



# 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 and modernization of existing business. To ensure uniformity in the implementation of the provisions of law across the Country, **CBIC** has laid down the **procedure for submission and processing of refund applications** vide its circular 125/44/2019 - GST 18 November 2019. Further, the CBIC has reviewed the refund processing mechanism and has made changes to the same vide its circular 135/05/2020 - GST dated 31 March 2020 .

In the ensuing paras, we have detailed on the **types of refund, procedure and relevant points** that should be kept in mind while **filing refund applications** incorporating all the relevant Sections, Rules and Circulars up to 31 March 2020

Refund Types	Section Ref	Note
Refund on account of ITC accumulated against exports/ SEZ supplies	Section 54 read with Rule 89	Discussed in detail in the ensuing slides
Export of goods/ services with payment of tax	Section 16 of IGST Act read with Rule 96 of CGST Rules	Discussed in detail in the ensuing slides
Refund on account of ITC accumulated due to Inverted Tax Structure	54(3)(ii)	<ol style="list-style-type: none"> <li>1. If the rate of GST on inputs is higher than the rate of GST on output, refund of accumulated ITC can be claimed as per the procedure notified</li> <li>2. Option to claim refund under this section is restricted to goods</li> </ol>
Refund to supplier / recipient of tax paid on deemed export supplies;	Section 147 and Rule 89	<ol style="list-style-type: none"> <li>1. Supply of <b>goods</b> by registered person to an Export Oriented Unit (Shall include EOU,STPI,EHTP,BTP units)</li> <li>2. Supply of goods to an Advance Authorization holder</li> <li>3. Supply of goods to an Export Promotion of Capital Goods (EPCG) holder</li> </ol> <p>If any person wishes to obtain refund under under this section, they shall follow some prescribed procedure as mentioned in Circular 14/14/2017 dated 6.11.2017</p>

Refund Types	Section	Note
Refund of Excess Balance in Electronic Cash Ledger	54(1)	<ol style="list-style-type: none"> <li>Cash deposited erroneously can be claimed as refund under this option</li> <li>In the latest Finance Act, the Govt has provided an option to transfer amount (vide Form PMT-09) from one ledger to the other</li> </ol>
Refund of taxes erroneously paid	54(1) read with Rule 89(2)(k)	<ol style="list-style-type: none"> <li>Taxes erroneously paid can be claimed as refund</li> <li>Important point here is that the due date of claiming such refund is within 2 years from the date of payment</li> </ol>
Refund on account of Assessment/ Provisional Assessment/ Appeal/ any other Order	54(11), 54(12) , 60(5)	<ol style="list-style-type: none"> <li>If any refund is sanctioned during litigation, the refund can be claimed by under this category by attaching the sanctioned order copy</li> </ol>

## Types of Refunds



### Exports of goods/ services with payment of IGST

- 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*
- The GST liability against the invoice is to be discharged appropriately by utilization of existing balance of ITC
- GST returns (GSTR 1 & GSTR 3B) are to be filed appropriately
- Exporters claiming deemed export benefits are not eligible to claim refund under this option



### Export of goods/ SEZ supplies under LUT

- Exporters shall make zero rated supplies without payment of GST under a LUT
- Refund to be allowed in proportion to the value of exports
- The accumulated ITC (to the extent of GST paid on inputs & input services) can be sought as refund by filing an online application in RFD-01
- Requisite details as prescribed in Annexure A are to be uploaded in the online portal
- GST paid on procurements relating to **export of exempt products** can be sought as refund under this option

### Export of Goods

- On completion of EGM (Export General Manifest), a deemed refund application is to be filed by including the Shipping Bill details in the GST returns
- The GST portal and the Customs portal are integrated to this extent, wherein the details will be auto-validated by the System.
- On successful validation refund shall be credited to the bank a/c

