



Refund scenarios in GST

A. Refund of **unutilized** Input tax credit allowed only in following cases Sec.54

I. Exports of goods and services **incl. Zero Rated Supplies**. It can be tax paid on the inputs used in the use of goods and services which are exported at zero rate or if tax is paid on such exports ; such tax

Exception: **No refund** of Unutilized ITC, if goods exported are subjected to **export duty**

Contd....

Refund scenarios in GST

2. On account of accumulation of rate of **tax on inputs higher than the rate of taxes on Output Supplies**.

Credit accumulation due to output being tax exempt or nil-rated and Credit accumulation due to inverted duty structure i.e. due to tax rate differential between output and inputs).

There will be **no refund of ITC of goods lying in stock at the end of the Financial year**. It is proposed to be carried forward.

Inverted Duty Structure – Advanced Situations

Input				Output	
X	Y	Z	E		Remarks
5%	12%	18%	28%	Pdt A -28%	
5%	12%	18%	--	Pdt B -18%	
5%	12%	18%	28%	Pdt C -18%	
5%	12%	18%	--	Pdt D -12%	
5%	12%	18%	28%	Pdt E -12%	
5%	12%	18%	28%	Pdt F - 5%	
5%	12%	18%	28%	Pdt G - Exempt	

Refund scenarios in GST

- On Finalization of **Provisional Assessment**. A dealer can apply for Provisional assessment which the officer is bound to do final assessment. If on final assessment refund is due to the dealer, it shall be paid.
- Refund of **Pre-deposit** for filing appeal including refund arising in pursuance of an appellate authority's order (when the appeal is decided in favour of the appellant).
- Refund of Balance in **E_Cash Ledger (PLA)** may be claimed through return filed u/s 39 itself

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Refund scenarios in GST

Tax **wrongfully collected and deposited** with the Central or State Government.

A taxable person who has paid IGST/CGST/SGST mistakenly as an Interstate/intrastate supply, but the nature of which was subsequently clarified, then, upon payment of CGST and SGST in the appropriate State or IGST, he shall be allowed to take refund of the tax paid under the mistaken head, subject to Rules.

Excess payment of tax **due to mistake** or inadvertence on account of wrong mentioning of nature of tax/GSTIN/tax amount etc.

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Refund scenarios in GST

Refund of tax payment on **purchases made by Embassies or UN bodies**. (Sec 55)

The United Nations Organization and Consulates or Embassies are required to take a Unique Identity Number and purchases made by them will be reflected against their number in GSTIN and refunds can be granted. A separate process will be notified in the Rules.

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Formula – GST Refund

In the case of zero-rated supply of goods or services or both without payment of tax under Bond or LUT, refund of input tax credit shall be granted as per the following formula –

$$\text{Refund Amount} = \left[\frac{\text{Turnover of zero rated goods} + \text{Turnover of zero rated supply of services}}{\text{Adjusted Total Turnover}} \right] \times \text{Net ITC}$$

Refund shall be the least of the following [*Cir. 59/33/2018 CT*]-

- (a) Refund as per above formula
- (b) The balance in the e-credit ledger of the claimant at the end of the tax period for which the refund claim is being filed after the return for the said period has been filed; and
- (c) The balance in the e-credit ledger of claimant at the time of filing the refund application

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Refund scenarios in GST

A. Credits to the Manufacturing and Trading Account of Ms.X Ltd	Rs. Crores
1. Income from Goods Segment [Out of which Export Goods are to the extent of Rs. 300]	1500
2. Electricity sold to the Central Grid	50
3. Income from Service Segment [Out of which Export was Rs. 50]	250

The Extract of the ITC Account of the Assessee reveals the following –

Particulars	Rs. Crores
1. Cenvat Credit availed relating to Inputs	100
2. Cenvat Credit relating to Capital Goods (50% availed during the period)	5
3. Cenvat Credit relating to Input Services	20

Find the amount of Cenvat Credit Refund for which the Assessee is eligible during the relevant period, if the credit of inputs and Input Services at the time of refund claim

Ans: 50 Crores
 Sol: Refund = $(300+50)*120 / (1500+250) = 24 \text{ Cr}$

Inverted Duty Structure – Advanced Situations

A. Credits to the Manufacturing and Trading Account of Ms.X Ltd	Rs. Lakhs
1. Income from Pdt X (5%)	2700
2. Income from Services (18%)	300

The Extract of the ITC Account of the Assessee reveals the following –

Particulars	Rs. Lakhs
1. Inputs (Rm X - 18%)	150
2. Inputs (Rm X - 12%)	30
3. Inputs (Rm X - 5%)	20
4. Input Services	35

Find the amount of Cenvat Credit Refund for which the Assessee is eligible during the relevant period, if the credit of inputs and Input Services at the time of refund claim

Ans: 40 Lakhs
 Sol: Refund = $[2700*(150+30+20) / (2700+300)] - (2700*5\%) = 45 \text{ Lakhs. However restricted}$

Procedure

A. General procedures on submission of application

Refunds under GST is **application based and subject to verification**. Application to be submitted **through GSTN** Portal with provision for **uploading supporting documents**.

Any person claiming refund of any tax or interest shall make application to the proper officer.

Rules prescribe different persons who can claim refund and **event after which the application may be filed**.

The application shall be made **before expiry of 2 years from the relevant date**.

