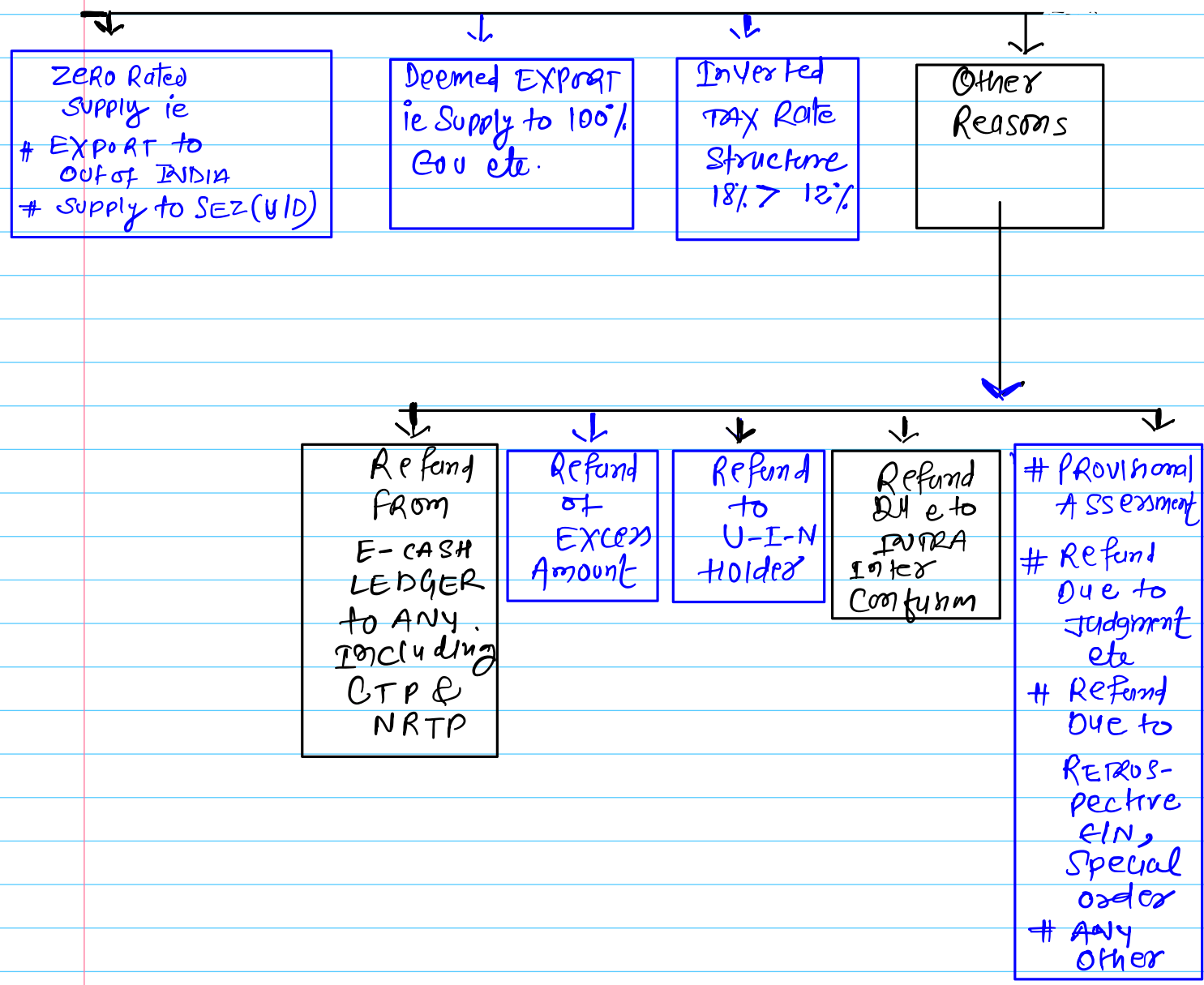


CHAPTER #15 : REFUND

Reasons of REFUND



SECTION: 54 : Refund in General

SECTION: 55 : Refund to UIN Holder

SECTION: 56 : Interest on Refund

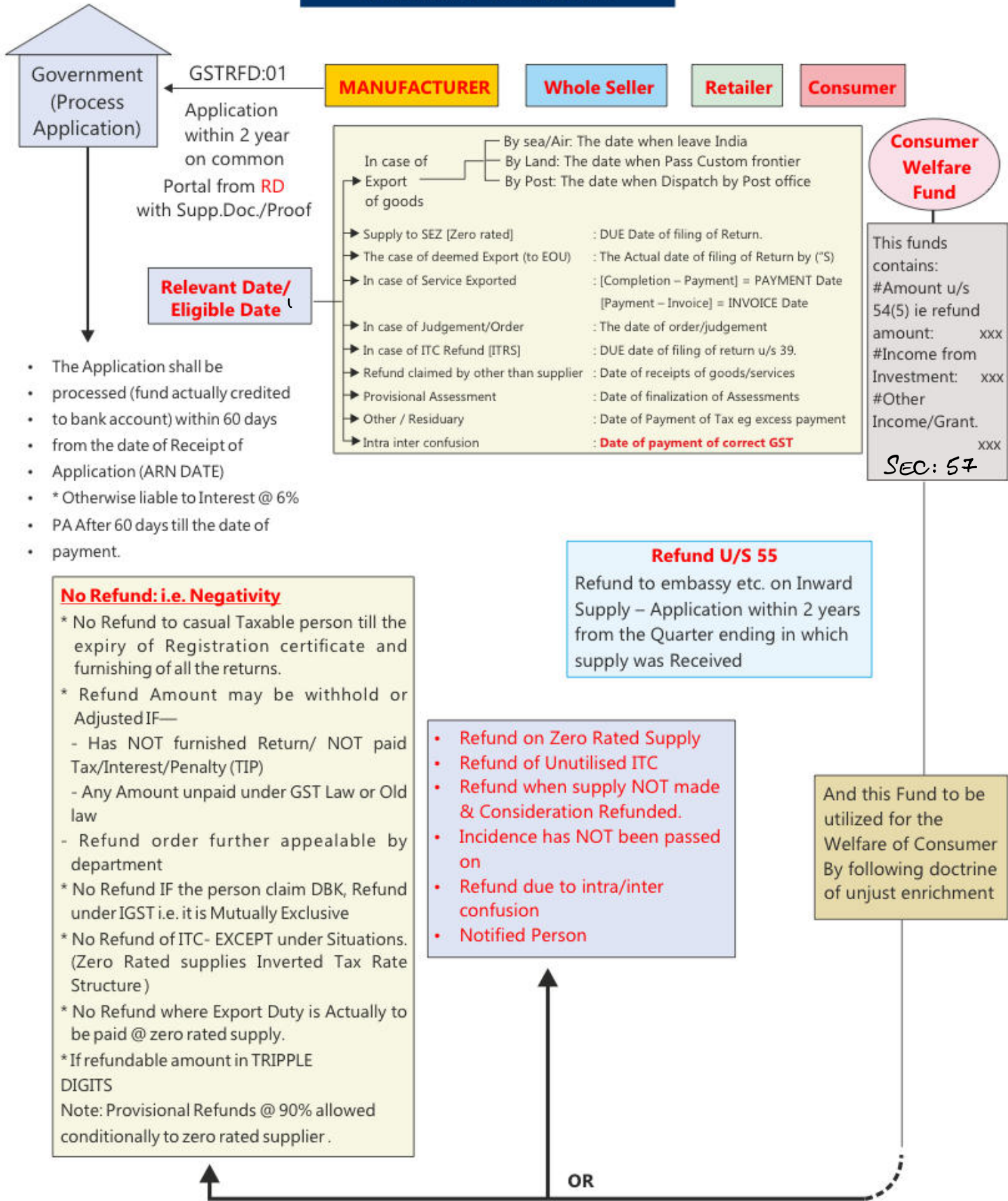
SECTION: 57 : Consumer welfare fund (IN)

SECTION: 58 : Consumer welfare fund (OUT)

Rule = 89(4) : ZERO RATED SUPPLY

Rule = 89(5) : Inverted TAX RATE Structure

# Refund Procedure



**Transfer to Consumer Welfare Fund [on the basis of presumption u/s 49(9) @ tax load passed on to end user]**

## Refund Procedure

1. Form GST-RFD-01
2. Application within 2 years on portal from **Relevant date**  
**Relevant Date:**
  - In case of export of goods  
By sea/air : The day when goods leave the India  
By Land: Pass custom frontier  
By Post: The date when dispatched by post office
  - Supply to SEZ  
Due date of filling of return
  - In case of Deemed Export  
Actual date of filling of return by supplier
  - In case of service exported  
Payment date or Invoice/Completion date which-ever is later
  - In case of judgement/order  
Date of Judgement or order
  - In case of ITC Refund  
Due date of filling of return
  - Refund claimed by other than supplier  
Actual date of receiving the goods or service
  - Provisional assessment  
Date of finalisation of assessment
  - Inter Intra confusion  
Date of correct GST
3. The application shall be processed (refund actually credit in the bank) within 60 days from the ARN date.  
Otherwise interest is charged on refund @6%p.a. after 60 days from ARN date.
4. **No Refund (Rahu Ketu)**
  - No refund to casual taxable person till the expiry of registration certificate and furnishing of all returns.
  - Refund amount may be with-hold or adjusted if:
    - Any due is pending (tax/interest/penalty)
    - Any due of previous old law
    - Refund order challenge by higher authority

