



GST REFUNDS

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Refunds in GST can be claimed in the following scenarios :

- Excess balance in Electronic Cash Ledger
- On Account of Export of Services - With Payment of Tax
- On Account of Supplies made to SEZ Unit/ SEZ Developer (With Payment of Tax)
- Exports of Goods / Services - Without Payment of Tax, i.e., ITC Accumulated)
- ITC Accumulated due to Inverted Tax Structure (clause (ii) section 54(3))
- On account of Supplies made to SEZ Unit/ SEZ Developer (Without Payment of Tax)
- On account of Refund due to Deemed Export
- On account of Assessment /Provisional Assessment / Appeal
- Excess payment of tax
- Any other reason

Refunds cannot be claimed in the following scenarios

1. No Refund of Unutilized ITC is allowed in cases where the Goods are exported out of India are subjected to Export Duty. (Section54(3)).
2. No refund of ITC is allowed if the supplier of the Goods or Services or both avails of drawback or refund of IGST paid on such supplies.
3. No refund on closing stocks (accumulated ITC on account of relatively low volume of output supplies to inward supplies)

Manual Filing and Processing of GST Refunds

- The applicant has to file FORM GST RFD -01A on common portal and a print out of FORM RFD-01A along with the ARN to be submitted before jurisdictional proper officer.
- All documentary evidences as applicable shall be filed before jurisdictional proper officer (Rule 89(2) of GST Rules)
- As per the circular No .79/53/2018, dt. 31.12.2018 the refund applicant can also upload the required documents/statements on common portal. In this case neither the application nor the supporting documents are required to be submitted physically. The applicant has the option to file the physical documents to proper officer or upload the same on the common portal.

Manual Filing and Processing of GST Refunds (contd..)

- The Amount claimed as refund is debited from the amount in the electronic credit ledger to the extent of claim.
- The Common portal generates a proof of debit i.e. ARN – Acknowledgement Receipt No.
- Where the Refund is claimed due to inverted Tax Structure, the applicant has to file Statement -I (Rule 89(5)) and Statement -IA (Rule 89(2)(h))

Manual Filing and Processing of GST Refunds (contd..)

Statement-1 [rule 89(5)]

Refund Type: ITC accumulated due to inverted tax structure [clause (ii) of first proviso to section 54(3)]

(Amount in Rs.)

Turnover of inverted rated supply of goods	Tax payable on such inverted rated supply of goods	Adjusted total turnover	Net input tax credit	Maximum refund amount to be claimed [(1×4÷3)-2]
1	2	3	4	5

Statement 1A [rule 89(2)(h)]

Refund type: ITC accumulated due to inverted tax structure [clause (ii) of first proviso to section 54(3)]

Sl. No.	Details of invoices of inward supplies received			Tax paid on inward supplies			Details of invoices of outward supplies issued			Tax paid on outward supplies		
	No.	Date	Taxable Value	Integrated Tax	Central Tax	State/Union territory Tax	No.	Date	Taxable Value	Integrated Tax	Central Tax	State/Union territory Tax
1	2	3	4	5	6	7	8	9	10	11	12	13

The Refund of input tax credit is granted as per the following formula (Rule 89(5))

Maximum Refund Amount = {(Turnover of inverted rated supply of goods) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods

Manual Filing and Processing of GST Refunds (contd..)

- In case refund is claimed, on account of Zero rated supply of services & Goods, the refund of input tax Credit is granted as per the following formula : (Rule 89(4))
- Refund Amount = $(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$

Deemed Exports

- The Recipient or the Supplier can apply refund of tax paid on deemed export supplies (Third proviso to Rule 89(1))

Manual Filing and Processing of GST Refunds (contd..)

