capital goods as part of refund of unutilized ITC accumulated due to inverted tax structure.





# Inverted Tax Structure Refund Calculation

5%

Input A Tax Rate

Lower tax rate input

18%

Input B Tax Rate

Higher tax rate input

12%

Output Y Tax Rate

Medium tax rate output

₹25

Maximum Refund

Calculated using rule 89(5) formula

# Inverted Tax Structure Example Calculation

## Scenario Details

- Output Y value: Rs. 3,000 (attracting 12% GST)
- Input A value: Rs. 500 (attracting 5% GST = Rs. 25 ITC)
- Input B value: Rs. 2,000 (attracting 18% GST = Rs. 360 ITC)
- Net ITC = Rs. 385
- Turnover of inverted rated supply = Rs. 3,000
- Adjusted total turnover = Rs. 3,000

## Calculation Steps

1.  $\text{Net ITC} \times (\text{Turnover of inverted rated supply} \div \text{Adjusted total turnover}) = \text{Rs. 385}$
2. Tax payable on inverted rated supply = Rs. 360
3. Maximum refund amount = Rs. 385 - Rs. 360 = Rs. 25

This example demonstrates how the formula in rule 89(5) is applied to calculate the maximum refund amount in cases of inverted tax structure.

# Refund of TDS/TCS Deposited in Excess

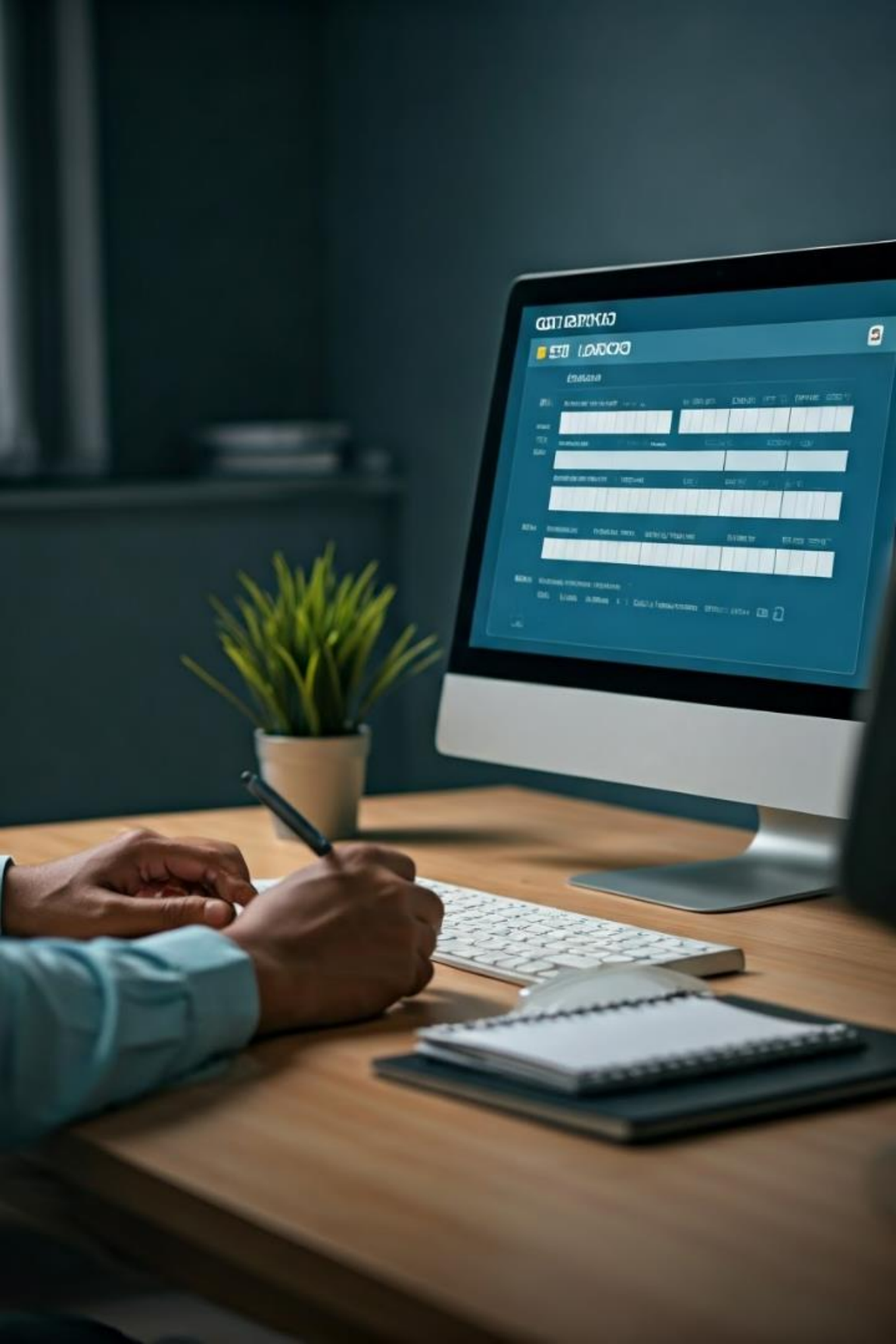
## Wrong Head Deposit Issue

Sometimes tax deducted under section 51 (TDS) or collected under section 52 (TCS) is deposited under the wrong head (e.g., amount deducted as Central tax is deposited as Integrated tax), creating excess balance in the cash ledger.

