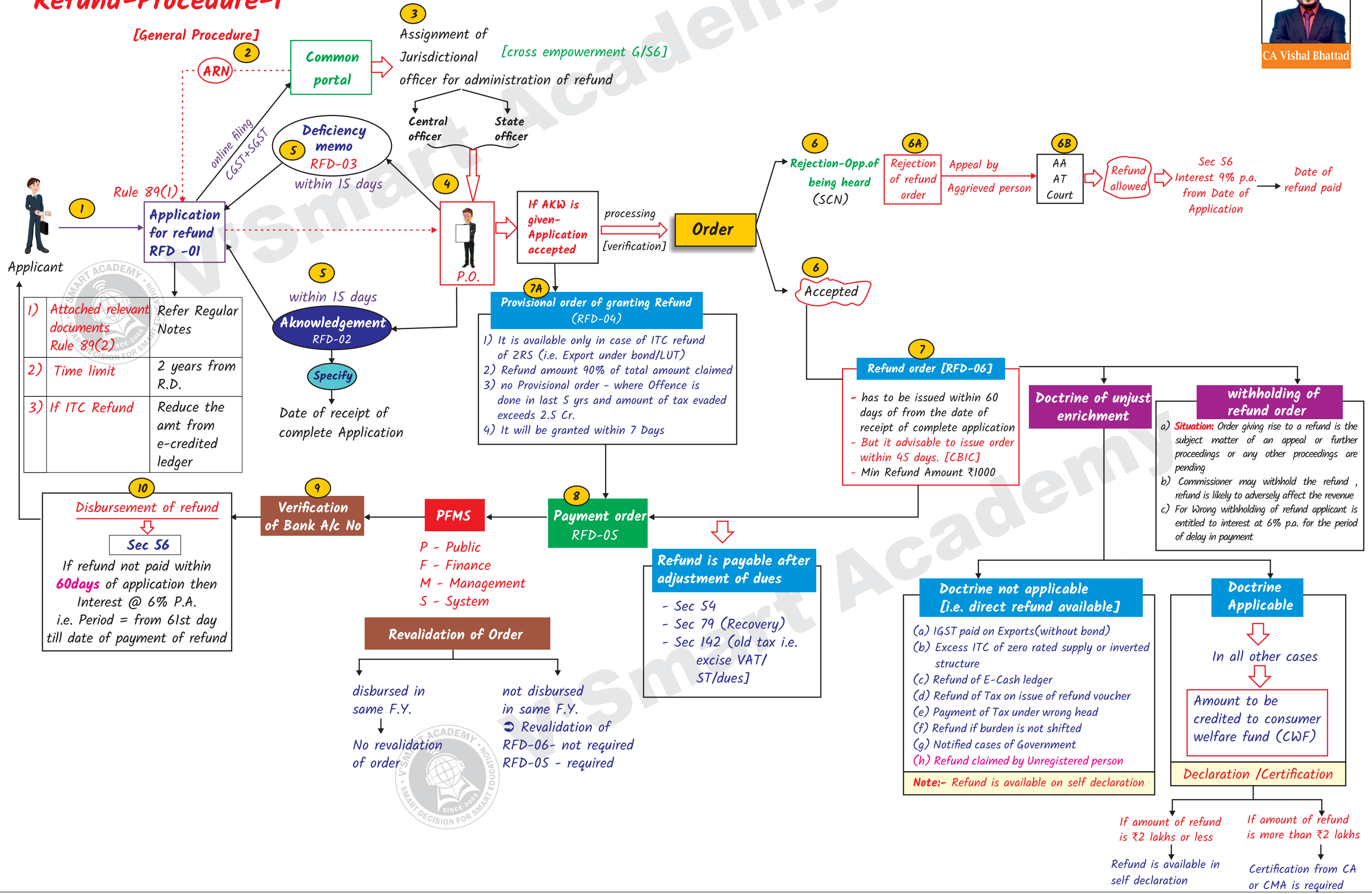




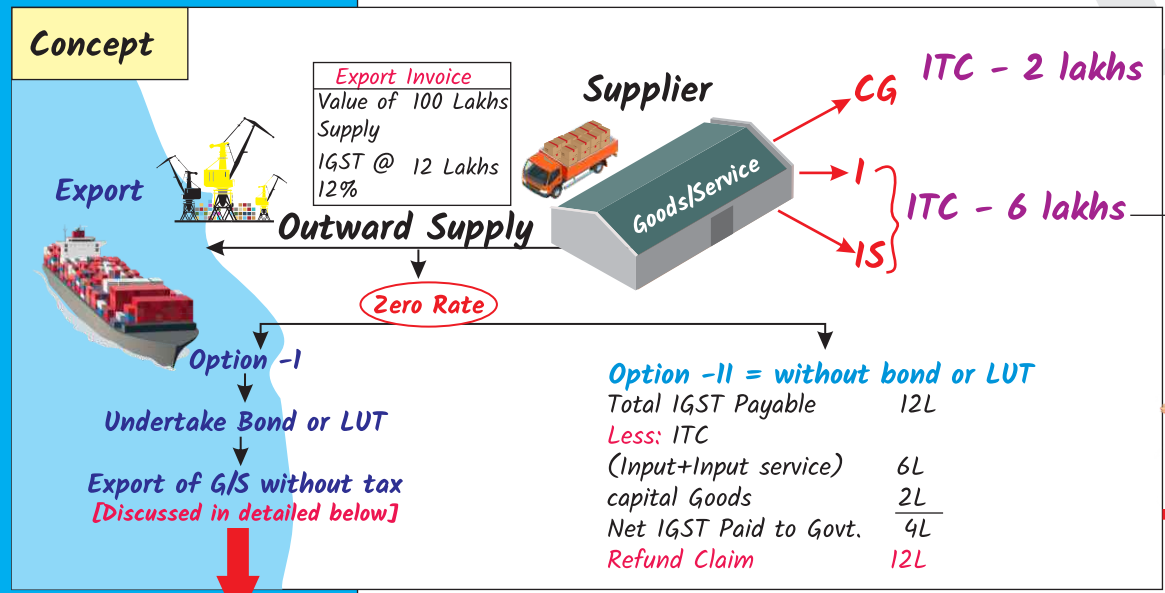
CA Vishal Bhattad

Refund-Procedure-1



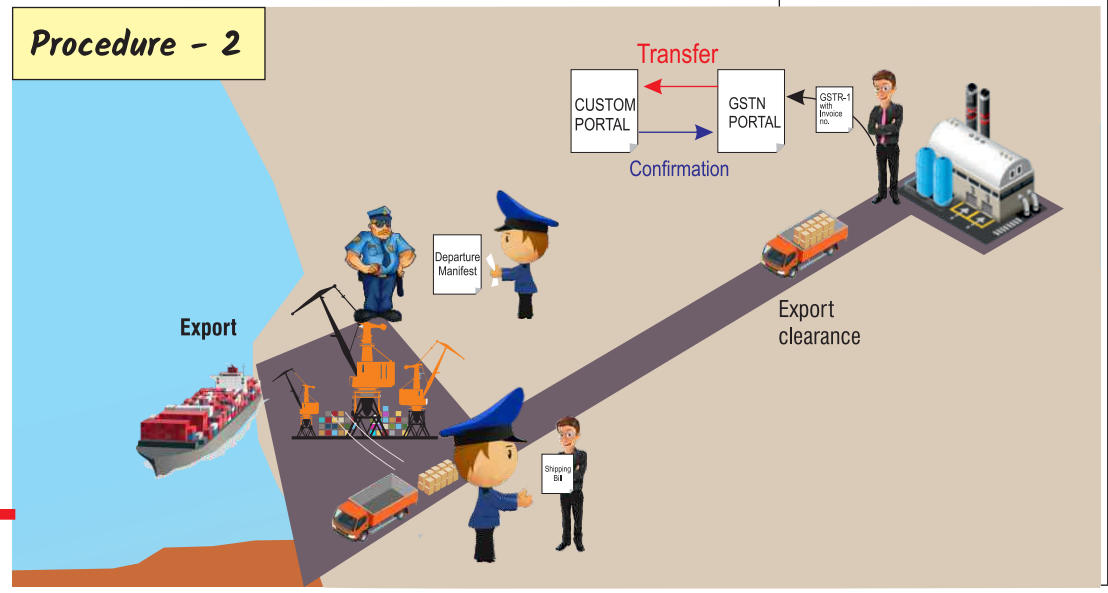
Export (zero rated supply)/ Deemed Export/Merchant Exporter/SEZ

| Export without Bond/LUT | Max time limit for application | Relevant Date (i.e. Application of refund shall be filed within 2 years of following date) | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
|------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Supply of Goods (Procedure-2 is applicable) | 2 Years from Relevant Date | SOG exported by- (1)Sea/Air - ship/aircraft leaves India, (2) Land - Goods pass the frontier (3)Post - Dispatch of Goods | NA (Direct refund available & amount not credited to consumer welfare fund) | SOG- Shipping Bill | IGST Paid on outward supply (including ITC used for payment of IGST) | 1) SOG- other than electricity 1) Statement containing No. & date of Shipping bill/Bill of export, 2) Date of relevant export invoices |
| Supply of Services (Procedure-1 is applicable) | | SOS- (1)Amt received after supply= Date of receipt of CFC/Indian rupees(permitted by RBI), (2)Advance received- Date of invoice | | SOS- RFD-01 | | 2) SOS- 1) Statement containing No. & 2)date of invoice, 3) Relevant Bank realization certificate/ foreign inward remittance certificates |



Note:- If supply is made without bond (i.e. after payment of IGST) no refund of ITC is available under rule 89(4)

Let's discussed here indetails



- 3) SOG - Export of electricity
- Statement containing the number & date of export invoice
 - details of energy exported, tariff per unit for export of electricity
 - copy of statement of scheduled energy for exported electricity by regional energy account Copy of agreement detailing the tariff per unit

Rule 96A :-Export of Goods/ services under Bond/LUT

1) Time limit- An RP shall furnish a bond/LUT in prescribed form, (binding to pay tax+interest @18% p.a.), within-

| Situations | Failure | Liability of tax + Interest |
|---------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------|
| SOG : If goods are not exported out of India | Within 3 months or extension period from the date of invoice of export | Within 15 days after expiry of 3 months |