- No Refund if person claim duty drawback / get the refund under IGST
- No Refund of ITC (except Zero rated supply, Inverted Tax rate structure)
- No Refund where export duty is paid (zero rated supply)
- No Refund if refundable amount in triple digit

Note: Provisional Refunds @ 90% allowed conditionally to Zero rated supplier

#### 5. **Doctrine of Unjust Enrichment**

Not apply and refund made to applicant in following cases:

- Refund on Zero Rated Supply
- Refund of Unutilised ITC
- Refund when supply not made and consideration is refunded
- Tax load has not passed on
- Refund due to inter/intra confusion
- Notified persons

- Otherwise the amount of refund is transferred to consumer welfare fund on the basis of presumption u/s 49(9) that the tax load is passed on the end user.

- This amount to be used for the welfare of consumer by following doctrine of unjust enrichment.

#### 6. **Refund to embassy** on inward supply

Application within 2 years from the quarter ending in which supply was received.

## # Form of Refund:

ANY REGISTERED PERSON REQUIRED TO FILE RFD#01. EXCEPT

- (a) WHEN Refund of IGT is PROCESSED BY CUSTOM DEPART on EXPORT of Goods under model "First pay GST and later on claim Refund. These EXPORT Documents will be treated as Refund Application.
- (b) when Refund of GST Paid on Inward supply By VIN holder (e.g. embassy) Because they need to file RFD#10 for claiming such Refund.

## # Supportive Document with Refund Application:

- \* Where Refund Amount is upto 2 Lakh: NO NEED OF Supportive Documents, JUST Declaration is SUFFICIENT
- \* Where Refund Amount is Rs 2 Lakh or more: then Supportive Document need to be Attached with Application

## # Reversal of ITC:

Where ITC is Required to be Refunded then while filing RFD=01 Equal Amount of ITC need to be Reduced from E-credit Ledger, MOREOVER if Refund Application is Rejected then the ITC Amount shall be Re-credit in E-credit Ledger.

## # Refund to whom:

Refund shall be Allowed to the person who Borne the Incidence of TAX.

NOTE: # EXPORT of Taxable Supply = Zero Rated Supply  
 # EXPORT of Exempted Supply = Zero Rated Supply

# Refund Under:

ZERO RATED SUPPLY  
 + Supply to Abroad  
 + Supply to SEZ (UID)

OR

Under BOND  
 OR LUT  
 i.e. without Payment  
 of OUTPUT IGST

ON Payment of  
 OUTPUT IGST  
 &  
 LATER on claim  
 Refund

Zero Rate  
 Supply of Goods

Zero Rate  
 Supply of  
 Service

Zero Rate  
 Supply of Goods

Zero Rate  
 Supply of  
 Service

REFUND of ITC on  
 Input and Input  
 Service shall be  
 PROCESSED By GST  
 Department

REFUND of OUTPUT  
 IGST shall be  
 PROCESSED By  
 CUSTOM DEPT.  
 (NO NEED of RFD #01)

REFUND of  
 OUTPUT GST  
 shall be  
 PROCESSED By  
 GST DEPT

PROCESS:  
 # EXPORT manifest filed By  
 person in charge.  
 # EXPORT Document like  
 shipping bill etc shall be  
 TREATED AS Refund Application  
 # File GSTR-1 & 3B i.e.  
 payment of IGST to  
 GST DEPT.  
 # Now CUSTOM officer  
 will process the  
 Application

PROCESS:  
 # File GSTR-1 & 3B  
 i.e. pay OUTPUT IGST  
 By USING ITC and  
 CASH.  
 # NOW file RFD #1  
 for claiming  
 Refund.

