

# REFUND

## # Situations leading to Refund claims

1. goods/ services/ both are exported or supplied to SEZ on payment of IGST and refund of such IGST paid.

→ Procedure: (If goods are exported) **Rule 96**

→ Shipping bill/ bill of Export deemed to be an application for refund, if

- a) The person in charge of conveyance, file an Export general Manifest (EGM)/ Export Report, covering the number & date of shipping bill/ bill of Export.
- b) The Applicant has furnished Valid Return in form GSTR 3/3B.

→ Procedure: (If supplied to SEZ)

→ Refund application will be filed by supplier of

Goods

Services

After such goods have been admitted  
In full in the SEZ for authorised operation

Along with such evidence regarding receipt  
of services for authorised operation  
(e.g.: on Ack. issued by SEZ officer)

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Supplier will submit an ack. Issued by SEZ officer.

2. A registered Person may claim refund of any unutilized Input Tax Credit at the end of any tax period in-the following cases: -

A) **Case I: Zero Rated Supply: Export/ supply to SEZ under Bond/ LOU.**

$\text{Maximum Refund} = \left\{ \begin{array}{l} \text{Net ITC} \\ \text{(ITC of I+IPS) exclude} \\ \text{Rule 89(4A)/ (4B)} \\ \text{Deemed Export} \end{array} \right\} \times \text{Zero Rated Supply.}$
$\frac{\text{Total adjusted Turnover of a State/ Union Territory}}{\text{Except T/O as per Rule 89(4A)/ (4B) \& Exempted Supply}}$

Total Adjusted T/O of a state/ Union territory

Goods

Services

- 1. Taxable Supply
- 2. Export

- 1. DTA (Taxable)
- 2. Export (If any Amount received in advance but services not provided, will not be treated as export services)

E.g. MG Pvt Ltd furnished following details and request you to compute the Maximum refund of ZR's.

- 1) ITC available on Input = 5,00,000
- 2) ITC available on Input = 1,00,000
- 3) ITC available on Input = 2,50,000
- 4) Taxable Value goods exported under BOND/ LOU = 60L
- 5) Taxable Value of goods supplied within India = 70L
- 6) Payment received towards services supplied for export (include Rs. 50,000 of advance towards services to be supplied/ Export after the current period = 10,50,000
- 7) Taxable Value of services supplied within India = 10L

$$\text{Maximum Refund} = \frac{600000 (5L+1L)}{150L} \times 70L (60L+10L) \\ (70L+60L+10L+10L) \\ = \text{Rs. } 280,000$$

→ Procedure in case of goods/ services export under Bond/ LOU. **Rule 96A**

- 1) File bond/ LOU in prescribed form to jurisdictional commissioner, binding himself to pay the tax due along with Interest @ 18% within a period of: -
  - a) Goods: - 15 days after expiry of 3 months from the date of issue of the invoice for export (If goods are not exported)
  - b) Services : - 15 days after the expiry of 1 year or such further period as may be allowed by the Commissioner, from the date of issue of Invoice for export. (If payment of such services is not received by exporter in convertible foreign exchange.)

→ Grant of provisional Refund.

In case of Zero rated supply, the applicant can apply for provisional refund and department can grant **90% of total amount so claimed.** subject to conditions:

→ Where the amount of tax evaded does not exceeds Rs. 2.5Cr, the person claiming refund has not been prosecuted during any period of 5 years immediately preceding the tax period to which the claim of refund relates.

**Note:** - The proper officer shall make an order in prescribed form, sanctioning the amount of refund on provisional basis within a period **not exceeding 7 days from the date of Ack.**

**B) Case II: Accumulated ITC on account of inverted Tax structure.**

**Meaning:**

If Rate of Tax on inputs is higher than the rate of tax on outward supply. (other than NIL Rated or fully exempt supplies), except supplies of goods/ services/ both as may be notified by the government.

e.g. Super Engg works, a registered supplier in Haryana is engaged in supply of Taxable goods within the state. Given below are the details of the turnover and applicable GST rated of the final products, manufactured by them. {Nov 18 attempt}

Product (FG)	Turnover excl. GST	Output GST Rate	ITC Aailed	Input GST Rate
A	5,00,000	5%	54,000	18%
B	3,50,000	5%	54,000	18%
C	1,00,000	18%	10,000	18%

Determine the maximum amount of refund of the unutilized ITC and the Product B is notified as a product in respect of which no refund of unutilized ITC shall be allowed.

**Solution:**

$$\begin{aligned}
 \text{Max Refund} &= \left\{ \frac{\text{Net ITC}}{\text{Adjusted Total T/O of such Taxable product of a state/ UT}} \times \text{Inverted duty structure T/O} \right\} - \text{Tax on such inverted day structure T/O} \\
 &= \left\{ \frac{118000}{950000} \times 500000 \right\} - 5\% \text{ of } 500000 \\
 &= 62105 - 25000 \\
 &= 37105.
 \end{aligned}$$

→ **Common Note for case I & case II**

Refund of unutilized ITC shall not be allowed if: -

- 1) The goods exported out of India are subjected to export duty.
- 2) If the supplier avail the duty draw back.

3. Tax paid on the supply of goods regarded as deemed exports, may be claimed by recipient.

Note: - The supplier can claim refund if the recipient does not avail the ITC on such supply and furnish an undertaking to the effect that the supplier may claim the refund.

4. Refund of any balance in Electronic cash ledger.
5. Refund on the basis of Refund voucher.
6. Refund of tax wrongly collected and paid to the government.
7. Tax becomes refundable as a consequence of judgement, decree, order or direction of the Appellant authority, appellant tribunal or any court.
8. On finalisation of Provisional assessment, if any tax becomes refundable to assess.
9. Refund of taxes on purchase made by UN bodies or embassies, foreign diplomates and Canteen stores department.
10. The IGST paid by tourist leaving India on any supply of goods taken out of India by him.

→ **Common Note: Amendment**

No Refund shall be paid to an applicant, if the amount is < Rs. 1,000. Time limit of Rs. 1,000 shall apply for each tax head separately. Further, the limit would not apply in cases of refund of excess balance in the electronic cash ledger (even Rs. 100 in cash ledger will be refunded).