| SOS : Payment of services not received in CEF/R if permitted by RBI | Within 1 year from the date of invoice for export | Within 15 days after expiry of 1 year |

2) Transmission of export invoices to customs portal- Invoices contained in GSTR-1 shall be transmitted electronically by common portal, to custom portal & received a confirmation that relevant goods have been exported out of India.

3) Recovery & Bond / LUT withdrawn- If goods are not exported within specified time, & RP fails to pay specified amount, the export as allowed under bond/LUT shall be withdrawn & said amount shall be recovered from RP u/s 79.

4) Restoration of Bond/LUT- The export as withdrawn, shall be restored immediately when RP pays the amount due.

5) LUT In place of Bond - LUT may be furnished, after considering specified conditions/ safeguards instead of bond

6) Same procedure in case of supply to SEZ - The provisions of Rule-96A(1) shall apply mutatis mutandis, i.e. ZRS to a SEZ developer/unit, without payment of IGST.

Cir. No. 197/09/2023 :-On actual export of goods or realization of payment for export of services, exporters would be entitled to refund of unutilized ITC u/s 54(3) & also for refund of IGST paid (not interest) earlier due to goods not being exported, or payment not being realized within time limit

Rule 96:- Refund of IGST on goods/services exported out of India

Supply of Goods:-

1) Shipping Bill- deemed to be an Application of refund, which is deemed to be filed only when-

- Person In charge duly files a Departure Manifest / Export Report covering Number & date of shipping bills / bill of export, (&)
- the applicant has furnished a valid return in FORM GSTR-3B if there is any mismatch between the
 - data furnished in Shipping Bill and
 - statement of outward supplies in FORM GSTR-1,
 such application for refund shall be deemed to have been filed on such date when such mismatch is rectified by the exporter;
- the applicant has undergone Aadhaar authentication in the manner provided in rule 10B

2) Transmission of export invoices to customs portal- Invoices contained in GSTR-1 shall be transmitted electronically by common portal, to Custom Portal & received a confirmation that relevant goods have been exported out of India.