## Claiming Excess Balance

Such excess balance may be claimed by the tax deductor or collector as excess balance in electronic cash ledger. The common portal would debit the amount claimed as refund.

If tax deducted or collected in excess is also paid and credited to the deductee's electronic cash ledger, the deductee can adjust it against output liability or claim refund under "refund of excess balance in electronic cash ledger".



# Using FORM GST DRC-03 for Refund-Refund-Related Issues



## ITC Lapsing Reversal

For reversing ITC required to be lapsed under notification No. 20/2018-Central Tax (Rate)



## Belated Reversal

For ITC reversals made after the due date, with interest calculated from original due date



## Special Refund Categories

For claiming refunds under "any other" category when standard process has limitations



## Merchant Exporter Refunds

For claiming refund of ITC on supplies received at concessional rates under notifications 40/2017 and 41/2017



# Refund Application for Lapsed ITC

1

## Special Application

File refund under "any other" category instead of "refund of unutilized ITC on account of accumulation due to inverted tax structure"



## Required Documents

Include all statements, declarations, undertakings normally required for inverted tax structure refunds



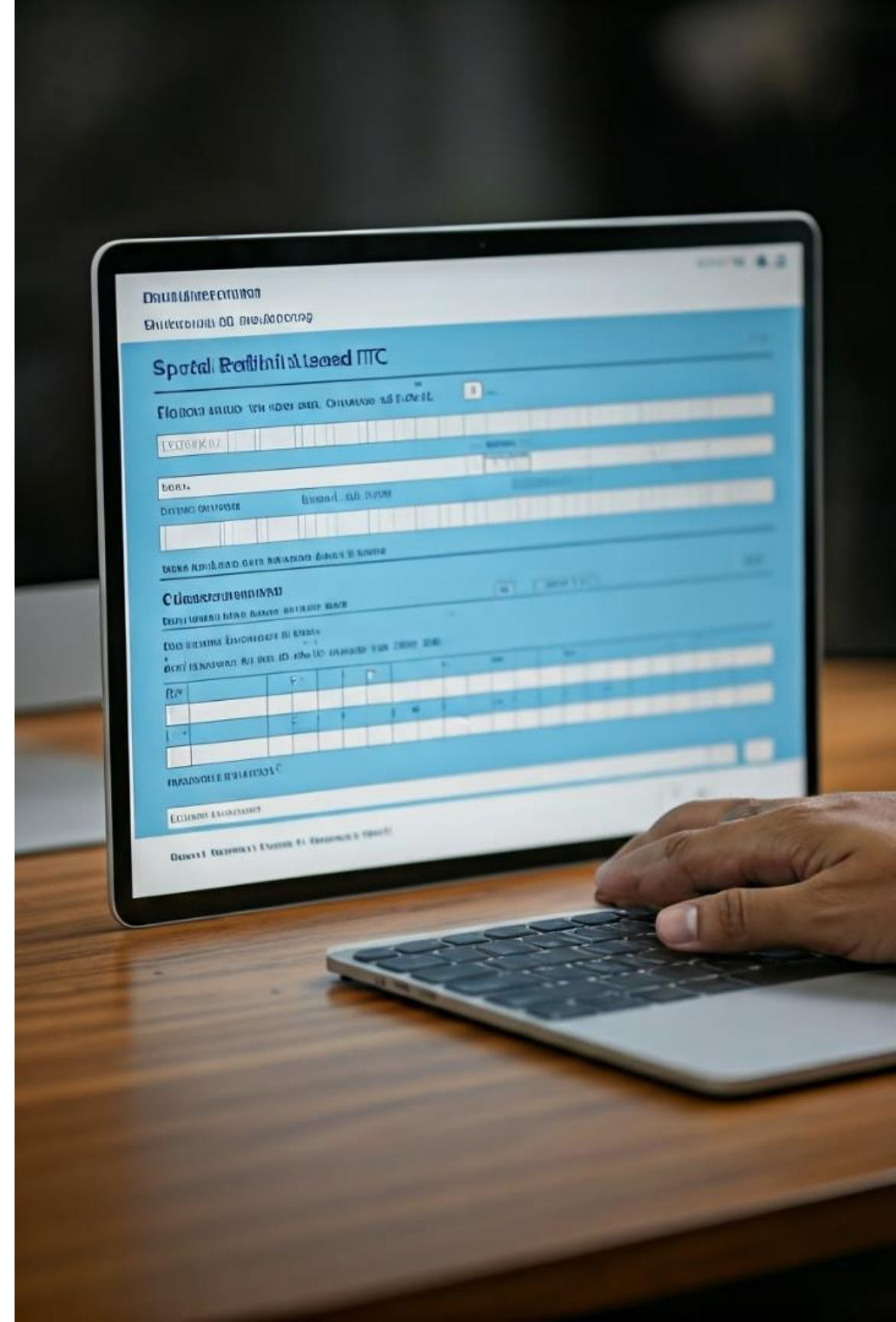
## Officer Calculation

Proper officer calculates refund amount as per rule 89(5) of CGST Rules



## ITC Debit Request

Officer requests taxpayer to debit electronic credit ledger through FORM GST DRC-03 before issuing refund