- If the refund is claimed by the supplier of deemed export supplies, the documentary evidences as specified in G.O.Ms.No. 290 Revenue (CT-II) Department (CBEC Notification No 49/2017 – Central Tax dated 18.10.2017) are required to be furnished which includes an undertaking by the recipient of deemed export supplies that he shall not claim the refund in respect of such supplies and that no ITC on such supplies has been availed of by him.
- In Case the refund is claimed by the recipient of the deemed export supplies, an undertaking by the deemed export supplier that he shall not claim the refund in respect of such supplies is required to be furnished manually.

Refund on Account of Excess Balance in Cash Ledger

- In case refund is claimed due to balance in electronic cash ledger (AF-01) (Rule 89(1), The applicant has to file Form GST RFD- 01A on Common Portal
- The amount claimed as refund is debited from the amount in the electronic cash ledger to the extent of claim (Rule 87(10))
- The Common portal generates a proof of debit (ARN – Acknowledgement Receipt number)
- The Applicant shall submit the printout of form GST RFD- 01A and copy of ARN to jurisdictional proper officer along with necessary documentary evidences

Processing of GST Refunds Manually

- For record keeping of manually sanctioned refunds - Three different refund registers are to be maintained, i.e., for receipts, sanction of provisional refunds and sanction of final refunds.
- After receiving the application for refund in form GST RFD -01A, if any deficiencies are noticed, the proper officer has to communicate the same to the applicant a deficiency memo in form GST RFD-03.
- Deficiency memo should be complete in all respects and only one deficiency memo shall be given.
- The Applicant has to file afresh refund application after rectification of deficiencies by using the ARN and debit entry number generated originally.

Processing of GST Refunds Manually

(contd..)

- If the applicant does not file a fresh application within 30days of the communication of the deficiency, the jurisdictional proper officer has to pass order in FORM GST PMT – 03 and re-credit the amount claimed as refund through FORM GST RFD-01B.
- After receiving the application for refund in form GST RFD – 01A the proper officer has to scrutinize, the application for its completeness and necessary documents and issue an Acknowledge in form RFD -02 within 15days from the date of receipt of the application (Rule 90(2)).
- The date of submission of application for which acknowledgement is given, will be considered as the date for ensuring whether the refund is sanctioned within the stipulated time.

Provisional Refund in case of Zero Rated Supplies

- In the case of claim for refund on account of export of Goods & Services or both, ninety percent of provisional refund shall be granted subject to certain conditions (Sec 54(3),54(6) and Rule 91) within a period not exceeding 7 days from the date of acknowledgement (in FORM GST RFD-03)

Physical Application Received with all document evidences 14.02.2019	Last date for issue acknowledgement 28.02.2019	Last date to issue Provisional refund order in Form GST RFD-04) 06.03.2019	Last date of to issue deficiency memo 28.02.2019	Last date to file afresh application by the applicant 30.03.2019	Last date to issue acknowledgement 13.04.2019	Last date to issue Provisional refund order in Form GST RFD-04
14.02.2019	28.02.2019	06.03.2019	28.02.2019	30.03.2019	13.04.2019	19.04.2019

Conditions to be fulfilled to issue provisional refund order (Sec 54(6), Rule 91)

- The person claiming refund, during any period of five years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under in existing law where the amount of tax amount exceeds two hundred and fifty Lakhs rupees (Rule 91(1)).
- Hence, before sanction of the refund a declaration shall be obtained that the applicant has not contravened the above (Rule 91(1)).
- After granting the provisional refund in FORM GST RFD -04, the payment advice to be issued in term of GST RFD-05.
- After granting the provisional refund, the proper officer has to make an order for total settlement of the refund claim after due verification of documents furnished by the applicant within 60 days from the date of application complete in all respects (not from the date of acknowledgement)

Refund Claim Other Than Zero Rated Supplies i.e. balance in electronic cash ledger and on account of Inverted Tax Structure

- The applicant has to file physical copy of FORM RFD-01A along with the ARN (Proof of debit) (Electronic cash ledger is debited to the extent of refund claim in case of balance in Electronic cash ledger, (Rule 87(10)) and electronic credit ledger is debited to the extent of refund claim in case of Inverted Tax Structure (Rule 86(2))
- Issue of RFD -03 and RFD-02 shall be followed as explained earlier.
- After examination of application, if the Jurisdiction Proper Officer is satisfied, that the whole or any part of amount claimed as refund is not admissible or not payable to the applicant, a notice in FORM GST RFD-08 shall be issued to the applicant.