3) Processing of refund claim- After receiving information about valid return from portal, PO of customs/designated system shall process the refund, & amount equals to IGST paid on each shipping bill / bill of export shall be electronically credited to Bank account of applicant.

4) Claim of refund shall be withheld, where-

- request has been received from Jurisdictional Comm. of GST to withhold due u/s 54 (10)/(11), or
- PO of customs determines that goods are exported in violation of Customs Act.
- the Commissioner or an officer is of the opinion that verification of credentials of the exporter, including the availment of ITC by the exporter, is considered essential before grant of refund to safeguard the interest of revenue.
- Omitted

Withholding of refund

| (a) | (c) | (b) |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| On request received from jurisdictional comm. of Central or State in accordance with Sec 54(10)/(11) | Comm. in Board or authorised officer by board on the basis of <ul style="list-style-type: none"> data analysis & risk parameters verification of credentials including availment of ITC of exporter is essential before grant of refund | Proper officer of customs determines that the goods were exported in violation of provision of custom act. |
| Rule 5A & SB: Such claim of refund withheld shall be transmitted to the P.O. of CT/ST/ UT through common portal in a system generated FORM RFD-01 | | Proper officer of customs passes an order that the goods have been exported in violation of the provision of custom act. |
| It shall be deemed to be application of refund | | |
| It shall deemed to have filed on the date of transmission | | |
| Intimation of such transmission shall be sent to exporter on common portal | | |

6) Omitted 7) Omitted

8) Refund to Bhutan Govt.- CG may pay refund of IGST to Bhutan Govt on export to Bhutan, on notified goods, & then exporter shall not eligible for refund

9) Rule 96 Not applicable- If exporter has made purchases under Deemed export or purchases @0.1% GST(Penultimate supply)

Note :- Benefits allowed if exporter has received CG under EPCG scheme

10) Supply of Service :- The application for refund of IGST on services exported out of India, shall be filed in Form-GST-RFD-01, u/r 89.

Rule 96 B - Recovery of Refund of Unutilised ITC / IGST on export of goods, where export proceeds not realised

1) Non - realisation of export proceeds within FEMA-time

- Where refund of unutilised ITC/ IGST on export of goods has been paid to applicant,
- but sale proceeds have not been realised (full/part), in India, within the period allowed under FEMA (+Extention),
- Applicant shall deposit such refunded amount (to the extent not realised) with interest, within 30days of expiry of said period (+ extension).

2) Recovery of amount-

- If applicant failed, amount refunded shall be recovered as per sec 73/74 along with interest u/s 50.
- Where sale proceeds (or part) are not realised within the period allowed under FEMA, but RBI writes off the requirement of realisation of sale proceeds on merits, the refund paid to applicant shall not be recovered.

3) Subsequent realisation of export proceed within time frame of RBI

- Where sale proceeds are realised by applicant (full/part), after the above amount recovered, & applicant produces evidences within 3 months from date of realisation of sale proceeds,
- Amount so recovered, shall be refunded by PO to applicant, to the extent of realisation (if realised within such extended period permitted by RBI)

96C :- Bank Account for credit of refund.
For the purposes of Rule 91(3), rule 92(4) and Rule 94, "Bank Account" = mention in Rule 10A

| | | | | | | |
|-----------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------|--------------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------------------|
| Deemed Export (Procedure-1 is applicable for claiming the Refund) | Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| | 2 Years from Relevant Date | Date on which return relating to such deemed export is furnished | Applicable in certain cases | RFD-01 | GST Paid | Statement containing No. & date of Invoice along with such other notified particulars |

Person [Exporter]
 ↳ holding AA ↳ holding EPCG ↳ EOU

Supplier - R.P. Manufacturer
 Goods
 Invoice Value 1,00,000
 GST@12% (12000)

Notified Person
 Goods
 Input
 Output Tax

Options:
 ↳ **Availing ITC**: If ITC is claimed by recipient then it will not be treated as case of Rule 89(4A) & if shall be considered under Rule 89(4)(S) for calculation of
 1) Net ITC
 ii) Export T/O
 iii) Adjusted Total T/O

↳ **Claiming Refund**: Rule 89(4A) is Applicable & Refund allowed on Following Conditions
 1) undertaking by Supplier that he has not claimed refund of such supply

Supplier Claiming Refund
 Rule 89(4A) is Applicable & Refund allowed on Following Conditions
 1) Documentary evidence- Statement Containing No. & date of Invoice
 2) Undertaking by Recipient that he has not claimed ITC & Refund of such supply

Important Note :- If refund is claimed Rule 89(4A) then it shall not be considered for calculation. "Net ITC" (For Recipient) or Export T/O & Adjusted T/O (For Supplier) under Rule 89(4) [Refund of ITC for IRS] & Rule 89(5) [Refund of ITC in case of Inverted tax structure]

Meaning:-
Sec. 2(39)- Deemed Exports- means supplies of goods notified u/s 147.
Sec 147= Govt notifies certain supplies as deemed export, where- Goods do not leave India, & manufactured in India, & Payment received in Indian rupees/ convertible foreign exchange.

Notified Supplies
 Supplies notified as Deemed export are as follows:-
 i) Supply of Goods by RP against Advance Authorisation,
 ii) Supply of CG by RP against EPCG Authorisation,
 iii) Supply of goods by RP to EOU,
 iv) Supply of Gold by Bank/PSUs against Advance Authorisation.

