

REFUNDS UNDER GST
(Recent Clarifications and
Practical Issues)

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Refund : Relevant Legal Provisions

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Chapter XI of CGST Act, 2017	Section 54 to 58
Chapter X of CGST Rules, 2017	Rule 89 to 97A
Main Procedural Circulars	Circular No. 125/44/2019 dated Novemeber 18, 2019; Circular No. 135/05/2020 dated March 31, 2020; Circular No. 137/07/2020 dated April 13, 2020
Periodicity	For any tax period (monthly/Quarterly/Annually)
Minimum refund to be claimed	Rs.1000/- (<i>No limit for claim of refund of cash balance in Electronic Cash Ledger</i>)

Types of Refund:

Excess Balance in Electronic Cash Ledger

Export of **services** on payment of tax (i.e. IGST)

Supplies made to SEZ developer/ SEZ unit with payment of tax

Supplies made to SEZ developer/ SEZ unit without payment of tax

ITC on Export of Goods and Services without payment of tax

On account of Deemed Exports (Sec 147 of CGST Act 2017)

Accumulated ITC due to Inverted Duty Structure

On account of Assessment/ Provisional Assessment/ Appeal/ Any other order

Excess Payment of tax

Any other reason

Refund of IGST paid on Export of Goods:

- ▶ Dealt under Rule 96 of CGST Rules, 2017.
- ▶ As per Rule 96, the shipping bill filed by an exporter of goods shall be **deemed** to be an application for refund of IGST paid on the goods exported out of India.
- ▶ **Pre-requisites for filing:**
 - ✓ PIC duly files the export manifest.
 - ✓ Filing of GSTR-3B and GSTR-1 by the Applicant.

Note:

In case, the details filed by an exporter in GSTR-1 and GSTR-3B matches with shipping bills, the refund will be disbursed directly to the bank account of exporter.

Refund of IGST paid on Export of Goods:

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- ▶ The matching between two data sources (i.e. Shipping Bill data available in ICES against the GST Returns data transmitted by GSTN) is done at invoice level.
- ▶ Mis-match will lead to following error/ response codes:

Code	Description	Remarks
SB000	Invoice successfully validated	All parameters like GSTIN, SB number, Invoice Number etc. match between GSTN and Customs databases.
SBV00	SB already validated successfully	SBs which had certain mismatch error(s) but was validated and sanctioned by the officer. SBs are already validated, may not be treated as an error.
SB001	Invalid SB details	Mismatch between the SB No. furnished in GSTR- 1 and the SB No. with customs. Clerical error: Rectified by making amendments in GSTR-1.

Refund of IGST paid on Export of Goods:

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Code	Description	Remarks
SB002	EGM not filed	Approach Shipping Company to file EGM. If already filed, Revalidate EGM.
SB003	GSTIN mismatch	GSTIN declared in the SB does not match with the GSTIN used to file the corresponding GST Returns. Rectified by making amendment in GSTR-1.
SB004	Invoice already received and validated	Duplicate/repeat transmission of SB-Invoice record from GSTN.
SB004	Invalid Invoice Number (Most common error)	Happens due to: <ul style="list-style-type: none">- Typographical mistake- Exporter uses two sets of invoices (one for GST and another for exports) Amendment is possible in GSTR-1 but SB cannot be amended once EGM is filed. Utmost caution is advisable.
SB006	Gateway EGM not available	In case of ICDs, if the Gateway EGM is not filed electronically or is stuck in some error. Shipping Lines may be approached at gateway ports to file supplementary EGMs.

Recent Clarifications:

Clubbing of refund claims across Financial Years

Refund of accumulated input tax credit (ITC) on account of reduction in GST Rate

Guidelines for refunds of Input Tax Credit under Section 54(3)

New Requirement to mention HSN/SAC in Annexure 'B'

Refund of accumulated ITC not reflected in the FORM GSTR-2A

Clubbing of refund claims across Financial Years:

- ▶ Circular No. 37/11/2018- GST dated March 15, 2018 provides restriction on clubbing of tax periods across different financial years. The said restriction has been continued in Circular No. 125/44/2019-GST dated November 18, 2019 ('Master Circular')
- ▶ The Hon'ble Delhi High Court in case of **M/s Pitambra Books Pvt Ltd. [2020 (2) TMI 169]** dated January 21, 2020, has stayed the rigour of not clubbing the financial years as provided in Master Circular.
- ▶ Accordingly, Master Circular stands modified to that extent i.e. the restriction on bunching of refund claims across financial years shall not apply.

