

## Chapter IX

# Refunds

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### FAQ'S

#### Refund of tax (section 54)

Q1. Is the word refund defined in the GST Act?

Ans. Yes, the word refund is defined in explanation to Section 54 of the CGST Act. As per the said definition, refund includes refund of tax paid on;

1. Zero-rated supplies of goods or services or both; or
2. Inputs or input services used in the effecting such zero-rated supplies of goods or services or both; or
3. Supply of goods regarded as deemed exports; or
4. Refund of unutilized input tax credit at the end of any tax period.

Q2. Is there any time limit to claim refund under Section 54?

Ans. Yes, as per Section 54, refund application is to be filed before the expiry of two years from the relevant date.

Q3. What is relevant date for calculating the two years' time limit?

Ans. The relevant date is different for each situation and the same is provided below:

Situation	Relevant date
Refund is in respect of goods exported outside India (or on inputs/ input services used in such goods)	
(i) By sea	Date on which the ship or the aircraft in which such goods are loaded, leaves India
(ii) By Air	
(iii) By land	Date on which such goods pass the frontier
(iv) By post	Date of despatch of goods by the concerned Post Office to a place outside India
Refund in respect of deemed exports	Date on which the return relating to such deemed exports is filed

Refund is in respect of services exported (or on inputs/ input services used in such services)	Where supply of service completed prior to receipt of payment	Date of receipt of payment in convertible foreign exchange
	Where payment for service received in advance	Date of issue of invoice
Tax becomes refundable as a consequence of: (i) Judgment (ii) Decree (iii) Order (iv) Direction of Appellate Authority, Appellate Tribunal or any Court	Date of communication of such judgment, decree, order or direction	
Refund of unutilized input tax credit	End of the financial year in which such claim for refund arises	
Tax is paid provisionally under this Act or the rules made thereunder	Date of adjustment of tax after the final assessment thereof.	
In case of a person other than the supplier	Date of receipt of goods or services by such person	
In any other case	Date of payment of tax	

Q4. Is there any form for claiming refund under Section 54?

Ans. Yes, the person claiming refund has to make an application in Form GST RFD-01.

Q5. To whom should the claim for refund be made?

Ans. The refund application is to be made before the proper officer of IGST/CGST/SGST.

Q6. Can the refund of balance in cash or credit ledger be claimed?

Ans. Yes, as per provisions of Section 49(6), the balance of cash or credit after payment of tax, interest, penalty, fee or any other amount payment refund can be claimed as per provisions of Section 54. Once the refund is claimed, the amount of credit of CGST/SGST/ IGST (as the case may be) would be reduced to that extent.

Q7. Can any registered person claim the refund under Section 54?

Ans. No. Refund can only be claimed under specified circumstances: -

- (a) zero rated supplies made without payment of tax

- (b) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council

Provided further that no refund of unutilised input tax credit shall be allowed in cases where the goods exported out of India are subjected to export duty:

Provided also that no refund of input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.

Q8. Can United Nations Organisation claim refund?

Ans. Yes. UNOs are entitled to claim refund of IGST/CGST/SGST paid on inward supplies of goods and/or services.

Q9. Is there any time limit for claiming refund by UNOs?

Ans. Yes, the refund application is required to be made before the expiry of 6 months from the last day of the Quarter in which such supply was received.

Q10. Can any person claim refund of any unutilised ITC at the end of the tax period?

Ans. No, only the following registered persons can claim refund of unutilised ITC:

1. Persons undertaking exports (including other zero-rated supplies). Exception: No refund will be allowed on the goods exported out of India where such goods are subjected to export duty [second proviso to Section 54(3)];
2. Credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outward supplies (other than cases of nil-rated or fully exempted supplies)

Q11. Is there any condition to claim refund of unutilised ITC?

Ans. Yes. No refund of input tax credit shall be allowed if the supplier of goods or services avails drawback in respect of CGST or claims refund of IGST on such supplies

Q12. Is there any document to be enclosed along with refund claim? If yes, what are the documents to be submitted?