Person Eligible to Claim Refund
 ↳ Recipient (Notified person i.e. AA, EPCG, EOU)
 ↳ Supplier (if recipient doesnot avail ITC & also furnishes undertaking that supplier may claim the refund)

Documents and Evidences

| | |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Refund To Supplier | OR Refund To Recipient |
| Documents :- statement containing number/date of invoices along with other notified evidences | Documents :- |
| Evidences :- | ↳ Undertaking by supplier |
| ↳ Acknowledgment by the Jurisdictional Tax officer of Advance Authorization / EPCG authorization holders | ↳ Filed by recipient |
| ↳ Copy of tax invoices, duly signed by recipient | ↳ Recipient shall not claim refund, to be furnished manually |
| ↳ Undertaking by recipient (that ITC not availed on such supplies) | |
| ↳ Undertaking by recipient (that shall not claim refund on such supplies & supplier may claim refund) | |

Circular No. 172/04/2022-GST dt 06/07/2022]
 The ITC of tax paid on deemed export supplies, allowed to the recipients for claiming refund of such tax paid, is not ITC in terms of the provisions of Chapter V of the CGST Act, 2017.
 Therefore, the ITC so availed by the recipient of deemed export supplies would not be subjected to provisions of Section 17 of the CGST Act, 2017.

| | | | | | | |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------|--------------------------------------|-------------------------|---------------------------------------|-----------------------------------|
| Merchant Exporter (Penultimate Supply) [Procedure is applicable for claiming refund] (Rule 89(4B)) | Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| | 2 Years from Relevant Date | Date of receipt of goods | NA | RFD-01 | CGST 0.05% SGST 0.05% IGST 0.1% | Refer Below |

Export outside India
 Export under Bond/LUT

M.E. (Recipient)
 Invoice Value 1,00,000
 Refund { CGST@0.05% 50
 SGST@0.05% 50
 M.E. (Recipient) can claim the refund

Supplies
 Value 50,000
 GST 9000 @18%
 Supplier can claim refund of accumulated ITC under inverted tax structure

Concept- IGST @ 0.1% (CGST - 0.05% and SGST - 0.05%) on Inter-State/Intra State supply of taxable goods by Reg. supplier to Reg. recipient for export. Excess tax has been exempted by CG.

Conditions:-
 i) Reg. supplier Supply the goods to Reg. recipient (ME) on a tax invoice,
 ii) ME shall export goods within 90days from date of issue of tax invoice by Reg. supplier,
 iii) ME shall indicate GSTIN of supplier & tax invoice number on Shipping bill/Bill of export,
 iv) ME must be registered with Export Promotion Council/ Recognized Commodity Board
 v) Copy of purchase order to Jurisdictional officer of supplier,
 vi) Proof of export to be given to supplier & his jurisdictional officer
 vi) Full Rate applicable if goods not exported within 90days from date of invoice.

Circular No. 37/11/2018- dt 15/3/2018
 The supplier, supplies goods at concessional rate
 ↳ eligible to take ITC of concessional tax so paid
 ↳ eligible for refund on account of Inverted Tax Structure u/s 54(3)(ii).
Note- Export only under LUT/Bond , & not on payment of IGST.

| | | | | | | |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------|-------------------------|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supply of goods to SEZ Developer/ unit (ZRS) | Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| | 2 Years from Relevant Date | the due date for furnishing of return under section 39 in respect of such supplies | Applicable in certain cases | RFD-01 | IGST paid | SOG ↳ Statement containing the number & date of invoice ↳ evidence regarding goods admitted in full for authorized operations as endorsed by the specified officers of SEZ |
| | <p>Comment :- 1) Supply to SEZ is covered in zero rated supply hence mostly the procedure-1 for claiming refund is applicable 2) In case of supplies made to SEZ unit or developer of SEZ (a) supplier of goods after such goods have been admitted in full in the SEZ for authorised operations, as endorsed by the specified officer of the Zone. (b) supplier of services along with such evidence regarding receipt of services for authorised operations as endorsed by the specified officer of SEZ [Second proviso to rule 89(1)].</p> | | | | | |

SOS
 ↳ Statement containing the number & date of invoice
 ↳ evidence regarding receipt of services for authorized operations as endorsed by the specified officer of SEZ,
 ↳ the details of payment, along with proof there of made by the recipient to supplier for authorised operation.

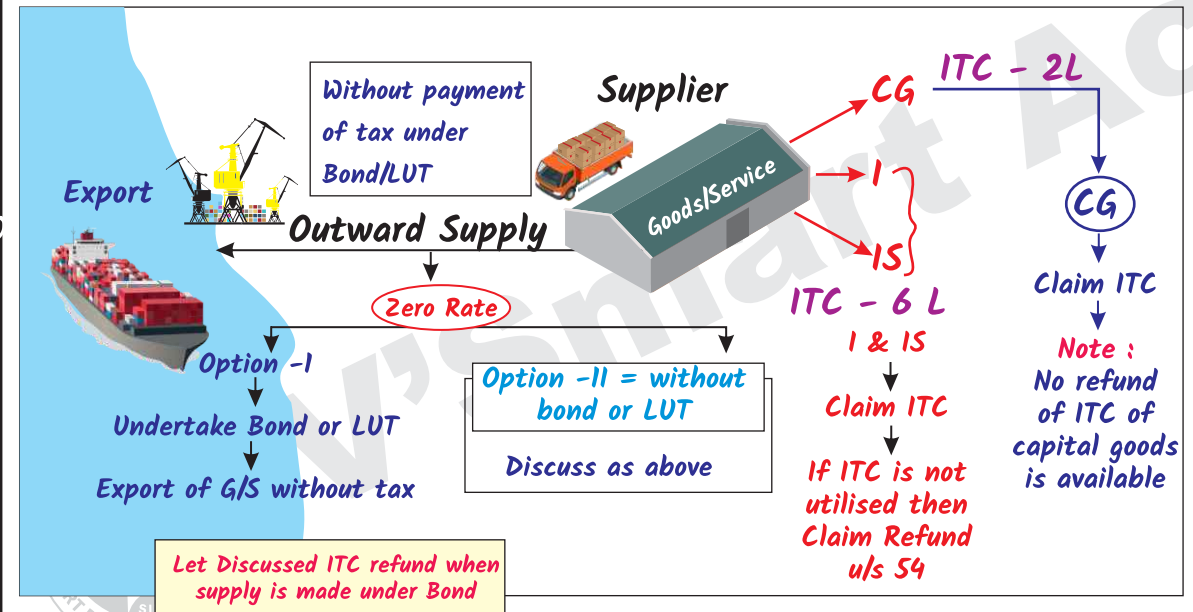
SOG & SOS
 "a declaration to the effect that tax has not been collected from the SEZ unit or the SEZ developer"