However in case of  
 upward revision in  
 PRICES AFTER EXPORT:  
 (I) first pay Additional GST  
 to GST DEPT.  
 (II) AFTER that claim  
 Refund from  
 GST DEPT ITSELF

NOTE: For Downward Revision  
 # Deposit BACK Proportional Refund  
 # claim proportional Refund

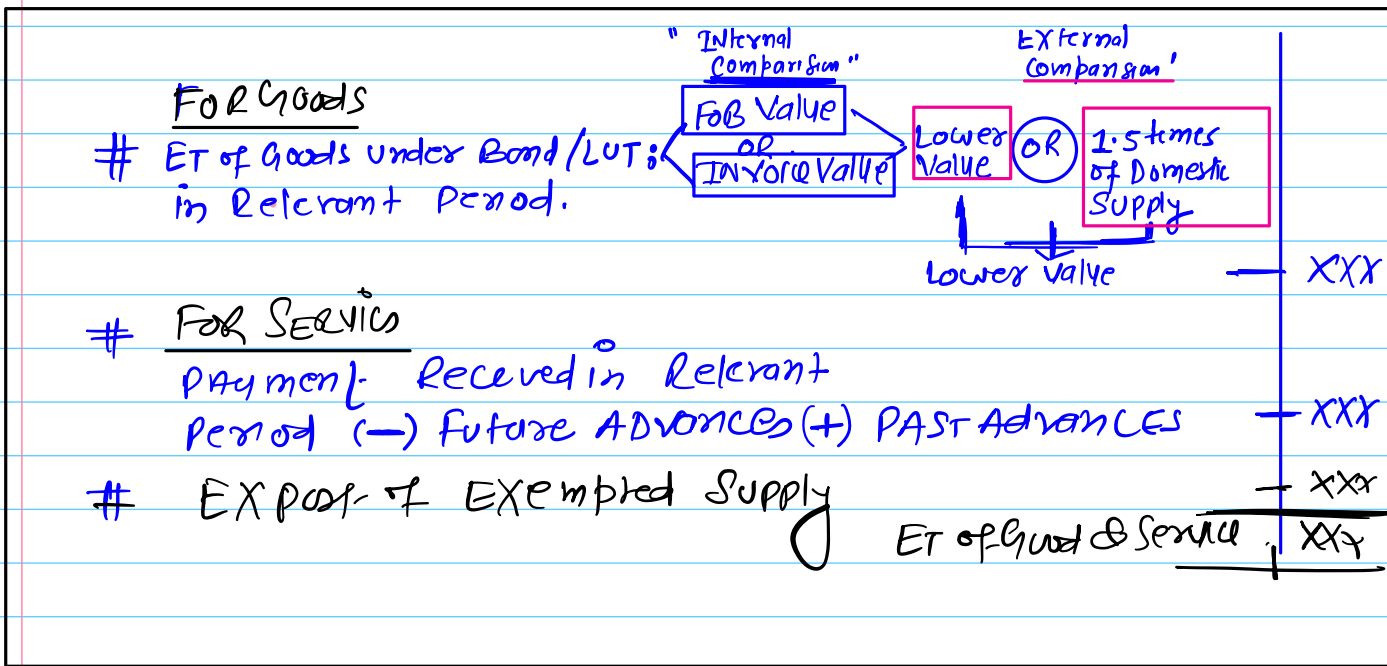
WHAT will be the maximum amount  
 of Refund of ITC:

- (1) Amount as calculated as per  
 FORMULA given VR=89(4) i.e.  
 FORMULA BASED Amount **XXX**
- (2) E-credit Ledger Balance Amount  
 At the time of filing of  
 RFD #1 **XXX**
- (3) E-credit Ledger Balance  
 After filing 3B of relevant  
 period (Because we should  
 first try to use ITC as  
 maximum as possible **XXX**)

Whichever is lowest **XXX**

max

How to calculate Formula Based amount : U/R = 89(4)



NET ITC of Input and Input SERVICES during Relevant Period, including ITC related to Deemed EXPORT (Ignore: Opening Balance of ITC)

$$* \frac{\text{ET of Goods + EXPORT T/O of SERVICE}}{\text{ET of Goods + EXPORT T/O of SERVICE + Other T/O}}$$