Procedure

14. "Relevant Date" means-

- (a) In the case of goods exported out of India -
 - (i) If the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India, or
 - (ii) If the goods are exported by land, the date on which such goods pass the frontier, or
 - (iii) If the goods are exported by post, the date of dispatch of goods by the Post Office concerned to a place outside India;
- (b) In the case of supply of goods regarded as deemed exports, the date on which the return relating to such deemed exports is furnished;
- (c) In the case of services exported out of India, the date of-
 - (i) Receipt of payment in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India, where the supply of service had been completed prior to the receipt of such payment; or
 - (ii) Issue of invoice, where payment for the service had been received in advance prior to the date of issue of the invoice;

Procedure

- (d) In case where the tax becomes refundable as a consequence of judgment, decree, order or direction of the Appellate Authority / Tribunal / Court, the date of communication of such judgment, decree, order or direction;
- (e) In the case of refund of unutilized input tax credit under Inverted Duty Structure, the relevant date shall be the due date for furnishing of return u/s 39 for the period at the end of the financial year in which such claim for refund arises; (W.E.F 01.02.2019)
- (f) In the case where Tax is paid provisionally under this Act or the rules made there under, the date of Adjustment of Tax after the Final Assessment thereof;
- (g) In the case of a person, other than the supplier, the date of receipt of goods or services or both by such person; and
- (h) In any other case, the date of payment of tax.

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Documents to be accompanied with the Application form

General documents which will be **prescribed in the Rules** . [Only declaration if the amount of refund is less than 2 Lakhs (earlier 5 Lakhs)]

But the following documents for various scenarios are mentioned in the Business Process document.

1. For exports (a) to be submitted by the applicant. There will be a provision to **upload scanned copies -**

- i) Export invoice;
- ii) Shipping Bill (Export Promotion copy);
- iii) Mate's Receipt / Transporter's Challan (in case of export by road);
- iv) Packing list;
- v) Bill of Lading/ Airway Bill;
- vi) Bank Realization Certificate (BRC).
- vii) In case of services, invoice and FIRC / BRC

(Removed
in
Rules)

2. For Supplies to SEZ / Deemed Export

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Verification

The verification will be **mostly online**

The Import Export code (IEC) details captured at the time of issuance of GSTN can be **verified with DGFT** online.

As proposed, if the **linkage with** the customs network **ICEGATE** is worked out, shipping bill which includes relevant details from the export invoice and packing list can be verified online.

Note: W.e.f. 01.09.2019, The Government may disburse the refund of the State tax in such manner as may be prescribed, and a Single Window Clearance mechanism for Refunds have been notified in this regard.

Refund Formula / Sanction etc.

A simple formula prescribed in the rules may be based on proportionate credit based on export turnover/total turnover.

Declaration obtained from the exporter regarding export duty / Receipt in SEZ / Deemed Export etc.

Refund shall be granted within 60 days from the date of application **complete in all respects**

For **export refunds to notified category of dealers**, **90%** refund can be granted before verification subject to such conditions and restrictions.

Concept of Unjust Enrichment

Art 265 of the Constitution – No tax shall be levied or collected except by Authority of Law.



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Concept of Unjust Enrichment

The refundable amount shall, instead of being credited to the Fund, be paid to the applicant, if such amount is relatable to –

- Refund of tax paid on Export of goods or services or both or on inputs or Input Services used in making such Exports
- Refund of unutilized Input Tax Credit on account of Inverted Duty Structure
- Refund of Tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued;
- Refund of tax in pursuance of Sec. 77;
- Tax and interest, if any, or any other amount paid by the applicant, if he hadnot passed on the incidence of such tax and interest to any other person; or
- Tax or interest borne by such other class of applicants as the Central / State Government may, on the recommendation of the Council, by notification, specify.[Sec.54(8)]

Interest on Delayed Refunds

Interest accrues after 60 days from the date of application of refund.

Interest rate notified at 6%

Withholding of Refunds

Refund **can be withheld** in the following circumstances:

- If the registered dealer has **not submitted return**, till he files the return.
- The proper officer **can also deduct unpaid taxes** if any of the dealer.
- **Commissioner/Board** can withhold refund, if, the Order of Refund is under appeal and he is of the **opinion** that grant of such refund will **adversely affect revenue**.

Deminimus threshold for refund Sec.38(11)

No refund shall be granted if the amount is less than **Rs.1000/-**.

It shall apply for each tax head separately and not cumulatively.

Further, the limit would not apply in cases of refund of excess balance in the electronic cash ledger. [Sec.54(14)]

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Refund Forms

Form	Purpose
GST RFD-01	Application for Refund
GST RFD-01 -Annex 1	CA / Cost Acc. Certificate
GST RFD-03	Deficiency Memo issued by Officer
GST RFD-04	Order for Provisional Refund (subject to conditions)
GST RFD-05	Payment Advice of Provisional Refund w/l 7 days
GST RFD-06	Order for Final Refund w/l 60 days of Complete Application
GST RFD-07	For Adjustment of Refund against arrears
GST RFD-08	SCN for rejecting Refund
GST RFD-09	Reply to SCN
GST RFD-10 / 11	Application for Refund for spl cat. / Statement of In. supp.

*Amount
rejected shall
be re-credited
to e_Credit
Ledger*

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Key Takeaways

Refund scenarios **limited**.

Total **online** process.

Online verification to the extent possible.

Communication and **status check** of refund application by the dealer online.

Fixed time limit for refunds in the Act.

Minimal or no blockage of Capital to dealers

Latest Amendments