Refund of ITC

ZRS With bond/LUT [Sec 16(3)(a) & Rule 89(4)]

(Procedure-1 is applicable for claiming the Refund)

| Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
|------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------|------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| 2 Years from Relevant Date (RP may claim at the end of any tax period) | the due date for furnishing of return under section 39 in respect of such supplies | NA | RFD-01 | Maximum refund (As per formula refer Below) | Statement containing No. & date of Invoice along with such other notified particulars |



$$\text{Refund Amount} = \frac{\text{Turnover of Zero rated supply of goods} + \text{Zero rated supply of services}}{\text{Adjusted total Turnover}} \times \text{Net ITC}$$

Non-eligibility of Refund :-
 1) Export goods are liable to export duty 2) Drawback claimed for CGST & IGST
Circular No. 160/16/2021 :- Export goods are Nil rate or exempt is not treated as subject to export duty & Refund is available

Where,

| | |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A. Refund amount | means the maximum refund that is admissible; |
| B. Net ITC | means the maximum refund that is admissible; |
| C. Turnover of zero-rated supply of goods | Actual T/O of zero rated supply of goods in relevant period exported under Bond/LUT OR 1.5 times like goods domestically supplied Whichever is Lower |
| D. Turnover of zero-rated supply of services (ZRSS) | means the value of zero-rated supply of services made without payment of tax under bond or LUT, calculated in the following manner, namely:- |
| E. Adjusted Total turnover | means the sum total of the value of - a) the turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and b) The turnover of zero rated supply of services determined in terms of clause (D) above & non-zero rated supply of services, excluding - (i) the value of exempt supplies other than zero-rated supplies and (ii) the turnover of supplies in respect of which refund is claimed under sub-rules 89(4A) or (4B) or both, if any during the relevant period. |
| F. "Relevant period" | means the period for which the claim has been filed. |

| Particular | Amount |
|-----------------------------------------------------------------------------|--------|
| Total ITC of (I + IS) in relevant period | XXX |
| Less : ITC of Inputs for which refund is claimed under rule 89(4A) & 89(4B) | XXX |
| Net ITC | XXX |

| Particular | Amount |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------|
| payments received during the relevant period for ZRSS | XXX |
| Add: ZRSS where supply has been completed for which payment had been received in advance in any period prior to the relevant period | XXX |
| Less: advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period. | XXX |
| T.O of ZRSS | XXX |

Explanation.- the value of goods exported out of India shall be taken as -
 (i) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export form, as the case may be, or
 (ii) the value declared in tax invoice or bill of supply, whichever is less.

Clarification 125/44/19

April - ITC
 CGST 2L
 SGST 2L
 IGST 3L
 Net ITC 7L

Formula 89(4)
 Max Refund = $\frac{20L}{50L} \times 7L = 2.8L$

20th May
 GSTR-3B for April
 ITC balance in E-credit ledger = 2L

20th June
 Refund Application filed
 ITC balance on that date = 2.2L

| ITC balance in June | Amt. Debited | ITC CIF |
|---------------------------|--------------|---------|
| IGST = 1.2L 1st Used | 1.2L | Nil |
| CGST = 0.4L equally (50%) | 0.4L | Nil |
| SGST = 0.6L equally (50%) | 0.4L | 0.2L |
| | 2.2L | |

whichever is lower
 Max Refund for export supply made in April = 2L = cash refund
 Amt. debited to E-credit ledger for the month of June

Value for Refund (For Calculation of export T/O)
 While calculating the eligible amount of refund, lower of :
 (a) value of the goods declared in the GST invoice; and
 (b) value in the corresponding shipping bill/bill of export should be taken into account.

Net ITC available
 "Net ITC" = ITC available (when it is entered into the E-credit ledger) during the relevant period.
Example:- the input tax credit of invoices issued in August, 2020, "availed" in September, 2020 is included in the calculation of the refund amount for the month of September, 2020.

Clarification 135/05/2020 & Circular No. 197/09/2023
 Refund of accumulated & eligible ITC u/s 54(3) for a tax period shall be restricted to ITC for invoices that that are reflected in FORM GSTR-2B.
 Disposed of refund claims shall not be reopened.
Note:- circular does not in any way impact the refund of ITC relating to imports, ISD invoices and the inward supplies liable to Reverse Charge

Refund in case of exempted or non-GST supply

As per sec 16(2) of IGST Act ZRS includes exempt supply which also includes non-taxable supply

| Supply | Export procedure | ITC refund |
|-------------------------------------------------|---------------------|----------------------------------|
| a) Exempt Supply | as per GST Law | Refund is available as per 89(4) |
| b) Non-GST Supply | as per GST Law | Refund is available as per 89(4) |
| c) Non-GST Supply where no bond/LUT is required | as per VAT & Excise | Refund is available as per 89(4) |

Provisional Refund- In case of claim refund of ZRS (with /without bond) by RP, & , after doc. Varification, make an order for final settlement of refund claim.
Rule 91- Conditions: i) No offence during any period of Syrs (preceding tax period) under any act /law (if tax evades >2.Scr.)
 ii) PO shall grant provisional refund, within 7 days from date of acknowledgement
 iii) PO shall issue a Payment order & credit to bank a/c of applicant, on the basis of consolidate payment advice.
 iv) CG shall disburse refund based on the consolidated payment advice.