# Merchant Exporter Refund Process

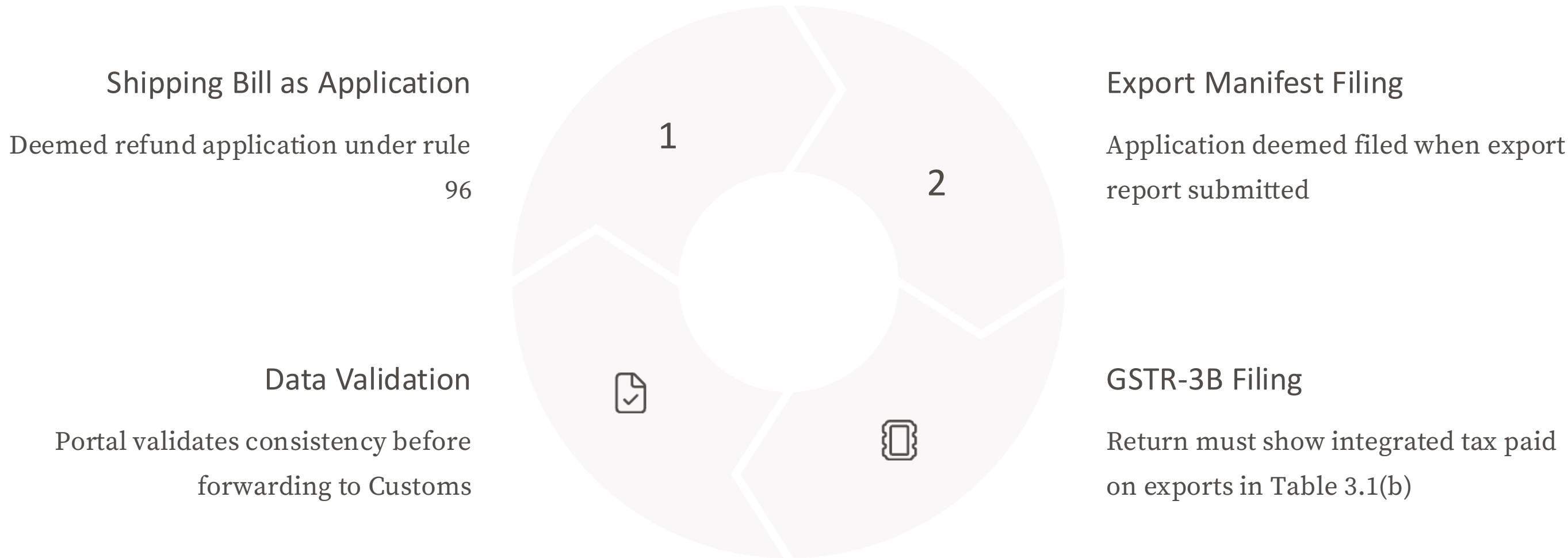
## Special Refund Procedure

Rule 89(4B) of CGST Rules provides that when a person claims refund of unutilized ITC on account of zero-rated supplies without payment of tax, and has received supplies on which the supplier availed benefit of concessional rate notifications (40/2017-CT(Rate) and 41/2017-IT(Rate)), a special process applies.

## Application Steps

1. File under "any other" category instead of standard export refund category
2. Include all supporting documents required for export refund claims
3. Upon approval, debit electronic credit ledger through FORM GST DRC-03
4. Submit proof of debit to receive refund order and payment

# Integrated Tax Refund on Exports



# Concessional Rate Supplies for Exports

## Optional Benefit

Notifications 40/2017-CT(Rate) and 41/2017-IT(Rate) provide for supplies for exports at concessional rates of 0.05% and 0.1% respectively, subject to certain conditions.

This benefit is optional and may or may not be availed by the supplier and/or recipient. Goods can be procured at normal applicable tax rates if preferred.

## Credit and Refund Eligibility

- Exporters can take credit of tax paid at concessional rates
- Suppliers providing goods at concessional rates are eligible for refund due to inverted tax structure
- Exporters of such goods can export only under LUT/bond, not on payment of Integrated tax

# Minimum Refund Amount Requirement

## Legal Provision

Sub-section (14) of section 54 of the CGST Act provides that no refund under sub-section (5) or sub-section (6) shall be paid to an applicant if the amount is less than one thousand rupees.

## Clarification

The limit of rupees one thousand applies to each tax head separately and not cumulatively. This means that if the refund amount for any individual tax head (CGST, SGST, IGST, etc.) is less than Rs. 1,000, that particular component is not eligible for refund.

However, if other tax head components exceed Rs. 1,000, those remain eligible for refund.



# ITC Availment Timing and Refund Eligibility

## Timing Issue

Goods purchased in one month (e.g., August 2018) may be declared in GSTR-3B for a subsequent month (e.g., September 2018) if they are received later. Since ITC can only be availed after goods are received, this timing difference is inevitable.

