

Refunds under GST

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I. Introduction

Provisions of refund of Taxes are very important as delay would adversely impact exporters, manufacturers. In some States there is no refund in reality and in many States it is available in a delayed manner with a very high transaction cost. The Service tax refund has similarly seen period of no refund and even today the refunds for the year 2008 are outstanding!!

Looking to the concern of the exporters especially of services, the GST provisions for refund are simpler and have built in time limit on 90% for export/ SEZ refund claim. ^{*1}

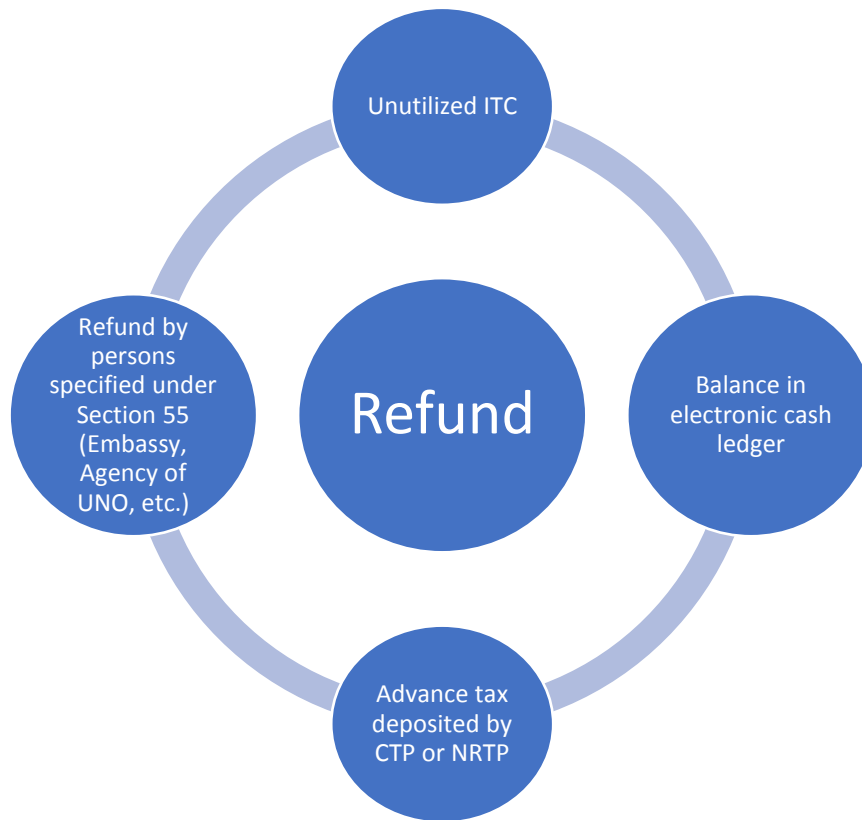
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- ¹ Chapter XI (Section 54 to 58) of the CGST Act, 2017 deals with the provisions of refunds under the GST regime. Similar provisions are applicable for UTGST

II. Types of refund

There are 4 types of refunds available in GST:-

1. Unutilized ITC - [Section 54(3) of CGST Act, 2017 and Rule 1 of Refund Rules]
2. Balance in electronic cash ledger - [Section 54(1) of CGST Act, 2017 and Rule 1 of Refund Rules]
3. Advance tax deposited by CTP or NRTP - [Section 54(1) of CGST Act, 2017 and Rule 1 of Refund Rules]
4. Refund by persons specified under Section 55 (Embassy, Agency of UNO, etc.) - [Section 54(2) of CGST Act, 2017 and Rule 7 of Refund Rules]

vide Section 21 of UTGST Act, 2017 and for IGST vide Section 20 of IGST Act, 2017.