Question

M/s XYZ manufactures furnished following into & request you to compute maximum amount of refund eligible in respect of zero-rated supply :

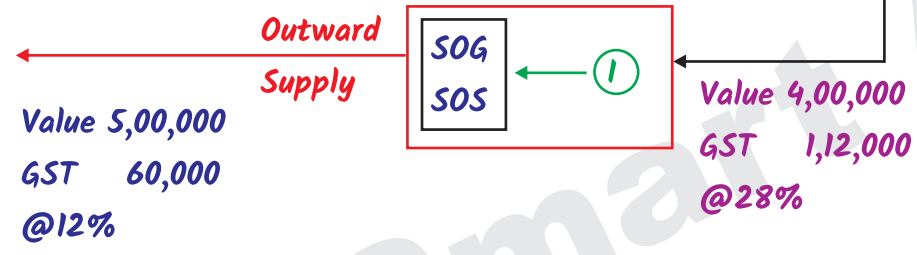
| Particulars | ₹ |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. ITC on Input | 2,50,000 |
| 2. ITC on Input services | 50,000 |
| 3. ITC on Capital goods | 2,00,000 |
| 4. Value of goods under LUT (Export of Goods-qty. 2000) "A" | |
| a) Shipping Bill Value | 15,00,000 |
| b) Value in tax invoice | 17,00,000 |
| 5. Value of goods sold in India (Domestic Clearance of similar goods- qty. 2000) "A" | 35,00,000 |
| 6. Payments received towards service supplied for export (Includes 50,000 of advance towards service to be supplied after current period) | 5,50,000 |
| 7. Service supplied for export in relevant period for which payment received in prior period | 50,000 |
| 8. Taxable value of service in India | 5,00,000 |
| 9. Value of exempt supply of Goods (qty. 5000) "B" | 2,00,000 |

a) How to calculate refund of ITC in case of zero rated supply ?
 b) What would be your answer, if value of domestic clearance of goods "A" is ₹ 8,00,000 in above point 5?
Answer:- Hint :-
 a) Refund amount = $\frac{20,50,000}{60,50,000} \times 3,00,000 = 1,01,653$
 b) Refund amount = $\frac{17,50,000}{30,50,000} \times 3,00,000 = 1,72,131$

Inverted Duty Structure (ITS) Rule 89(5)
(Procedure-1 is applicable for claiming the Refund)

| | | | | | |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------|-------------------------|-----------------------------------|--------------------------------------------------------------------------------|
| Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| 2 Years from Relevant Date (RP may claim at the end of any tax period) | D/D of furnishing return u/s 39, for the period in which such claim for refund arises | NA | RFD-01 | Maximum refund by formula (Notes) | Statement containing No. & date of Invoice received / issued during tax period |

case -1 Inverted Tax Structure



$$\text{Maximum Refund Amount} = \frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \text{Tax payable on such inverted rated supply of goods and services}$$

| | | |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------|
| A. Refund amount | means the maximum refund that is admissible | |
| B. Net ITC | Particular | Amount |
| | Total ITC of Inputs in relevant period | XXX |
| | Less : ITC of Inputs for which refund is claimed under rule 89(4A) & 89(4B) | XXX |
| | Net ITC | XXX |
| Note:- Only ITC of Input shall be considered & no ITC of capital Goods & Input service to be taken | | |

Non-eligibility of refund : As per **N/m 5/2017 CT(Rate)** no refund would be allowed for inverted rate for following goods. (a) woven fabrics (b) knitted or crocheted fabrics (c) rail locomotives and railway coaches/ vehicles, etc.

| | |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C. Adjusted Total turnover" | means the sum total of the value of - a) the turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and b) The turnover of zero rated supply of services determined in terms of clause (D) above & non-zero rated supply of services, excluding - (i) the value of exempt supplies other than zero-rated supplies and (ii) the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both, if any during the relevant period. |
| D. "Relevant period" | means the period for which the claim has been filed. |

CBIC Clarification :- Refund of ITC in case of Inverted Tax Structure (ITS)

| | |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Circular No.- 18/18/2017-GST dt 16/11/2017 | GST paid on input/ input services used in the manufacture of rail coaches (ineligible items) input/ input services used in the manufacture of rail coaches for Export Supply → Refund u/s 54 (3)(i) (i.e. refund of ZRS) is allowed input/ input services used in the manufacture of rail coaches for Domestic Supply → Refund u/s 54 (3)(ii) (i.e. refund of ITS) is not allowed |
| Circular No.- 48/22/2018-GST dt 14/06/2018 - Refund of unutilised ITC is- | Persons supplying job work services on rail coaches, etc are eligible for refund of unutilized input tax credit on account of inverted duty structure u/s 54(3) even of the goods supplied are ineligible for claiming refund under ITS. Reason- because output supply is supply of jobwork services & not of goods (rail coaches,etc) |
| Circular No.- 79/53/2018- dt 31/12/2018 - | i) Where there are multiple inputs attracting different rates of tax, in the formula provided in rule 89(5) of the CGST Rules, the term 'Net ITC' covers the ITC availed on all inputs in the relevant period, irrespective of their rate of tax (i.e. ITC of GST paid on those inputs which are procured at equal or lower rate of GST than the rate of GST on outward supply also included in net ITC for refund under ITS) ii) Intent of law is not to allow refund of tax paid on IS/CG, as part of refund of unutilised ITC. The rules clarifies that both law and related rules clearly prevent the refund of tax paid on IS/CG as part of refund of ITC accumulated on account of ITS. |

Example :-

- Turnover of output Y - ₹ 3000 (applicable of GST Rate 12%)
- Total turnover - ₹ 3000 (Since the claimant has no other outward supplies)
- ITC on value of input A (Use in Y) - ₹ 25 (500* 5%)
- ITC on value of Input B (Use in Y) - ₹ 360 (2000 * 18%)
- Output Tax payable on Y - ₹ 360 (3000 * 12%)
- Net ITC - ₹ 385

Maximum Refund Amount = {Turnover of inverted rated supply of goods and services x Net ITC ÷ Adjusted Total Turnover} - {tax payable on such inverted rated supply of goods and services x Net ITC/ITC availed on inputs and input services}. = {3000* 385/3000} - {360*385/(360+25)}= ₹25