## Clarification

"Net ITC" in rule 89(4) means input tax credit availed during the relevant period for which refund is claimed. ITC is considered "availed" when entered into the electronic credit ledger through GSTR-3B filing.

Therefore, ITC of invoices from August 2018 "availed" in September 2018 should be included in refund calculations for September 2018.

# Eligibility of ITC on Various Business Business Inputs



## Stores and Spares

ITC on stores and spares, packing materials, and other inputs is available as long as these are used for business purposes and/or for making taxable supplies, including zero-rated supplies.



## Indirect Manufacturing Inputs

Items like printing and stationery, materials for machinery repairs, and other indirect inputs qualify for ITC if not restricted under section 17(5) of the CGST Act.

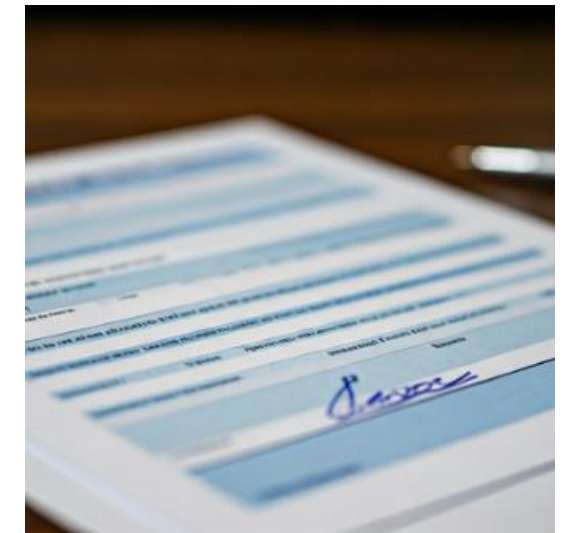
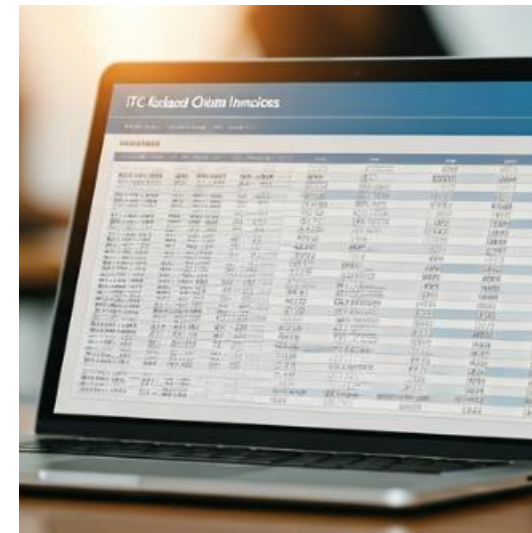
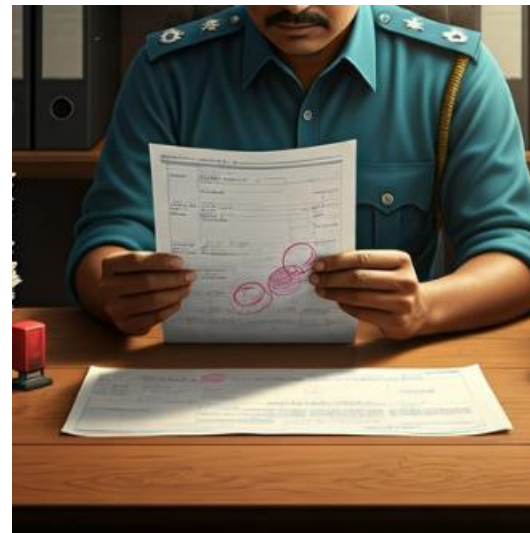


## Revenue vs. Capital Expenses

Stores and spares charged as revenue expense in books of account cannot be considered capital goods, which are defined in section 2(19) as goods whose value has been capitalized in the books of account.



# Required Documents for Refund Applications



Annexure-A of the circular provides a comprehensive list of declarations, statements, undertakings, certificates, and supporting documents required for different types of refund applications. These must be submitted online through the common portal along with the refund application.