Refund Claim Other Than Zero Rated Supplies i.e. balance in electronic cash ledger and an account of Inverted Tax Structure (contd.)

- The applicant has to file reply in FORM GST RFD -07 within a period of 15 days of the date of receipt of the notice
- After considering the reply, an order to be issued in FORM GST RFD-06 sanctioning the amount of refund in whole or part, or rejecting the total refund.
- While passing order in FORM GST RFD-06, sanctioning the amount of refund the applicant is entitled, it is to mention the provisionally sanctioned refund amount, if any, and amount adjusted against any outstanding demand under the act or under any existing law and the balance amount refundable .
- In case where the amount of refund is completely adjusted against any outstanding demand under the Act or any existing law, on order in part A of FORM GST RFD-07 shall be issued by giving the details of adjustment.

Refund Claim Other Than Zero Rated Supplies i.e. balance in electronic cash ledger and on account of Inverted Tax Structure (contd..)

- In case, where the proper officer or the commissioner is of the opinion that the amount of refund is liable to be withheld under the provisions of subsection (10) or subsection (11) of section 54, an order shall be passed in part B of FORM GST RFD-07 informing the reasons for withholding such demand.
- If the Jurisdiction Proper Officer is satisfied that the amount refundable under sub rule(1) or sub rule (2) of Rule 92 is not payable to the applicant under subsection (8) of section 54, an order shall be issued in FORM GST RFD-06 and issue an advice in FORM GST RFD-05 for the amount of refund to be credited to the consumer welfare fund

Refund Claim Other Than Zero Rated Supplies i.e. balance in electronic cash ledger and on account of Inverted Tax Structure (contd..)

- A payment advice in form GST RFD-05 shall be issued for the amount or refund sanctioned in form RFD-06 by the Jurisdiction Proper Officer.
- In case, the amount claimed as refund is rejected, either fully or partly, the amount debited, to the extent of rejection, shall be re-credited to the electronic credit ledger by an order in FORM GST 01-B(Until FORM GST PMT-03 is enabled on common portal.)
- The payment of sanctioned refund amount i.e. CT/ST/IT/Cess shall be made only by the respective tax authority of the centre or state Govt. i.e. the payment of sanctioned amount in relation to CT/IT/Cess shall be made by central Tax authority and the amount of State Tax would be made by state authorities.
- Hence the refund order issued either by the central tax authority or State Tax authority shall communicate to the concerned counter part authority through nodal officer within 7 working days for the purpose of payment of the relevant sanctioned refund amount of tax or cess as the case may be.

Scrutiny of Refund Application

- Verify Whether the refund application in RFD-01 A is filed on Common Portal
- Relevant Debit Entry is made in the Electric Credit Ledger/ Cash Ledger
- Verify Whether the outward sales are reported in GSTR3B and GSTR1 return of the relevant period (RI vs 3B)
- Whether any input credit is claimed for the goods mentioned in Section 17(5)
- In case the refund is due to inverted tax structure, verify whether the statement I is submitted or not (refund Calculation Statement)
- Ensure that the statement in IA is submitted which contains invoice wise details (Rule 89(2)h))
- Ensure that statement 3 (invoice details) & 3A (Calculation of Refund amount) are filed in case of Exports without payment of Tax
- In case of refund due to supplies made to SEZ unit or developer with payment of tax, statement 4 and in case of without payment of tax statement 5A have to be filed by the Refund applicant.