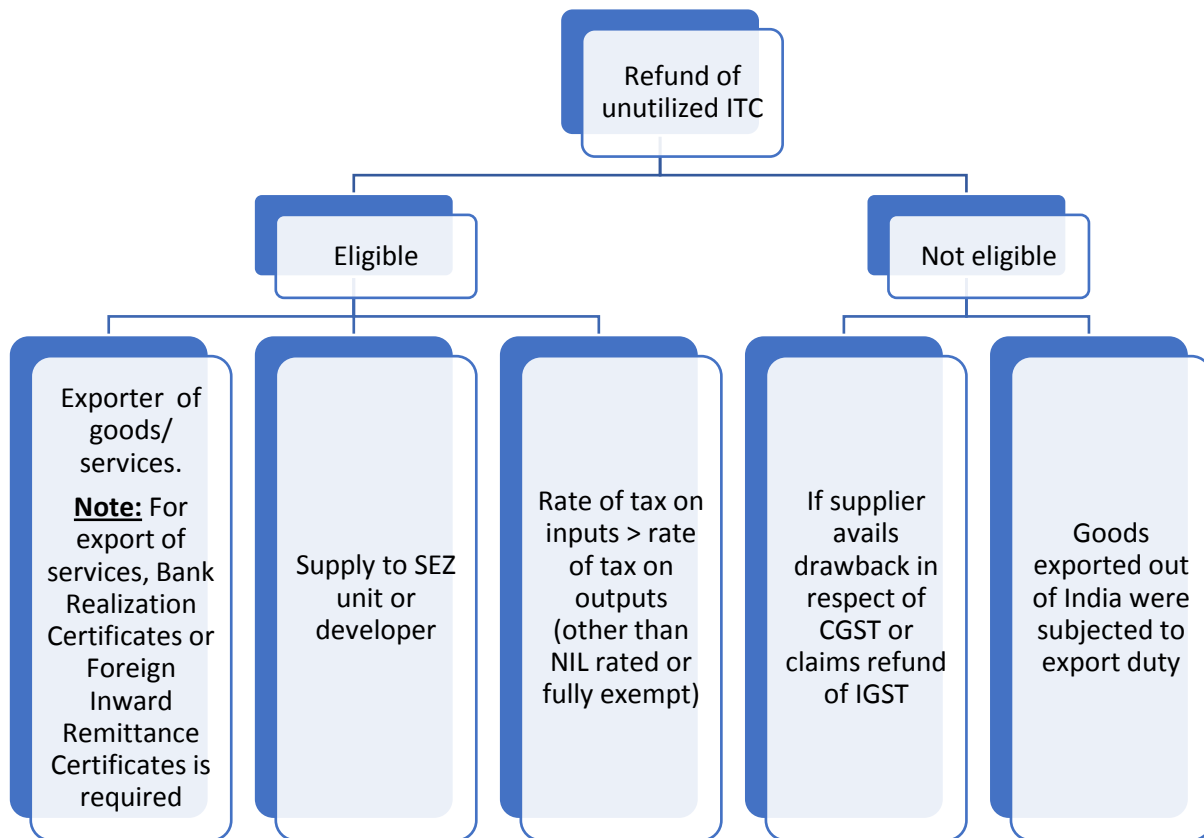
- Details of forms required and time limit for claiming these refunds are hereunder:-

Sr. No.	Types of refund	Form	Time limit
1.	Unutilized ITC	GST RFD-01	Within 2 years from relevant date (Point IV)
2.	Balance in electronic cash ledger	GST RFD-01 Or As may be applicable, 1. GSTR-3 (Monthly Return); or 2. GSTR-4 (Composition supplier); or 3. GSTR-7 (Person required to deduct TDS)	

3.	Advance tax deposited by CTP or NRTP (If furnished all returns under Section 39)	GST RFD-01 Or In the last return	
4.	Refund by persons specified under Section 55 (Embassy, Agency of UNO, etc.) - Refund of tax on inward supply	GST RFD-10	Quarterly - within 6 months from the quarter end of receipt of supply
<ul style="list-style-type: none"> • Taxes claimed as refund = GST (CGST, IGST, SGST, UTGST), interest paid and any other amount (say, penalty, fees) 			
<ul style="list-style-type: none"> • No refund - if amount is less than Rs. 1000/- 			

III. Eligibility & requirement for refund of unutilized ITC

Section 54(3) of CGST Act, 2017 and Rule 1 of Refund Rules provide for refund.