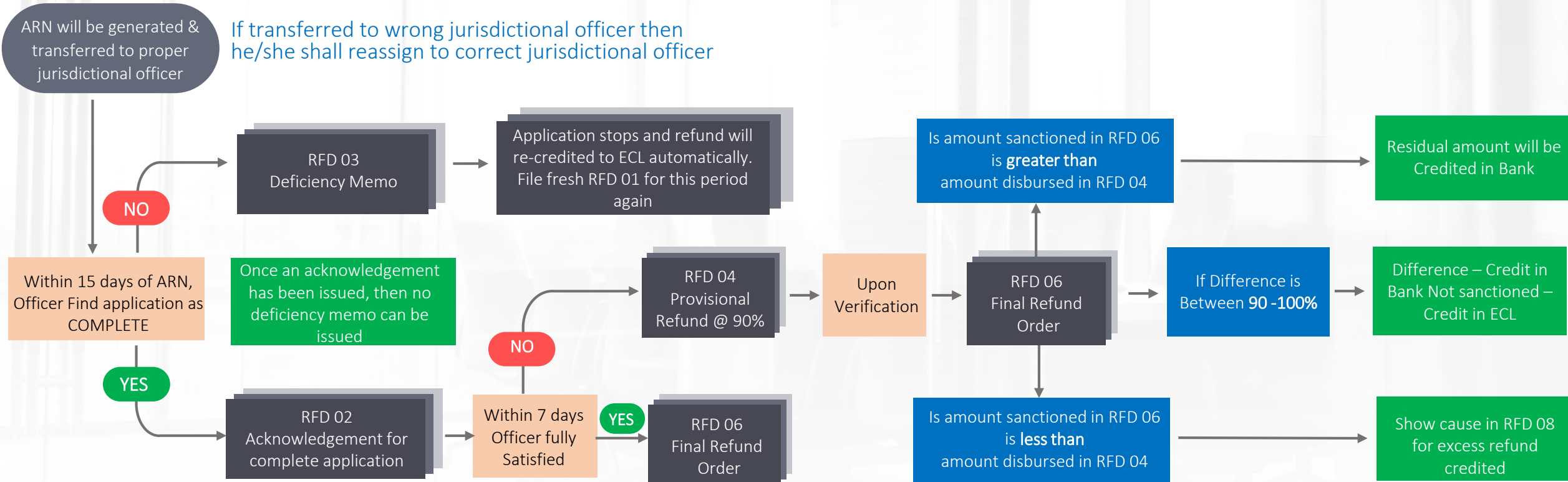
### Export of Services

- An application for refund in RFD-01 is to be filed on receipt of export proceeds
- Requisite details as prescribed in Annexure A are to be uploaded in the online portal

Procedure relating to refund of unutilized ITC on account of exports/ SEZ supplies without payment of tax

# REFUND OF UN UTILISED ITC ON ACCOUNT OF EXPORTS/ SEZ SUPPLIES WITHOUT PAYMENT OF TAX

File RFD 01 with all relevant details within 2 years from relevant date\*



- Statements/ declarations/ undertakings shall form part of the application and are not required to be uploaded separately
- Comprehensive list of documents is provided in Annexure A to the circular. Requisite documents are to be uploaded online, no physical submission required
- The jurisdictional officer shall issue both the sanction order (FORM GST RFD-04/06) and the corresponding payment order (FORM GST RFD-05) for the sanctioned refund amount, under all tax heads (i.e. both central/ state tax portions).
- Sanctioned refund shall be disbursed through PFMS after validation of Bank a/c

## In case of Zero-rated supply

$$\text{Refund Amount} = \frac{(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC}}{\text{Adjusted Total Turnover}}$$

Net ITC = ITC on Goods & Services available during the period – ITC on Capital Goods

## In case of Inverted Duty

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



# RELEVANT DATE FOR CLAIMING REFUND

An application for refund have to be filed online in GST RFD -01 with in two years from the relevant date which is as following

In Case of	Relevant date
Export by Sea/Air	The date on which the ship or the aircraft in which such goods are loaded, leaves India
Export by Land	The date on which such goods pass the frontier
Export by Post	The date of dispatch of goods by the Post Office concerned to a place outside India
Deemed Export	The date on which the return relating to such deemed exports is Furnished
Export of Service	The date of– Receipt of payment in convertible foreign exchange, where the supply of services had been completed prior to the receipt of such payment; or Issue of invoice, where payment for the services had been received in advance prior to the date of issue of the invoice
Order/Judgement	The date of communication of such judgment, decree, order or Direction
Refund of unutilized input tax credit	End of Financial year
Provisional payment of Tax	The date of adjustment of tax after the final assessment
Other Cases	The date of Payment of Tax