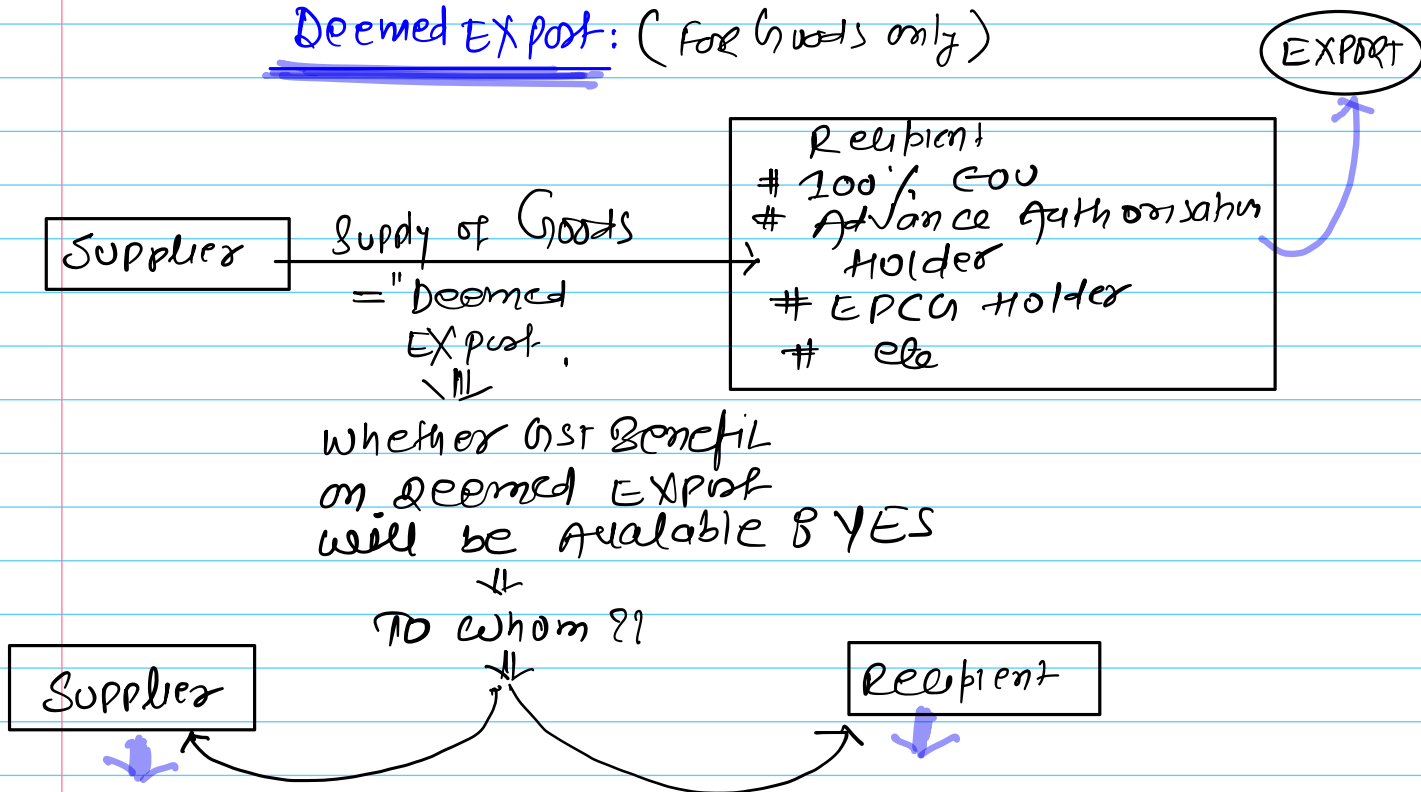
"The turnover in respect of which ITC has taken"

- # EXPORT of taxable Goods & services on Payment of IGST
- # Domestic Supply of Taxable Goods & SERVICES
- # Supply to 100% GOV etc i.e. Deemed EXPORT

## PROVISIONAL Refund

- # In case of zero rated supplies
- # Where Refund is given by GST Deptt, ~~Custom Deptt~~
- # Then 90% of Refund claimed can be processed on provisional basis
- # IF the person HAS NOT Prosecuted in LAST 5 years for an amount of MORE than ₹ 2.5 crore.