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Circular No. 79/53/2018 dt 31/12/2018 | Misinterpretation of meaning of "Inputs" |
| Whether ITC on stores and spares, packing materials, materials purchased for machinery repairs, printing and stationery items etc. not use in manufacturing process treated as input for refund under ITS? | Yes, ITC for such inputs is not restricted under section 17(5) of the CGST Act and there is no specific restriction on the availment of such ITC anywhere else in the GST Act. |
| whether ITC on stores and spares charged to revenue & not considered as capital goods (as the cost is not capitalize) is included in Net ITC for refund under ITS? | Yes, Stores and spares, the expenditure on which has been charged as a revenue expense in the books of account, cannot be held to be capital goods. |
| Circular No. 135/05/2020 GST- dt 31/03/2020 | Refund of accumulated ITC on account of reduction in GST rate on goods :- The input and output being the same, though attracting different tax rates at different points in time, do not get covered under section 54(3)(ii) of the CGST Act, 2017. Thus, refund of accumulated ITC under said clause would not be applicable in cases where the input and the output supplies are the same. In such cases, as the rate of tax of output supply is less than the rate of tax on inputs at the same point of time under concessional notification, the credit accumulated on account of the same is admissible for refund under the provisions other than the cases where output supply is either Nil rated or fully exempted or are notified by the Government for their exclusion from refund of accumulated ITC under the said clause |

Question

Jai and Co, a registered supplier under GST, is engaged in weaving yarn into fabrics and has provided the following information:

| | |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Nature of various intra-State supplies during April 20XX | Value of supply (excluding GST) (₹) |
| Outward supply of fabrics (Tax rate of CGST and SGST is 2.5% each) | 30,00,000 |
| Inward supply of rayon yarn (Tax rate of CGST and SGST is 6% each) | 24,00,000 |
| Inward supply of services for processing the yarn (Tax rate of CGST and SGST is 2.5% each) | 4,00,000 |
| Inward supply of machineries for weaving the processed yarn into fabrics (Tax rate of CGST and SGST is 9% each) | 45,00,000 |

You are required to compute the 'maximum refund amount'

Answer:- Net ITC = 24,00,000 X 12% = 2,88,000
Taxa Payable on such inverted supply of goods & services = 30,00,000 X 5% = 1,50,000
ITC on input and Input services = 24,00,000 X 12% + 4,00,000 X 5% = 3,08,000
Turnover of inverted rated supply of goods or services = 30,00,000
Adjusted total turnover = 30,00,000
Maximum refund amount = (2,88,000 X 30,00,000 / 30,00,000) - (1,50,000 X 2,88,000 / 3,08,000) = 2,88,000 - 1,40,260 = 1,47,740
Thus, maximum refund amount is ₹ 1,47,740 for CGST and SGST.
Note: Refund of tax paid on input services and capital goods is not a part of refund of accumulated ITC on account of inverted duty structure.

| | | | | | | |
|-------------------------------------|-----------------------------------------------------------------------------------------------|----------------------|--------------------------------------|-------------------------|----------------------------------------|-----------------------------------|
| Person Holding UIN (Rule 95) | Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| | Application once in every Qtr, but before expiry of 2 years, from last Qtr of supply received | Date of Payment | NA | GSTR-II | Tax paid on purchases of Goods/service | Details of Purchase Invoice |

Rule 95 **Refund to UN bodies, Embassies, etc-**

- ⇒ Supplies to UN bodies/ Embassies may be exempted from GST, as per International obligations, which is given by way of refund mechanism.
- ⇒ So, a taxable person making supplies to UN bodies would charge the tax due & remit the same to Govt a/c.
- ⇒ However, UN bodies & entities notified u/s 55 can claim refund of tax paid on purchase.
- ⇒ **Who is entitled to claim refund u/s 55?-**
 - ⇒ Any specialised agency of UNO,
 - ⇒ Any Multilateral Financial Institution & Organisation notified under UN (P&F) Act,
 - ⇒ Consulate/ Embassy of foreign countries,
 - ⇒ Any other specified persons, entitled to claim refund of tax paid on notified inward supplies received by them.

(Specified persons= Canteen stores Dept. is entitled to claim refund of 50% CGST (also IGST) paid on all inward supplies, for subsequent supply to Unit Run Canteens/Authorised customers.)

- ⇒ **Time limit for claiming refund-** Make an application once in every quarter, but before expiry of 2 years from last day of the quarter, in which such supply was received.



Rule 95(1) ⇒ **Forms/Docs for filling refund claim-** Eligible person shall apply for refund- Once in every quarter, electronically on common portal/otherwise, either directly or through a Facilitation Centre, with a statement of inward supplies in Form- GSTR-II.

Rule 95(2) ⇒ **Acknowledgement for refund claim-** shall be issued in prescribed manner.

Rule 95(3) ⇒ **Conditions for sanction of refund-**

- ⇒ Inward supplies were received from a RP against a tax invoice,
- ⇒ Name & GSTIN / UIN of applicant is mentioned in the tax invoice,
- ⇒ Other specified conditions/restrictions.

If UIN of the applicant is not mentioned in a tax invoice, then invoice, duly attested by the authorised representative of the applicant.

Rule 95(4) ⇒ **Rule 92 provisions-** shall mutatis mutandis applicable for sanction & payment of refund.

Rule 95(5) ⇒ **Supremacy provision in case of inconsistency-** Where an express provision in a treaty/ international agreement, to which the President / Govt. of India is a party, is inconsistent with Rule-95, Such treaty/international agreement shall prevail.

| | | | | | | |
|----------------|---------------------------------------|----------------------|--------------------------------------|-------------------------|--------------------------------|-----------------------------------|
| Tourist | Max time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
| | 2 Years from Relevant Date | Date of payment | NA | RFD 10B, | IGST paid on purchase in India | Details of Purchase Invoice |

Sec-15 **Refund of IGST to International Tourist:-**
 IGST paid by tourist leaving India, on any supply taken out of India, shall be refunded in prescribed manner.
Explanation- "Tourist"= A person, not normally resident in India, who enters India for a stay upto 6months, for legitimate non-immigrant purposes.