# RELEVANT DETAILS REQUIRED:

S.No.	Refund Application Type	Additional Supporting Documents Uploaded			
		Copy of GSTR 2A	Statement of Invoices (Annexure B)	BRC / FIRC Copy	Declaration as per CGST Rules / Others
1	Refund of unutilized ITC on account of exports Without payment of tax	Yes	Yes	Yes	NA
2	Refund of tax paid on export of services made with payment of tax	Yes	Ye	Yes	Sub-rule (1) of rule 91
3	Refund of unutilized ITC on account of Supplies made to SEZ units/developer without payment of tax	Yes	Yes	NA	Second proviso to rule 89(1)
4	Refund of tax paid on supplies made to SEZ units/developer with payment of tax		NA		Second proviso to rule 89(1) & Sub-rule (1) of rule 91
5	Refund of ITC unutilized on account of accumulation due to inverted tax structure	Yes	Yes	NA	NA
6	Refund to supplier of tax paid on deemed export supplies		NA		Form A & Form B as per CGST Circular no. 14/14/2017 dated 06.11.2017
7	Refund to recipient of tax paid on Deemed export supplies				
8	Refund of excess payment of tax			NA	
9	Refund of tax paid on intra-state supply which is subsequently held to be an inter-state supply and vice versa				
10	Refund on account of assessment / provisional assessment / appeal / any other order		<ul style="list-style-type: none"> <li>Reference number of the order and a copy of the Assessment / Provisional Assessment/ Appeal / Any Other Order</li> <li>Reference number/proof of payment of pre deposit made earlier for which refund is being claimed</li> </ul>		
11	Refund on account of any other ground or reason		Documents in support of the claim		

REFUND FORM	DESCRIPTION
RFD – 01	Refund Application
RFD – 02	Acknowledgement of Refund Application
RFD – 03	Deficiencies found in refund application is informed by Proper officer in said form
RFD – 04	Order of Sanction of Refund on provisional basis
RFD – 05	Payment advice issued for Order of sanction in Form GST RFD-04
RFD – 06	Order of Sanction of Refund after verification
RFD – 07 Part A	Order of Adjustment of refund from pending dues/taxes
RFD – 07 Part B	Order of Withheld of refund
RFD – 08	Rejection Order
RFD – 09	Reply to Rejection Order (Within 15 days)
RFD – 10	Request for Refund in case of UIN
RFD – 11	Letter of Undertaking (LUT)

# SUMMARY OF REVISED REFUND GUIDELINES

## (Circular 135/05/2020 – GST dated 31 March 2020)



Refund applications can be filed across financial years now (earlier restricted to periods within one FY)



No ITC refund on account of inverted duty structure merely on account of GST rate changes for the same product (goods procured at 18% and sold at 12%)



Refund on account of excess/wrong payment of taxes - will be credited to ECL if tax payment is made through credit or refunded in cash if tax is paid in cash. (No cash refunds though paid through credit as followed earlier).



ITC refund shall be restricted only to those invoices reflecting in GSTR 2A [uploading of invoices not reflecting in GSTR 2A is not required]. This change is owing to insertion of Rule 36(4) from October 2019 onwards. In other words, the benefit of 10% additional credit which Rule 36(4) provides for is not available in refund cases.

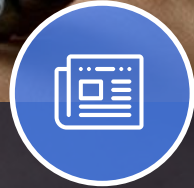


Due to difficulty in distinguishing ITC on capital goods, new requirement of HSN/SAC is included in Annexure B.

## POINTS TO BE NOTED



Application for refund is to be filed within 2 years from the end of the relevant date



Applications filed on or before 26 September 2020 are to be processed as per the earlier guidelines issued for processing the refund



The refund may be filed for a tax period or by clubbing successive tax period, which may spread across different financial years also (yet to be implemented)



If the date of credit of refund in the bank account of the applicant exceeds 60 days from the date of generation of ARN, then the applicant shall be eligible for interest @6% for the number of days beyond such 60 days till the actual date of credit of refund in the bank

## POINTS TO BE NOTED



The complete refund is processed for all heads of tax, i.e. IGST, CGST, SGST and CESS by the same jurisdictional officer to whom the refund application is forwarded by the portal



Definition of Turnover of Zero-rated supply of goods is amended to restrict the value of goods exported to 1.5 times the value of similar/ like goods domestically supplies  
Section 89(4)(C)



Instances where sale proceeds is not received within timelines allowed under FEMA, refund allowed shall be proportionately paid to the Govt along with interest within 30 days



Once deficiency memo issued, the application would be considered as rejected and a fresh application must be after rectifying the deficiencies noted