Certain important clarifications issued in circulars by CBIC

Circular No. 17/17/2017 – GST ,dt. 15.11.2017

- In this circular manual filing and processing of refund claims in respect of zero-rated supplies is explained.
- Refund of IGST on Export of Goods out of India by customs Department
- Filing of online refund applications in Form RFD-01A in case of Zero- rated supplies of goods or services or both and refund of IGST paid on export of services are explained

Circular No. 24/24/2017 – GST ,dt. 21.12.2017

- Clarified the manual refund processing of refund claims due to Inverted tax Structure, deemed export and excess balance Electronic cash ledger.
- Clarification on deemed exports i.e. certain supplies of goods have been notified as deemed export through Notification No.48/2017-CT,dt.18.10.2017.

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 37/11/2018 – GST ,dt. 15.03.2018

- Section 54 (3) states that no refund of Input tax credit in cases where the supplier avails of drawback.
- However, if a supplier avails drawback only with respect to basic customs duty, the supplier is eligible for refund of Central Tax/State Tax / Integrated tax/cess.
- If there is mismatch between GSTR3B and GSTR-I, Information in Table 9 of GSTR-I of Subsequent periods should be considered (in case amendments are made)
- Deficiency Memo: The proper Officer shall not issue another deficiency memo unless the deficiencies pointed out in the original memo remain un rectified, or any other substantive deficiency is noticed subsequently.

Certain important clarifications issued in circulars by CBIC

(contd..)

- Refund of transitional credit : in the refund calculation formula the phrase Net ITC is defined as “ input tax credit availed on inputs and input services during the relevant period” As transitional credit pertains to earlier period i.e. Central Excise and VAT, the same cannot said to have been availed during the relevant period. Hence transitional credit cannot be claimed as refund.
- Bank realization certificate (BRC) or Foreign Inward Remittance Certificate (FIRC) are not required for processing of refund claims in case of export of goods. They are only required in case of export of services.
- Merchant Exporters : The merchant exporter eligible to take credit of the tax 0.005% or 0.01% as paid by him.
- The supplier who supplies goods to the merchant exporter at the concessional rate is also eligible for refund on account of Inverted tax structure.

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 45/19/2018 – GST ,dt. 30.05.2018

- An exporter is eligible to claim refund of unutilized input tax credit of Compensation cess paid on inputs, where the final product is not leviable to compensation cess, only in case of Zero-rated supply of these goods under LUT but not in case of Zero-rated supply on payment of integrated tax.
- In case of Zero-rated supply of exempted or non-GST goods, the requirement for furnishing a bond or LUT is not required. Further the Exporter is eligible for refund of unutilized input tax credit of CGST/SGST/IGST/Cess

Certain important clarifications issued in circulars by CBIC

(contd..)

- Restriction of refund under sub rule (10) of rule 96 of the CGST Rules is only applicable to those exporters who are directly receiving goods from those suppliers who are availing the benefit under notification No. 48/2017 Central Tax, dt .18.10.2017, notification No. 40/2017, dt. 23.10.2017 Central Tax or Notification No 41/2017 Integrated Tax dt. 23.11.2017.

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 59/33/2018 – GST ,dt. 04.09.2018

- As per Sec.54(14), no refund shall be paid to the applicant if the amount is less than Rs.1,000.
- It is clarified that the limit of Rs.1,000 shall be applied for **each tax head separately** and not cumulatively.

Clarification on re-credit in case of rejection of claim for refund of unutilized ITC

- In case of rejection of claim for refund of unutilized input tax credit on account of ineligibility of the said credit under sub-sections (1),(2) or (5) of section 17 of the GST Act, or under any other provision of the Act and rules made there under the proper officer shall order for the rejected amount to be re-credited to the electronic credit ledger of the claimant using FORM GST RFD-01B.

Certain important clarifications issued in circulars by CBIC

(contd..)