Note 1: “refund” includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilised input tax credit as provided under sub-section (3)

Note 2: If the person has defaulted in furnishing return or if the person is required to pay any taxes, then proper officer may withhold the refund or may deduct tax payable from the refund amount

Note 3: If refund is on account of export or supply to SEZ, then 90% amount shall be refunded on provisional basis.

IV. Meaning of relevant date:-

While claiming refund in above 4 situations, “relevant date” is crucial in different situations. Meaning of relevant date is as under:-

Sr. No.	Situation	Relevant date
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1.	Export of goods (In respect of goods/ inputs/input services)	When ship or aircraft leaves India or goods pass the frontier or goods are dispatched by Post Office.
2.	Deemed export	When return of such deemed exports is filed
3.	Person other than supplier	date of receipt of goods/services by such person
4.	Export of services (In respect of services/ inputs/input services)	1. Receipt of CFE, if supply of service is prior to the receipt of such payment. 2. Issue of invoice, if payment is received prior to the invoice date
5.	Consequence of judgment, order or direction of Appellate Authority, etc.	Date of communication of such judgment, order, etc
6.	Unutilized input tax credit	End of the FY in which such refund claim arises
7.	Provisional payment of tax	Date of tax adjustment after the final assessment
8.	Other case	Date of payment of tax

V. Documents required for filing refund of unutilized ITC

Documents to be enclosed for claiming refund by the exporter/Person supplying to SEZ/Person whose refund does not exceeds Rs. 2 Lacs, are:-

- i. Export of goods - Statement containing details of bills of export, export invoices, etc.
- ii. Export of services - Statement containing details of invoices, BRC or FIRC.
- iii. Supply of goods/services to SEZ - Statement containing details of invoices, evidence regarding endorsement by specified officer regarding receipt of goods/services for authorized operations.
- iv. If refund claim < Rs. 2 Lakh - No documentary evidence - Only declaration that tax incidence is not passed on.

VI. Transfer to Consumer Welfare Fund

If the applicant is not able to follow the prescribed procedure as per rules, then in such cases the amount of refund claimed will be transferred to Consumer Welfare Fund. Cases where the same is not applicable are, i.e.

refund is not to be transferred to consumer welfare fund in the following cases:-

- i. It's a case of tax paid on Export/sale to SEZ or inputs/input services used.
- ii. Refund of unutilized ITC
- iii. Refund of tax on supply which is not provided and (invoice not been issued/refund voucher issued)
- iv. Refund of tax wrongfully collected and paid.
- v. Tax incidence not passed on.

VII. Section 56 of CGST Act - Interest on delayed refunds

As per the current provisions of Service Tax and Excise, if refund is not granted within 3 months, interest is payable @6% p.a. from the date of receipt of application by the Department. In GST, the provisions are as under:-

Sr. No.	Particulars	Description
1.	Eligibility	If not refunded within 60 days from date of receipt of application
2.	Period covered	Period of expiration of 60 days to the date of grant of refund
3.	Rate	Interest up to 6% - General case Interest up to 9% - If not refunded within 60 days of application filed after the favourable order by adjudicating or appellate authority or court.

VIII. Types of Forms relating to refund

Sr. No.	Form No.	Description
1.	GST RFD-01	Refund application
2.	GST RFD-02	Acknowledgement at the common portal
3.	GST RFD-03	Communication of deficiencies
4.	GST RFD-04	Provisional - Order sanctioning the amount of refund