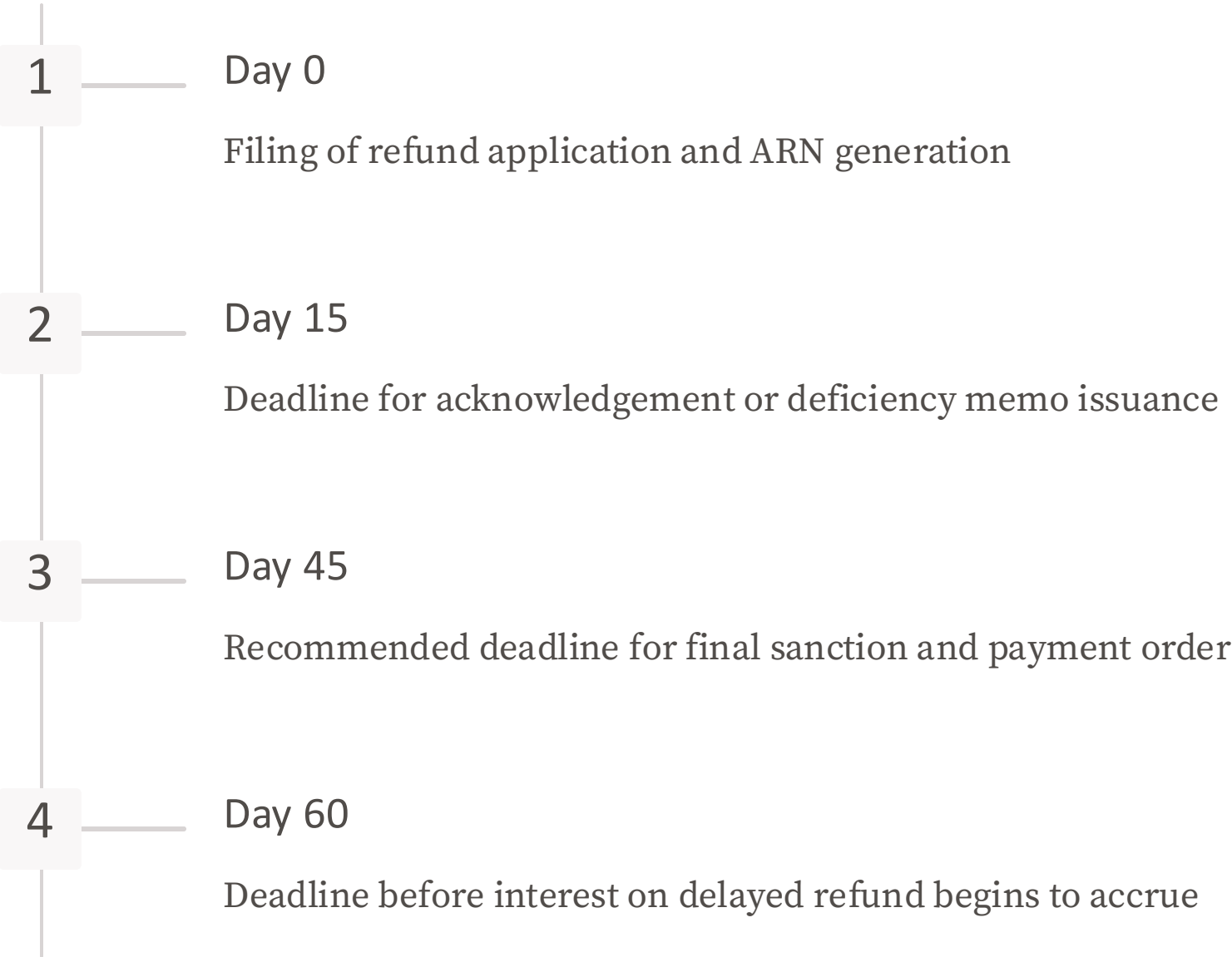
# Statement of Invoices for ITC Refund

Sr. No.	GSTIN of Supplier	Name of Supplier	Invoice No.	Date	Value	Type	Central Tax	State Tax	Integrated Tax	Cess	Eligible for ITC	Amount of eligible ITC	Whether in GSTR-2A
1	29AAACR5055K1ZK	ABC Ltd.	INV-001	15/08/2019	10000	Inputs	900	900	0	0	Yes	1800	Y
2	29AADFR8909K1ZK	XYZ Ltd.	INV-056	22/08/2019	15000	Inputs	0	0	2700	0	Yes	2700	Y

Annexure-B of the circular provides the format for the statement of invoices to be submitted with applications for refund of unutilized ITC. This detailed statement helps tax authorities verify the legitimacy of ITC claims and process refunds efficiently.



# Refund Processing Timelines





# Refund Application Reassignment Process

## Wrong Jurisdiction Handling

If a refund application is electronically transmitted to the wrong jurisdictional officer, they must reassign it to the correct jurisdictional officer electronically within three working days from the date of ARN generation.

Deficiency memos should not be issued merely on the ground that applications were received electronically in the wrong jurisdiction. This ensures taxpayers aren't penalized for system routing errors.



# TAX

ON DISBURSE FOR HIRING  
ONG AGRATION



## Unassigned Taxpayer Refund Handling



### Unassigned Taxpayer Identification

Some migrated taxpayers remain unassigned to either Centre or State tax authorities



### Initial Processing Authority

Refund applications forwarded to jurisdiction of tax authority from which taxpayer originally migrated



### Continued Processing

Original authority continues processing until final order and payment, even if taxpayer gets assigned elsewhere



### Exception for Resubmission

If deficiency memo issued and taxpayer gets assigned before resubmission, corrected application goes to newly assigned authority

# Refund for Composition Taxpayers

## Special Return Requirements

For composition taxpayers claiming refund, furnishing returns in FORM GSTR-1 and FORM GSTR-3B is not required. Instead, they must have furnished returns in FORM GSTR-4 (along with FORM GST CMP-08) which were due before the refund application date.

## Other Special Categories

Similarly, non-resident taxable persons must have furnished returns in FORM GSTR-5, and Input Service Distributors must have furnished returns in FORM GSTR-6 that were due before the refund application date.

These special provisions ensure that different categories of taxpayers can access refunds while complying with their specific return filing obligations.