Ans. Yes, the following documents are required to be enclosed along with the refund application:

1. Documentary evidence to establish that a refund is due to the applicant (prescribed under Rule 1(2) of the Refund Rules, 2017, and
2. Documentary evidence to prove that incidence of tax and interest had not been passed on to any other person.

Q13. Is there any exemption for submitting the documents required for claiming refund?

Ans. Yes, if the refund claimed is less than 2 lakh rupees, then documentary evidence would not be required to be submitted. However, the applicant may file a declaration based on the documentary or other evidence available with him, certifying that the incidence of such tax and interest is not passed on to any other person.

Q14. Is there any way of obtaining a provisional sanction of refund claimed by the taxable person?

Ans. Yes, the proper officer may sanction refund of an amount up to ninety percent of the total amount of refund claimed, on a provisional basis in case of exporters. However, certain categories of persons may be notified, to whom provisional sanction of refund cannot be made.

Q15. Is there any time limit on proper officer to pass final order after accepting the refund application?

Ans. Yes, the proper officer shall issue the order within sixty days from the date of receipt of refund application.

Q16. Under what circumstances would refund be paid to the applicant?

Ans. On receipt of application, where the proper officer is satisfied as regards the refund application filed, he would pass an order sanctioning the refund.

In the following situations, the refund sanctioned would be paid to applicant,-

1. refund of tax on goods and/or services exported out of India or on inputs or input services used in the goods and/or services which are exported out of India;
2. refund of unutilized input tax credit under Section 54(3)
3. refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued
4. refund of tax in pursuance of Section 77
5. the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or
6. the tax or interest borne by such other class of applicants as the Central or a State Government may, on the recommendation of the Council, by notification, specify

In all other cases, the amount sanctioned shall be credited to the Fund.

Q17. Can amount of refund sanctioned be adjusted towards any tax payable by the taxable person?

Ans. Yes, the refund due to the applicant can be adjusted towards tax, interest, penalty or any other amount which the applicant is liable to pay but which remains unpaid under the Act or under any earlier law.

Q18. Can refund sanctioned be withheld?

Ans. Yes, refund can be withheld until the applicant has furnished the required return or paid the tax, interest or penalty.

Q19. Is there a minimum amount specified below which no refund can be claimed?

Ans. No. However, it must be noted that if the amount of refund is less than rupees 1,000/-, then no refund can be paid.

Q20. Whether separate applications need to be filed for refund in case of export of goods and export of services?

Ans. Yes there shall be separate application and different procedure for refund of export of goods and export of services.

### **Refund in certain cases (Section 55)**

Q21. Is there any other case apart from those covered in Section 54, wherein refund can be claimed under GST?

Ans. Yes, as per Section 55 of the Act, the Central/State Government may, on recommendation of the Council, by notification, specify any other person or class of persons who shall be entitled to claim a refund of taxes paid on the notified supplies of goods or services received by them including specialized agency of the UNO, Consulate or Embassy of foreign countries etc.

### **Interest on delayed refunds (Section 56)**

Q22. Would interest be paid on the amount of refund sanctioned?

Ans. Yes, interest would be paid at a rate not exceeding 6%, if the refund is not sanctioned with 60 days from the receipt of refund application. Interest rate is yet to be prescribed.

Q23. How would the interest be computed and paid?

Ans. Interest would be computed and paid for the period after expiry of 60 days till the date of actual refund of tax.

Q24. If refund is made based on the order of appellant authority, then would interest be paid?

Ans. Yes, interest (at a rate not exceeding 9%) would be computed and paid period after expiry of 60 days from the date of application consequent to the order till the date of actual refund of tax.

**Consumer welfare fund (Section 57)**

Q25. Is there any consumer welfare fund under GST?

Ans. Yes, this would be established by the Central/ State Government .

Q26. Can the amount of tax sanctioned as refund be credited to fund?

Ans. Yes, an amount of tax under Section 54(5) or 54(6) can be credited to fund account.

Q27. Can amount credited to fund account be invested?

Ans. Yes, such amount can be invested by the Central/ State Government or the authorised persons.