## Deemed EXPORT: (for Goods only)



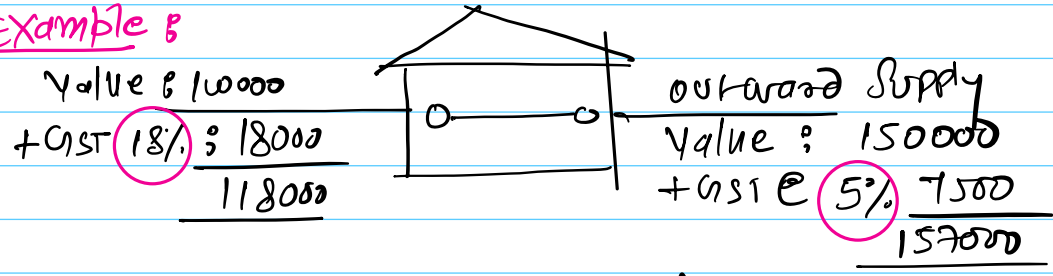
- # Where supplier is Authorised by Recipient as supplier can claim Benefit:
- # Then Supplier will NOT charge GST from Recipient in the Bill
- # AND Supplier will pay GST out of his own pocket to Govt. and get Refund from Deptt.
- # Where Recipient claim Benefit of GST in that case Supplier will charge GST from the Recipient.
- # Recipient will BOOK the ITC of amt claim Refund from Govt By RFD=01

" Inverted TAX Rate Structure "  
" Section: 54(3) + Rule = 89(5) "

WHAT IS Inverted TAX Rate Structure :

- # Where Output GST rate is less than GST rate of inputs, this situation is called ITRS
- # In this case even after payment of output GST there may be some UNUTILISED balance of ITC
- # Hence the balance of ITC shall be refunded by calculating as per formula.

For Example :

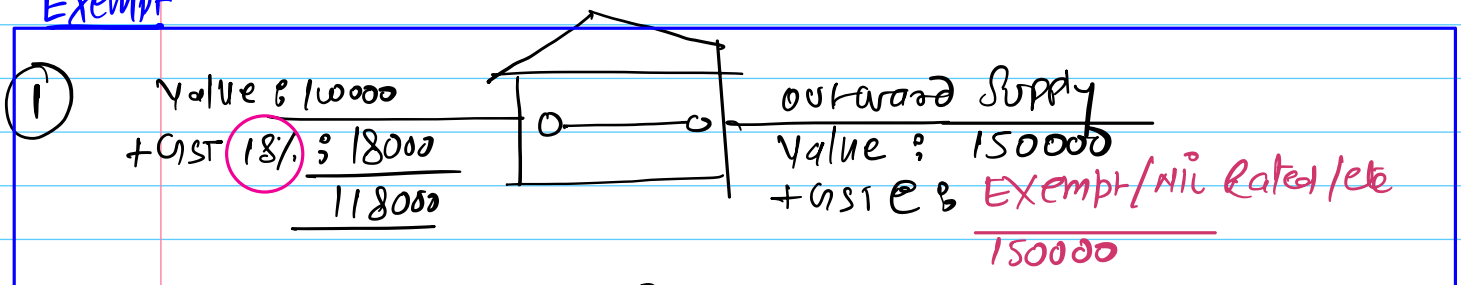


Op GST = 7500  
- ITC UOE = 7500  
NIL

Unutilised Balance of ITC = 10500  
to be refunded by Govt.

Decide whether following cases are covered under ITRS :

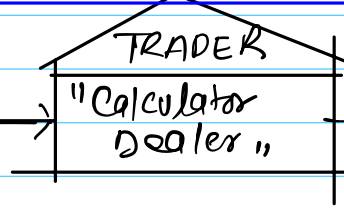
Exempt



ANS : NO, this case is NOT an ITRS case.

Rate Change @ TRADER


②

Value ₹ 10000 + GST 18% ₹ 18000 <u>118000</u> Year 2022		Value ₹ 150000 + GST 5% ₹ 7500 <u>157500</u> In year 2025: GST rate change to 5%
--	---	---

NO, this case is not an ITRS case.

Rate Change @ TRADER

②

Value ₹ 10000 + GST 18% ₹ 18000 <u>118000</u>		<p>Normal Rate 18% →</p> <p># BUT IF Supply made FOR Army Unit from team rate will be 5%.</p> <p>Value = 150,000 + GST 5% = 7500 <u>157500</u></p>
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YES, It is a case of ITRS.

