



GST

Refunds

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Timely refund mechanism is essential in tax administration as it facilitates trade through release of blocked funds for working capital, expansion, modernization of existing business.



We have hereinbelow detailed on the types of refund, procedure and relevant points that should be kept in mind while filing refund applications.

GST refund can be obtained under either of the following two options -

- Refund of IGST paid on account of Zero-rated supplies under with payment of IGST
- Refund of unutilized Input Tax Credit (ITC) on account of Zero-rated supplies under LUT

Export Invoice

Export Invoice is to be issued under the option 'With payment of IGST' It is to be noted that the (GST indicated in the invoice is not collected from the customer).

utilization of existing balance of ITC

The GST liability against the invoice is to be discharged appropriately by utilization of existing balance of ITC.

Reporting exports in GSTR - 1

Filing of a valid return as per section 39 of the CGST Act and reporting the details of such exports in appropriate table of GSTR - 1 (Table 6 of GSTR 1).

Refund in RFD 01

An application for refund in RFD 01 is to be filed on receipt of export proceeds.



- Under this option, GST paid on capital goods is also allowed as refund under this option of refund.
- Under this option, ITC relating to the previous period (instances where the due date for filing the refund application under LUT has expired) can also be sought as refund.
- The mechanism for claim of refund against export of goods is completely automated.

- EOU/ STP claiming exemption from payment of IGST on goods imported basis their unit status.
- An Assessee claiming deemed exports benefit on procurement of goods is not eligible for refund under this option.

Mechanism under Option 2

- Exporters shall make zero rated supplies without payment of GST under a LUT
- Application for claim of refund of the accumulated ITC on the eligible purchases made
- Refund to be allowed in proportion to the value of exports.

Advantages/Restrictions

- The accumulated ITC relating to inputs & input services can only be claimed as refund. ITC relating to capital goods procurements is not allowed as refund
- An assessee must file refund application in RFD-01 with all relevant details within 2 years from the relevant date.
- GST paid on procurements relating to export of exempt products can be sought as refund under this option.
- Refund under this option is preferable to industries where the exported goods are under the inverted tax structure (i.e., rate of GST on exported goods is lower than the rate of GST on purchases made)



Remission of Duties and Taxes on Exported Products (RoDTEP):

1. Salient features



- Remission of Duties and Taxes on Exported Products (RoDTEP) has been extended to all exports of goods with effect from January 2021.
- The scheme has been introduced to replace the Merchandise Export from India Scheme (MEIS) and has been framed within the WTO norms.
- This scheme is expected to give a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the international market so that domestic taxes/duties are not exported.

2. Eligibility of scheme



- All sectors including textiles with priority given to labour intensive sectors which are enjoying benefits under MEIS at 2%, 3% or 5% of export value.
- Both Merchant exporters and Manufacturer exporters
- No minimum turnover criteria to claim the incentive
- Goods exported through e-commerce platforms via courier also eligible.
- Re-exported products are not eligible (Country of origin of the exported products should be India).

3. Benefits/Advantages



The scheme would refund the embedded the duties or taxes that were so far not being rebated or refunded.



The refund would be credited in an exporter's ledger account with customs and will be used against payment of basic customs duty on imported goods.



Duty credit scrips can also be transferred to the other IEC holder.

4. Points to be noted

- If an exporter wishes to avail the benefit of the scheme, then he shall be required to declare his intention for each export item at the time of filing shipping bill.
- It is to be noted that no changes will be allowed after filing of Export General Manifest (EGM).
- Implementation mechanism makes it clear that RoDTEP benefit may not be available to the exporters operating under various export related schemes (e.g. SEZ, EOU units, AA holders, etc).
- The shipping bill should be mentioned as follows -
 - RODTEPY - If RoDTEP is availed
 - RODTEPN - If RoDTEP is not availed
- If RoDTEP is not specifically claimed in the SB, no RoDTEP benefit would accrue to the exporter.
- The rate of incentive under the scheme is yet to be notified and such rates would be applicable to all the eligible exports made from 01 January, 2021

Comparison b/w MEIS and RoDTEP



S.No	Description	Under MEIS	Under RoDTEP
1	Schema of Incentive	Additional incentive on export of goods apart from other refunds and drawbacks	Refund of indirect taxes on inputs used in the manufacture of exported product
2	Incentive percentage	2% to 5% on FOB value of exports	Product based - To be notified later
3	Mode of issuance	Issuance in the form of transferable scrips	Issuance in the form of transferable duty credit/electronic scrip



STPI/ EOU Unit vis-à-vis
regular DTA Unit:

Background:



Businesses registered as a STPI/EOU Unit have enjoyed a 10-year tax holiday under section 10A of the Income Tax Act, 1961



The tax holiday exemption was not extended for Units set-up after 2001, thereby making it indifferent to be registered as a STP Unit compared to the regular DTA Unit.



Furthermore, Govt. has discouraged STPI Units by restricting SEIS eligibility to other than STP Units. Even under the provisions of GST, STP/EOUs are given not any preferential treatment in comparison with regular DTA Units.



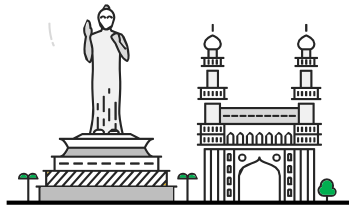
Owing to the above, businesses have exited the scheme and have started operating as a regular DTA Unit.

Comparative analysis of STP/ EOU Unit v/s DTA Unit



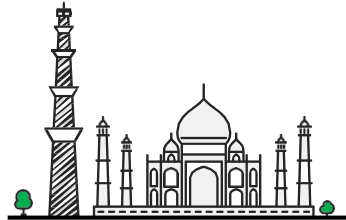
S.No	Parameters	STP Unit	DTA Unit (Non STPI)	
1	Customs duty on import of CG	Not leviable	Similar upfront exemption can be claimed under EPCG scheme	Neutral
2	GST on domestic procurements of CG and other procurements	Leviable	Leviable	Neutral
3	Permission for local sales	Permitted up to 50% of FOB value of export, subject to meeting positive NFE criteria and on payment of applicable duties/taxes	No such restrictions	Beneficial
4	Export obligation	Requirement to achieve positive NFE	No requirement to achieve positive NFE	Beneficial
5	Service Export from India Scheme (SEIS)	An STP unit is not eligible for availment of benefits under the FTP	SEIS benefit is available for notified services based on net foreign exchange earned without any specific restrictions.	Beneficial

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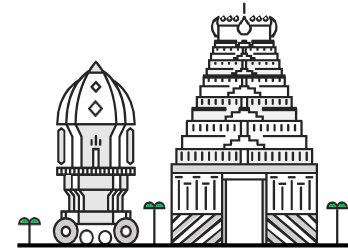
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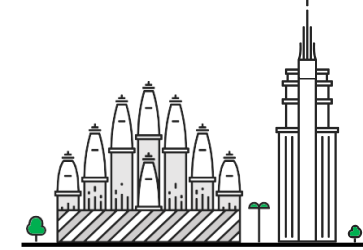
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Thank You



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