**Utilisation of fund (Section 58)**

Q28. Can amount credited to fund be utilised?

Ans. Yes, the fund can be utilised by the Central/ State Government for the welfare of the consumers.

Q29. Whether details of amount credited /debited to fund is required to be maintained?

Ans. Yes, the Central/State Government shall maintain, or specify the authority who shall maintain the accounts in this regard.

**MCQ****Refund of tax (section 54)**

Q1. Refunds will not be allowed in cases of:-

- (a) Exports made on payment of tax
- (b) Exports made without payment of tax
- (c) Inverted duty structures where tax on inputs are higher than tax on outputs
- (d) All of the above

Ans. (a) Exports made on payment of tax

Q2. Refund application is to be filed before the expiry of \_\_\_\_\_ from the relevant date.

- (a) Two years
- (b) One year
- (c) 180 days
- (d) 260 days

Ans. (a) Two years

Q3. A specialised agency of the UNO can claim refund of tax paid on...

- (a) Intra-State supply of goods and/or services
- (b) Inter-state supply of goods and/or services
- (c) Inward supply of goods and/or services
- (d) All of the above

Ans. (c) Inward supply of goods and/or services

Q4. What is the time limit for filing of refund application by a specialised agency of the UNO?

- (a) Before the expiry of eight months from the last day of the quarter in which such inward supply received
- (b) Before expiry of eight months from the last day of the month in which such inward supply received
- (c) Before expiry of six months from the last day of the month in which such inward supply was received
- (d) Before expiry of six months from the last day of quarter in which such inward supply was received

Ans. (d) Before the expiry of six months from the last day of the quarter in which such inward supply was received

Q5. A registered person claiming refund of balance in electronic cash ledger may make such a claim in:-

- (a) Application for refund
- (b) Annual Return
- (c) Returns filed at the end of tax periods
- (d) None of the above

Ans. (c) Returns filed at the end of tax periods

Q6. Refunds would be allowed on a provisional basis in case of refund claims on account of zero-rated supplies of goods and/or services made by registered persons. At what percentage would such provisional refunds be granted?

- (a) 70%
- (b) 65%
- (c) 80%
- (d) 90%

Ans. (d) 90%

Q7. The applicant is not required to furnish documentary evidence if the amount of refund claimed is less than:-

- (a) Rs 6 lacs
- (b) Rs 2 lac
- (c) Rs 10 lac
- (d) Rs 20 lac

Ans. (b) Rs 2 lac

Q8. Refund shall not be paid to the applicant if the amount of refund is less than

- (a) Rs 1000
- (b) Rs 5000
- (c) Rs 7000
- (d) Rs 10000

Ans. (a) Rs. 1000

Q9. The sanction refund amount can be adjusted against the payments which he is liable to pay but remains unpaid under the earlier law.

- (a) Tax
- (b) Penalty
- (c) Interest and other amounts
- (d) All of the above

Ans. (d) All of the above

Q10. The time limit to proper officer to pass final order after accepting the refund application is -

- (a) Within sixty days from the date of receipt of application.
- (b) Within eighty days from the date of receipt of application.
- (c) Within ninety days from the date of receipt of application.
- (d) Within thirty days from the date of receipt of application.

Ans. (a) Within sixty days from the date of receipt of application.

Q11. The SEZ developer or SEZ unit exporting goods and / or services shall not be eligible to claim refund of IGST paid by the registered taxable person on such supply. Is this statement true or False?

- (a) True



- (b) False
- (c) None of the above
- (d) both

Ans. (b) False

### **Interest on delayed refunds (Section 56)**

Q12. Interest on refund amount is required to be paid after expiry of ..... from the date of receipt of the application

- (a) 60 days
- (b) 90 days
- (c) 180 days
- (d) 240 days

Ans. (a) 60 days

Q13. What is the rate of interest to be payable in case of delay in sanctioning the refund claimed

- (a) Not exceeding 6%
- (b) Not exceeding 8%
- (c) Not exceeding 10%
- (d) Not exceeding 12%

Ans. (a) Not exceeding 6%