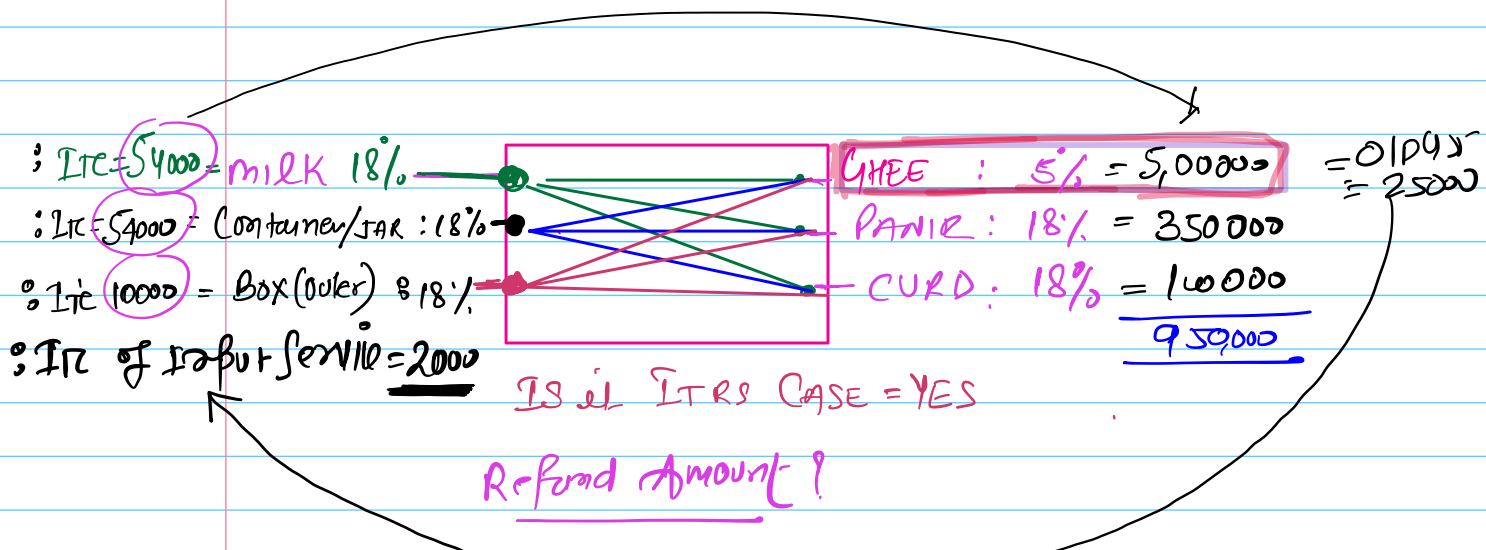
Formula under Rule = 89(5) :

=  $\left[ \begin{array}{l} \text{All INPUT ITC} \\ \text{KO PROPORTIONATE KARO} \\ \text{in the Raho of TURNOVER} \end{array} \right] (-) \left[ \begin{array}{l} \text{Output GST @ ITRS walay} \\ \text{KO PROPORTIONATE KARO} \\ \text{ITC ke Raho me} \end{array} \right]$

=  $\left[ \begin{array}{l} \text{ITC of All} \\ \text{INPUTS} \end{array} \right] * \frac{\text{T/O of ITRS}}{\text{T/O of ITRS + Other T/O}} (-) \left[ \begin{array}{l} \text{O/P GST} \\ \text{of ITRS} \end{array} \right] * \frac{\text{ITC of All INPUT}}{\text{ITC of All INPUT} (+) \text{ ITC of All INPUT SEWNU}}$

IN Respect of which ITC has already been Availed i.e. like Rule = 89(4) calculation

Example :



LHS All Input ITC ko TPO ke bahin

$$\left( 118000 * \frac{5,00,000}{9,50,000} \right) - \left( 25000 * \frac{118000}{120,000} \right)$$

62105 - 24583 = Rs 37,522

RHS Opposi @ ITR wali @ ITC me Prop

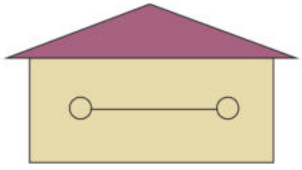
CRUX :

Proportional ITC of All Inputs	-	Proportional of Cost @ ITR
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**Refund from E-Cash Ledger**

- File RFD: 01
- No Time Limit of 2 years
- No Reason of Refund to be asked
- No Supportive Documents is Required

**Refund of Excess Payment**



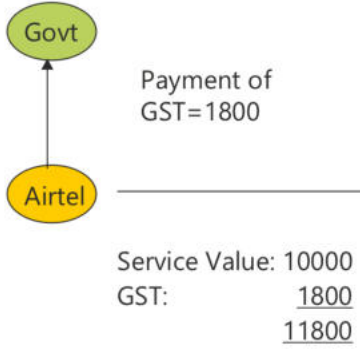
Legal Rate of : GST=12%, but Actually Paid @ 18% (with Interest due to late Payment)