# Clubbing of Tax Periods for Refund

## Flexibility in Period Selection

Applicants may file refund claims for a single tax period or by clubbing successive tax periods. This provides flexibility in managing refund applications based on business needs and administrative convenience.

## Restrictions

The period for which refund is claimed cannot spread across different financial years. This ensures clear accounting segregation between fiscal years.

For certain refund types (unutilized ITC on exports, supplies to SEZ, and inverted tax structure), applications must be filed chronologically. An applicant cannot file for a previous period after submitting a refund application for a later period.



# Chronological Filing Requirement



January-March 2019

First refund application must be filed for this period before later periods

2

April-June 2019

Can only be filed after or simultaneously with previous period

3

July-September 2019

Can only be filed after or simultaneously with previous periods

4

## Exception

Chronological requirement doesn't apply to fresh applications filed after deficiency memos

# TAX FILLING CALENDAR

## Vorstellungsmethoden

[illegible]

YERRES MUSEUM COLLECTION



# Quarterly Filing for Small Taxpayers

## Eligibility Criteria

Registered persons with aggregate turnover of up to Rs. 1.5 crore in the preceding financial year or the current financial year who opt to file FORM GSTR-1 on quarterly basis can apply for refund on a quarterly basis.

## Clubbing Option

These small taxpayers can also club successive quarters for their refund applications, providing additional flexibility in managing their refund claims.

This provision recognizes the reduced compliance capacity of smaller businesses and aligns refund application frequency with their return filing pattern.



# Shipping Bill as Deemed Refund Application



## Shipping Bill Filing

Exporter files shipping bill for goods exported out of India

2

## Export Manifest Filing

Shipping bill becomes deemed refund application when export manifest/report is filed



## GSTR-3B Filing

Exporter must file return showing integrated tax paid on exported goods in Table 3.1(b)



## GSTR-1 Details

Exporter must furnish details of exported goods in Table 6A of GSTR-1

# Data Validation and Refund Processing

**Portal Validation**  
Common portal validates consistency  
of details entered by applicant

**Direct Credit**  
Integrated tax amount credited  
electronically to applicant's bank  
account



**Information Transfer**  
Validated information forwarded to  
Customs Systems

**Customs Processing**  
Customs Systems processes the refund  
claim



# Key Takeaways from GST Refund Process



## Fully Electronic Process

The entire refund procedure from submission to disbursement is now electronic, eliminating physical submission requirements and improving efficiency.



## Single Disbursement

Refunds under all tax heads are now sanctioned and disbursed by a single tax authority, simplifying the process for taxpayers.



## Clear Timelines

The process includes defined timelines for acknowledgement, provisional refund, and final orders, with interest provisions for delays beyond 60 days.



## Comprehensive Guidelines

Detailed clarifications on various refund scenarios provide clarity to both taxpayers and tax authorities, ensuring uniform implementation.





# CMA B Mallikarjuna Gupta

B. Com, ACMA, MFM, M.IOD, PGDCS

Certified Product Manager from Indian School of Business

With over 24 years of experience in Taxation, Product and Brand Management, Finance, Accounting, Sales, Operations, Marketing, Project Accounting, and ERP & BI Implementation, I have worked with leading organizations like Oracle, Infor, Logo, Systime, and the Dempo Group. Currently, He specializes in Indirect Tax - Litigation, Advisory, and Advocacy.

**Associate Director - GST, RSM Astute Consulting Pvt Ltd**

## Awards/Recognitions

- Conferred the Indian Achievers' Award 2021 - In Recognition of Outstanding Professional Achievement & Contribution in Nation Building
- GUINNESS WORLD RECORDS title holder as a team member for the "Most people running up a single mountain."
- Selected one among the 100 Digital Influences for 2020 by YourStory
- His podcasts find place in the top 10 Taxation podcasts in India for 2021
- Recognized by the Cyberabad Police for Traffic Volunteering for 100 hours & for conducting the drunken drive.

## Member of

- GST Grievance Redressal Committee – Hyderabad Zone
- Co-opted Member – Indirect Tax Committee at Institute of Cost Accountants of India, Kolkata
- Co-Chair – GST & Customs Committee, Federation of Telangana Chambers of Commerce and Industry
- Member - Regional Advisory Committee, Dattopanth Thengadi National Board for Workers Education and Development, Ministry of Labour and Employment, Govt. of India.
- Member – MSME & Startups Promotion Board at Institute of Cost Accountants of India, Kolkata for 2022-23
- Resource Person/Faculty - Institute of Cost Accountants of India, Regional Training Institute (CAG Auditors), National Academy of Customs, Indirect Taxes & Narcotics, Indian Navy, and National Institute for Micro Small and Medium Enterprises (NI-MSME)



# Achievements

## 1 Litigation Success in GST and Service Tax

Successfully represented clients in GST and Service Tax litigations before various authorities across India, including tribunals. Achieved landmark orders favorable to clients, demonstrating effective legal representation and advocacy in tax-related disputes.

## 2 Comprehensive Advisory Experience

Advised numerous corporate houses, PSUs, product companies, and startups on various matters, providing guidance on internal audit, EPR & BI implementations & development, product management, costing, funding, cash management, internal controls, compliance management, and go-to-market (GTM) strategies.