Refund of accumulated input tax credit (ITC) on account of reduction in GST Rate:

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- ▶ Refund of accumulated ITC in terms of Section 54 (3)(ii) of the CGST Act is available where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.
- ▶ It is important to note that if the input and output being the same, though attracting different tax rates at different points in time, **do not get covered under the provisions** and accordingly, refund of accumulated ITC would not be applicable in cases where the input and the output supplies are the same.

Refund of accumulated ITC not reflected in the FORM GSTR-2A:

- ▶ Master Circular stands modified by Circular No.135/05/2020-GST, dated March 31, 2020 to that extent that the refund of accumulated ITC shall be restricted to the ITC as per those invoices, the details of which are uploaded by the supplier in FORM GSTR-1 and are reflected in the FORM GSTR-2A of the applicant.
- ▶ It does not in any way impact the refund of ITC availed on the invoices / documents relating to imports, ISD invoices and the inward supplies liable to Reverse Charge (RCM supplies) etc. Accordingly, the refund related to missing invoices has been restricted.

New Requirement to mention HSN/SAC in Annexure 'B':

- ▶ Annexure-B of Master circular modified by Circular No.135/05/2020-GST, dated March 31, 2020 to the extent that a column relating to HSN/SAC Code should be added in the statement of invoices relating to inward supply.
- ▶ The applicant is, in addition to details already prescribed, now required to mention HSN/SAC code which is mentioned on the inward invoices. In cases where supplier is not mandated to mention HSN/SAC code on invoice, the applicant need not mention HSN/SAC code in respect of such an inward supply.

FORM GST RFD-08: Notice for Rejection of Application for Refund:

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2. On examination of the refund application and documents uploaded, it appears that refund claim for the period of Apr-2018 to Mar-2019 is liable to be rejected on account of the following reasons:-

2.1 The refund application has been filed under the category Export of Goods/Services – w/o payment of Tax (Accumulated ITC)” under Section 54 of the Act and the criteria of export of service is required to be satisfied. But no contracts/agreements for export of services and any other documents/details, proving the fulfilment of criteria of export, were found available with the refund application. Hence, it appears that the fulfilment of criteria for export of service could not be examined in the absence of these documents.

2.2 The Statement of Invoices (Annexure-B) uploaded is not as per the Circular 135/05/2020-GST dated 31.03.2020.Hence, it appears that admissibility of refund of the ITC availed under the invoices mentioned in the Annexure-B in terms of the provisions under the Circular No. 135/05/2020-GST dated 31.03.2020 may not be examined.

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FORM GST RFD-08: Notice for Rejection of Application for Refund:

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2.3 Copies of FIRC's have not been uploaded as per the Circular 125/44/2019-GST dated 18.11.2019. Hence, verification/reconciliation of inward remittances against exports made may not be examined.

2.3 On scrutiny of GSTR-3B & GSTR-1 returns for the period Apr-2018 to Mar-2019 and Statement-3A uploaded by the taxpayer, it has been observed that the Turnover of Zero rated supply, Adjusted total turnover and Net ITC of GSTR-3B do not match with that of GSTR-1 and Statement-3A.

2.4 It has also been found that the description of Inputs/Input service etc. and other details/documents, required to examine the eligibility of ITC and relationship between Input and Output, have not been provided. Hence, it appears that the relationship between input and output and eligibility/admissibility of ITC may not be examined.

Reply to SCN (Form GST RFD -09):

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- ▶ Copies of Agreements with Customers.
- ▶ Copies of Export invoices.
- ▶ Eligibility documents evidencing Export of Service.
- ▶ Reconciliation of FIRC's along with Export invoices.
- ▶ Reconciliation of Net ITC taken in form GSTR-3B with the Statement 3A of GST RFD-01.
- ▶ Reconciliation of Turnover of Zero-rated supply as per Statement 3A of GST RFD-01 with the form GSTR-1.
- ▶ Reference to relevant definitions as per Rule 89 of CGST Rules, 2017.
- ▶ Eligibility of ITC and relationship between Inward and Outward Supplies.

Reply to SCN (Form GST RFD -09):

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- ▶ Sometimes, tax officer ask to furnish a reply, within a particular time limit from the date of service of notice via email.
- ▶ To avoid unnecessary hitches and overlapping, it is advisable to furnish reply both on email and by logging to GSTN portal online by the Applicant.



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