Refund In Other Cases

| | Procedure | Max.time limit for application | Relevant Date | Doctrine of Unjust Enrichment | Application Form | Amount of Refund | Documents & Conditions |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------|---------------------------------------------------|--------------------------|
| Balance of E cash Ledger | Direct refund in Return | RP can also claim refund in tax period also in GSTR 3/3B | Date of payment of tax | NA | | Excess Bal. in E-cash ledger | - |
| Important points clarified by CBIC:- 1) time period, refund application u/s 54(1), is not applicable in cases of refund of excess balance in E-Cash ledger 2) certification/ declaration for not passing the incidence of tax to any other person is not required to be furnished along with the application for refund of excess balance in E-Cash ledger 3) refund of TDS/TCS deposited in electronic cash ledger can be refunded as excess balance in cash ledger | | | | | | | |
| E cash ledger refund to CTP/NRTP | Direct refund in Return | 2 Years from Relevant Date | Refund, only after filing return of entire period for which registration is held (i.e. only after filing last return of CTP/NRTP) | NA | RFD-01 | Amount paid extra in advance after filling return | Final return by CTP/NRTP |

| | | | | | | | |
|----------------------------------------------------------|------------------|----------------------------|----------------------------------------------------------------------------------------------------|------------|--------|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Order of Court/ Tribunal | R. Procedure-(1) | 2 Years from Relevant Date | Date of communication of judgement/ decree/ order/ direction | Applicable | RFD-01 | Amount specified in order | Reference No. of order, Copy of order |
| Finalisation of Provisional Assessment | R. Procedure-(1) | 2 Years from Relevant Date | Date of final assessment | Applicable | RFD-01 | Difference of provisional tax and final tax | Reference No. of Final assessment order, Copy of said order |
| Wrong Payment of tax | R. Procedure-(1) | 2 Years from Relevant Date | Date of payment | NA | RFD-01 | Amount wrongly paid | St. showing details of transactions considered as Intra state supply, but which subsequently held inter state supply or vice versa |
| Excess payment of tax, Interest or any other amount paid | R. Procedure-(1) | 2 Years from Relevant Date | Date of payment (But if recipient is eligible for refund, then date of receipt of goods/ services) | Applicable | RFD-01 | Excess amount paid | Statement showing the details of the amount of such Claim. |

Order of Refund

| | | | |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sec 54(5)(7) with Rule 92 | Order of Refund - If PO satisfies that claim is refundable (full/part), he may make an order in Form GST RFD-06 , & amount shall be credited to Consumer welfare fund (Paid to applicant in specified circumstances where direct refund is available). | | for amount of refund, & credited to any mentioned bank a/c of applicant on the basis of Consolidate Payment Advice. (revalidation of-> Order RFD-06- not required, order RFD-05- required) <ul style="list-style-type: none"> CG shall disburse refund, based on consolidated payment advice. Not payable to applicant- * He shall make an order (GST-RFD-06)& issue payment order (RFD-05) for amount of refund, & credited to Consumer welfare fund. Govt may disburse the refund of State tax in prescribed manner. |
| Rule 92(1) | Where PO is satisfied that refund is due & payable to applicant, he shall make an order sanctioning refundable amount, mentioning- <ul style="list-style-type: none"> Refund amount on provisional basis, amount adjusted against any outstanding demand, balance amount refundable. (If refund amount completely adjusted against any outstanding demand, an order giving details of adjustment shall be issued.) ⇒ Refund order shall be issued by PO within 60days from date of receipt of application complete in all respects. (counted from date of filling claim as mentioned in acknowledgment received for refund claim) ⇒ If PO is satisfied that refundable amount is- ➤ Payable to applicant- <ul style="list-style-type: none"> He shall make an order (GST-RFD-06)& issue payment order (RFD 05) | Rule 92(1A) | After examining application of refund (other than refund of tax paid on ZRS / deemed export), if PO is satisfied that refund is due & payable to applicant, he shall make an order in Form-RFD-06 sanctioning refund amount paid in cash , proportionate to amount debited in cash against total amount paid for discharging tax liability for the relevant period, mentioning amount adjusted to any outstanding demand under the act/existing law, & balance amount refundable & for remaining amount which has been debited from E credit ledger, for making payment of such tax, PO shall issue Form-GST PMT 03, recrediting the said amount as ITC in E credit ledger. |

Sec 56 :- Interest on Delayed Refunds

| Situations | Refund is not paid | Interest | Interest is Payable |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------|
| If order passed by PO u/s 54(5) | within 60days, from date of receipt of application from applicant | 6% p.a. | from 61 th days till the date of payment of refund |
| order passed in an appeal /further proceedings | Within 60 days from date of receipt of application filed consequent to such order till the date of refund | 9% p.a. | from 61 th days till the date of payment of refund |

Circular 79/53/2018
 => For above limit of 60days in calculation of interest, All tax authorities are advised to issue final sanction orders (RFD-06) within 45days from date of generation of ARN, so that disbursement completed within 60days by both Central/state authorities, to save interest.

Circular no. 181/13/2022
Issue relating to Formula u/r 89(5):
 It is clarified that **amended formula** u/r 89(5) for calculation of refund on account of inverted duty structure **would be applicable for refund applications filed on or after 05.07.2022**. The refund applications filed before 05.07.2022 will be dealt as existed before the amendment.

Circular no. 188/20/2022
Manner of filing Refund application by URP
 ⇒ An Unregistered person who wants to file a refund application, have to take temporary registration, and also required to undergo Aadhaar Authentication.
 ⇒ Application shall be filed in Form RFD-01 & also upload required documents & refund amount shall not exceed total tax declared in invoice
 ⇒ Refund claim can be filed by unregistered persons only in those cases where at the time of cancellation/termination of agreement/contract for supply of services, the time period for issuance of credit note u/s 34 has already expired.
 ⇒ In such cases, Relevant date is Date of receipt of services by the applicant
 ⇒ PO shall scrutinize the refund, and if satisfied issue refund sanction order in Form RFD-06
 ⇒ If the amount paid back by supplier to unregistered person on cancellation/ termination of agreement/ contract for supply of services is less than amount paid by such unregistered person to the supplier, **only the proportionate amount of tax involved** in such amount paid back shall be **refunded** to the unregistered person.

Period of delay shall not include [N/No. 38/2023- Rule 94(2)]:-
 a) time taken to furnish reply or additional document **beyond 15 days** of receipt of notice &
 b) time taken by applicant to give correct bank account details for crediting refund or for validating such details.