## 3 Policy Advocacy

Actively engaged in policy advocacy, working closely with the Government to implement taxpayer-friendly measures in GST. Collaborated on various initiatives to simplify tax processes and improve compliance, contributing to a more efficient and equitable tax system.

## 4 Innovative Tax Solutions

Configured and developed a user-configurable tax engine for one of India's major ERPs for GST before its rollout. This solution continues to be used and highly praised by customers.

## 5 Prolific Authorship

Authored/Co-authored 13 books on vivid topics including 10 on Indian GST. Authored over 120 articles and blogs on GST, MSMEs, finance, and the economy, published in leading newspapers, magazines, the ICAI Tax Bulletin, and various online portals.

## 6 Extensive Training and Outreach

Led outreach programs and continuing education initiatives on GST, costing, internal audit, MSME survival strategies, and other critical topics for department officers, defense officials, traders, professionals, corporates, and students. Delivered over 48,000+ man-hours of training across 500+ sessions.

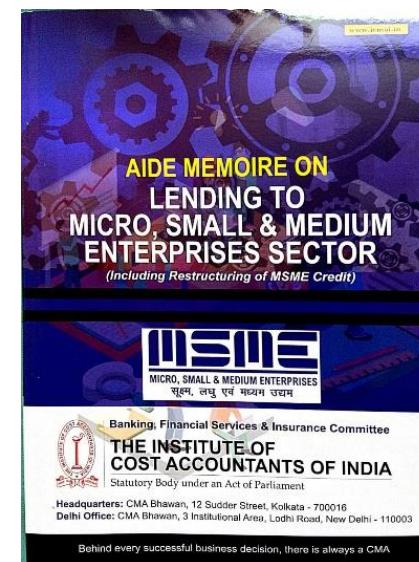
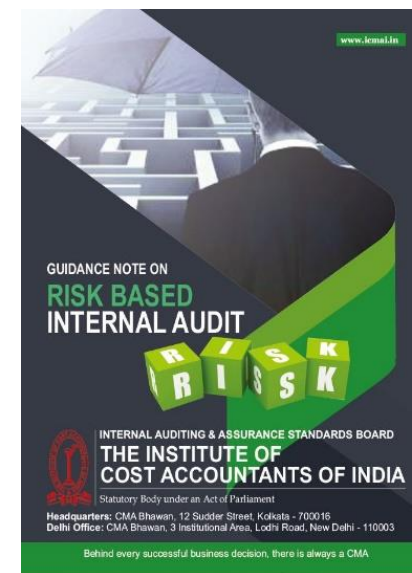
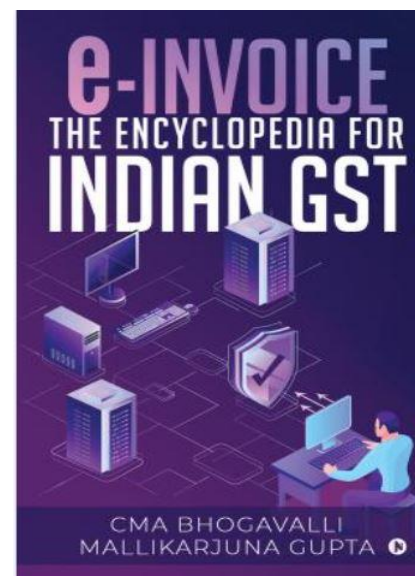
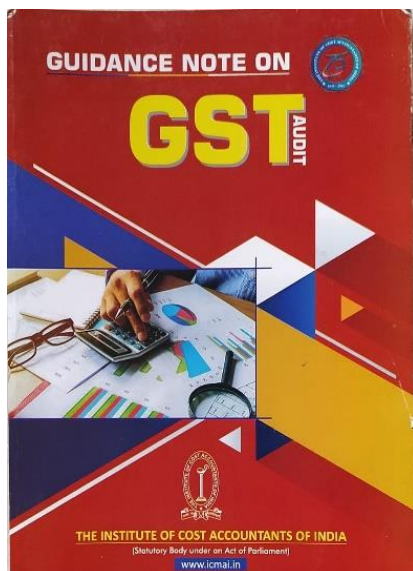
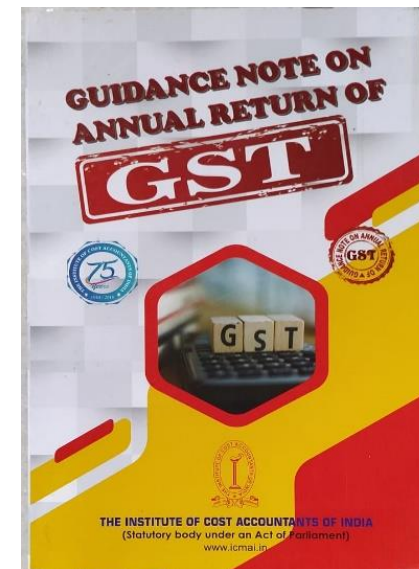
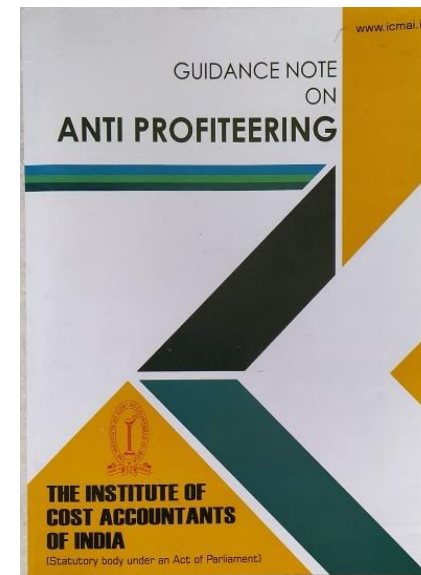
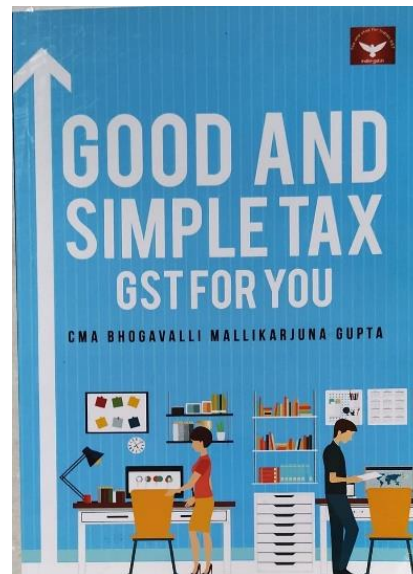
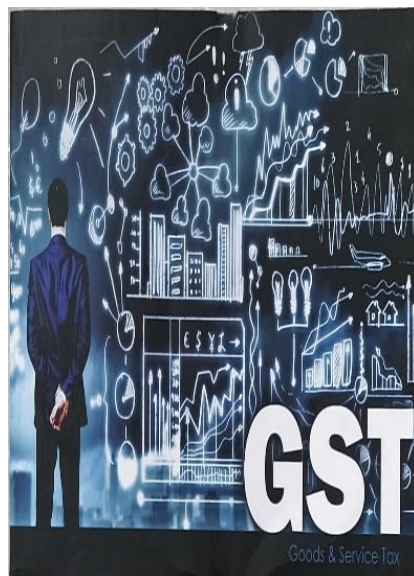
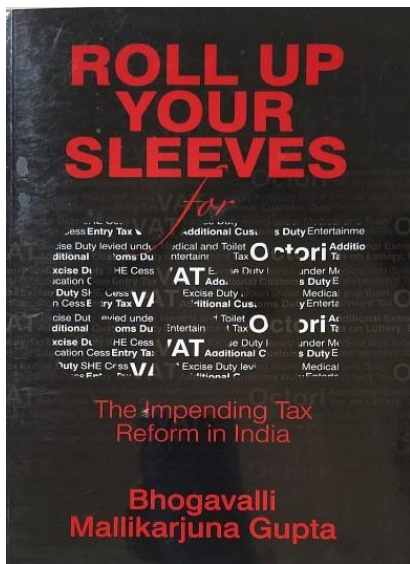
## 7 Costing Systems Implementation