Value = 1,00,000

Tax and Interest	CGST	SGST	Interest on CGST	Int. on SGST	Total
Actually Paid @ 18%	9000	9000	900	900	=19800
Amount to be paid@12%	6000	6000	600	600	=13200
<b>Refund:</b>	<b>3000</b>	<b>3000</b>	<b>300</b>	<b>300</b>	<b>6600</b>

**Tax = 6000+Interest = 600 = Rs. 6600**

If Rs. 6,600 Not Paid within 60 Days then Interest @ 6% PA is to be Paid along with 6600



**Refund to "UIN" Holder: Sec: 55**

**UN: Related:** WHO, WTO, World Bank, UNESCO, UNIDO, I.L.O, IMF etc

Embassy

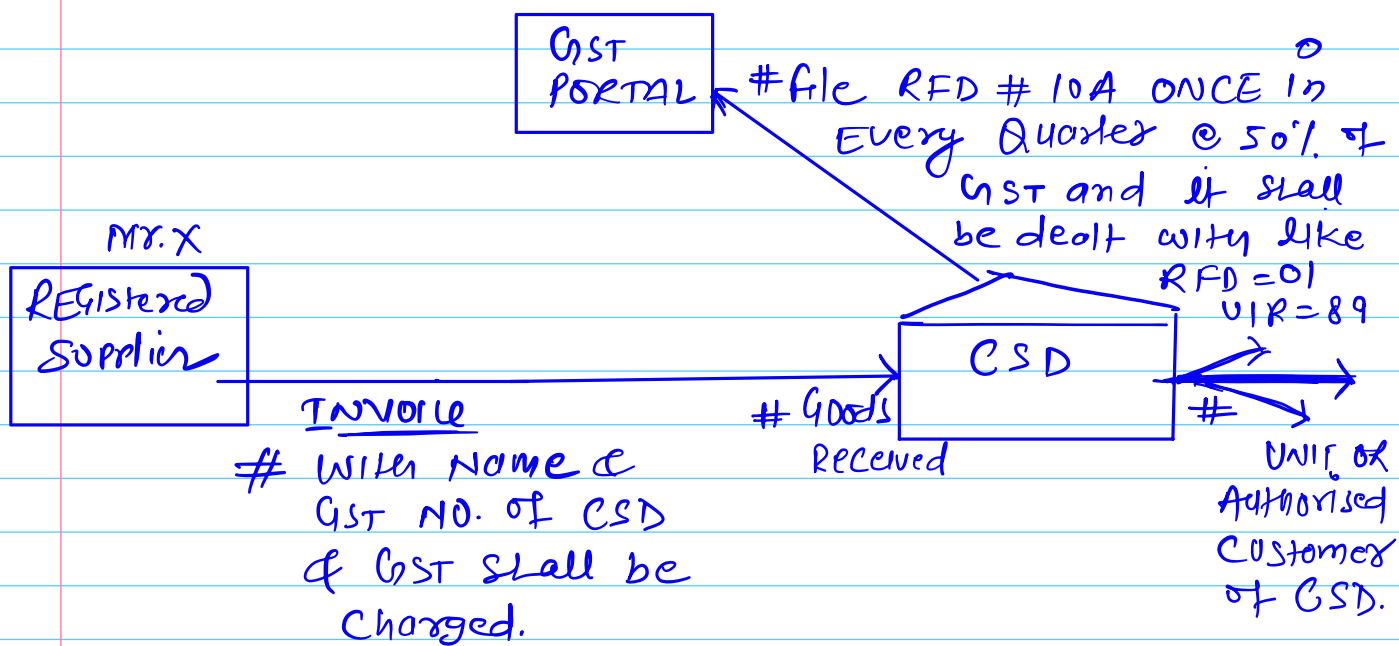
Other Notified: CSD/DFS

- \* Need to take "UIN" which is Valid for All India
- \* Return: @ GSTR=11 @ monthly basis by 28th
- \* For Refund:**
  - Frequency of Refund = **QUARTERLY**
  - Form= GST- RFD = 10, within 2 Years of Ending of Relevant Quarter
  - Rest of the Process will remain Same

- Note: # IF Sale Proceeds NOT Realised within time then Deposit BACK with Interest @ 50% with in 30 days + Extension.
- # However IF RBI Permits i.e Allow waiver than No need to Deposit BACK
- # IF the Amount Realised at later date then get Back with in 3 months of Realisation.

Rule = 95B :

MECHANISM FOR Refund of TAX Paid on Inward Supply of Goods Received By C.S.D



GSTR-1 & 3B  
# must be Filed By Mr. X. for the Concerned TAX period.

Best Regards  
CA Raj Kumar.