# Procedure relating to refund of unutilized ITC on account of exports supplies with payment of tax

# REFUND OF IGST ON EXPORT OF GOODS WITH PAYMENT OF TAX



To ensure that SB is filed under the option of with payment of GST



# POSSIBLE ERRORS AND REASONS:

## CODE



## MEANING



## ACTION REQUIRED

SB000

Successfully validated

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SB001

Invalid SB details

Amend GSTR-1 by using Table 9A and fill correct SB details

SB002

EGM not filed

Approach shipping line for filing of EGM

SB003

GSTIN mismatch

Amend GSTR-1 by using Table 9A

SB004

Record already received and validated

No action required

SB005

Invalid invoice number

Amend GSTR-1 by using Table 9A & fill correct invoice details

SB006

Gateway EGM not available

Approach shipping line or gateway port Customs

PFMS Validation Errors

Bank Account details of the exporter not validated in PFMS

Approach EDI section at the gateway port Customs with correct account number, bank name and branch address, and IFSC code of the branch

Circular No.	Clarifies
17/17/2017-GST dated 15.11.2017 24/24/2017-GST dated 21.12.2017 37/11/2018-GST dated 15.03.2018 45/19/2018-GST dated 30.05.2018 59/33/2018-GST dated 04.09.2018 70/44/2018-GST dated 26.10.2018 79/53/2018-GST dated 31.12.2018 94/13/2019-GST dated 28.03.2019	<ol style="list-style-type: none"> <li>1. Superseded vide 125/44/2019 - GST dated 18 November 2019</li> <li>2. Application filed after 26 September 2019 shall be processed under the new system as per the revised guidelines</li> <li>3. Refund applications filed before the cut-off date shall continue to be processed manually as prior to deployment of new system</li> </ol>
125/44/2019-GST dated 18.11.2019 <a href="#">Link to circular</a>	Revised Guidelines on new refund filing mechanism notified <ol style="list-style-type: none"> <li>1. Including filing of refund</li> <li>2. Mechanism for processing refunds and other relevant aspects are discussed</li> </ol>
135/05/2020 - GST dated 31.03.2020 <a href="#">Link to circular</a>	<ol style="list-style-type: none"> <li>1. Bunching of refund claims across Financial Years</li> <li>2. No refund on accumulated Input Tax Credit (ITC) on account of reduction in GST Rate</li> <li>3. Revised guidelines on processing refunds other than zero rated/ Inverted duty/ Deemed exports/ Excess cash balance</li> <li>4. Restriction on refund of ITC against supplies not reflected in GSTR 2A</li> <li>5. New requirement to mention HSN / SAC in Annexure B</li> </ol>

# HOW WE CAN HELP YOU?



Steadfast Business Consulting LLP is a leading Professional Service firm offering wide range of services in the tax and regulatory space to clients in India and around the world. Having a sound track record of processing around 140 refunds to our clients from the past two years.

We take care from initial evaluation and application to the date of credit of refund amount into the bank which includes



Evaluating the various aspects including the eligibility to claim refund of the GST paid on capital goods and advising on the approach for optimizing the refund claimed by the Company



Collating all the details and filing the refund application



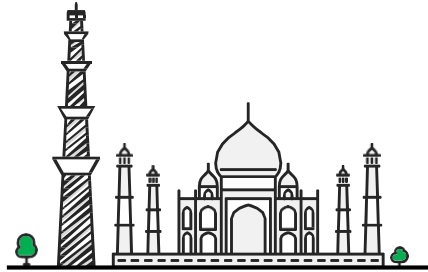
Liaising with the department authorities to ensure the refund is processed in the optimal time frame.

# Contact us



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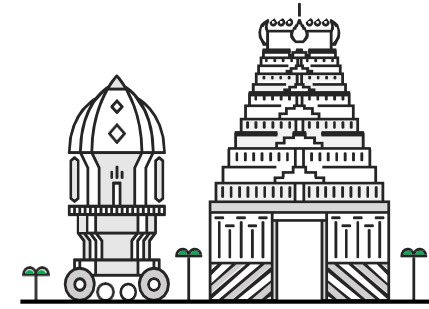
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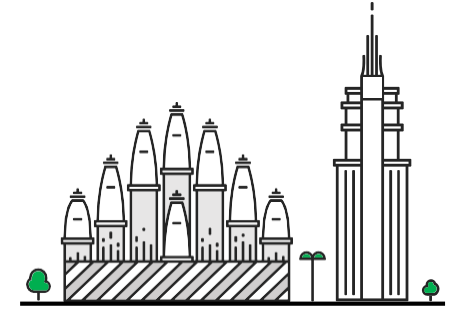
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# Thank You



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