Implemented and computerized costing systems for a BOPP plant and an upholstery plant in 1999, leading to significant utility consumption reductions through the integration of hot oil boilers. Developed a costing system for a pig iron plant, analyzing profitability based on detailed raw material consumption from vendors, batches, regions, dealers, and grades.

# Educational Qualifications

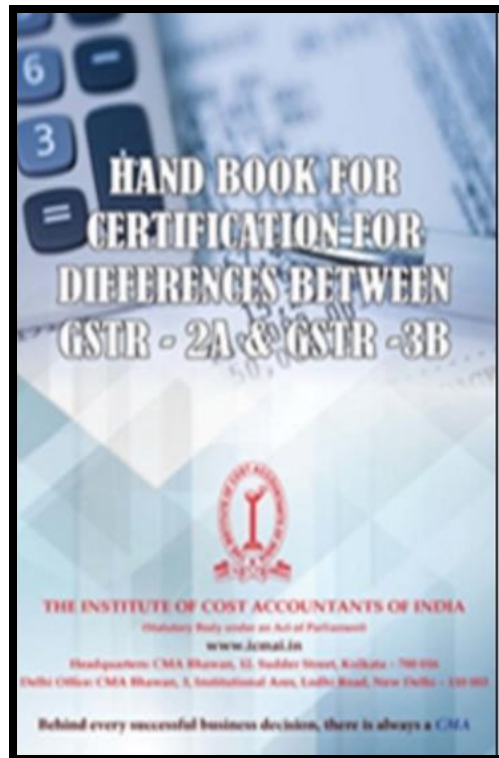
- Indian School Of Business – Certification in Product Management
- Associate Member Institute of Cost Accountants of India
- Certificate Course on Credit Management of Banks conducted by the Institute of Cost Accountants of India
- Masters in Financial Management from Pondicherry University
- Post Graduate Diploma in Foreign Trade from World Trade Center Mumbai
- Qualified Online proficiency exam for Independent Directors from the Indian Institute of Corporate Affairs
- Associate Member of the Institute of Directors
- Bachelor of Commerce from Acharya Nagarjuna University
- Post Graduate Diploma in Computer Sciences from Software Solutions Integrated Limited

# Books – Authored/Co Authored





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