- For recovery of this amount, a demand notice shall have to be simultaneously issued to the claimant under section 73 or 74 of the CGST Act, as the case may be.
- Alternatively, the claimant can voluntarily pay this amount, along with interest and penalty, if applicable, before service of the demand notice, and intimate the same to the proper officer in FORM GST DRC-03.
- In case of rejection of claim for refund of unutilized input tax credit, on account of any reason other than the eligibility of credit, the rejected amount shall be re-credited to the electronic credit ledger of the claimant using FORM GST RFD-01B only after the receipt of an undertaking from the claimant to the effect that he shall not file an appeal against the said rejection or in case he files an appeal, the same is finally decided against the claimant, as has been laid down in rule 93 of the CGST Rules.

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 70/44/2018 – GST, dt. 26.10.2018

- When a deficiency memo is issued re-credit in the electronic credit ledger shall not be carried out as the common portal does not allow the refund applicant to file a fresh application for the same period.
- Where re-credit is already done, separate clarification will be issued. The clarification was issued vide Cir.No.94/13/2019-GST, 29-03-2019 as under:
- In such cases, the claimant may resubmit the refund application manually in FORM GST RFD-01A after correction of deficiencies pointed out in the deficiency memo, using the same ARN.

Certain important clarifications issued in circulars by CBIC

(contd..)

- The proper officer shall then proceed to process the refund application as per the existing guidelines. After scrutinizing the application for completeness and eligibility, if the proper officer is satisfied that the whole or any part of the amount claimed is payable as refund, he shall request the taxpayer, in writing, to debit the said amount from his electronic credit ledger through FORM GST DRC-03. Once the proof of such debit is received by the officer, he shall proceed to issue the refund order in FORM GST RFD-06 and the payment advice in FORM GST RFD-05.

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 79/53/2018 – GST, dt. 31.12.2018

- Tax Authorities are advised to issue final sanction order within 45 days from the date of receipt of application so that the disbursement is completed within 60 days.
- If a refund application is electronically transferred to the wrong jurisdictional officer, he/she shall reassign it to the correct jurisdictional officer electronically within a period of three days. In such cases, the application shall be deemed to have been filed under rule 90(2) of the GST Rules only after it has been so reassigned. Deficiency memos shall not be issued in such cases merely on the ground that the applications were received electronically in the wrong jurisdiction. (Presently this facility is not available on common portal)

Certain important clarifications issued in circulars by CBIC

(contd..)

Circular No. 104/23/2019 – GST, dt. 28.06.2019

- Doubts have been raised as to whether, in such cases, application for refund can at all be processed by the proper officer of the State tax authority or the Central tax authority to whom the refund application has been wrongly transferred by the common portal.
- The matter has been examined and it is clarified that in such cases, where reassignment of refund applications to the correct jurisdictional tax authority is not possible on the common portal, the processing of the refund claim should not be held up and it should be processed by the tax authority to whom the refund application has been electronically transferred by the common portal. After the processing of the refund application is complete, the refund processing authority may inform the common portal about the incorrect mapping with a request to update it suitably on the common portal so that all subsequent refund applications are transferred to the correct jurisdictional tax authority.

Examination of certain issues while verifying Refund of ITC

- Verify whether the relevant invoices on which the ITC claimed by the refund applicant are reported and the corresponding tax is paid by the supplier (2A vs 3B)
- Verification of GSTR 2A of the refund applicant with reference to the GSTR 3B of the supplier for the corresponding period
- Verify the e-way bill details relating to the invoices issued by the supplier on which ITC is claimed

Refund of TDS Amounts

- While sanctioning refunds of TDS amounts due to excess balance in cash ledger, verify whether the refund applicant has filed all the returns and discharged the liability accordingly up to the date of the refund application (Refund period is not applicable to the refund reason of excess balance in cash ledger)
- A circular dated 25.06.2019 has been issued wherein it was instructed to conduct scrutiny of the refund sanction orders and conduct audit based on the result of the scrutiny
- It was instructed to audit all the refund applicants relating to refund sanction orders of TDS amounts.