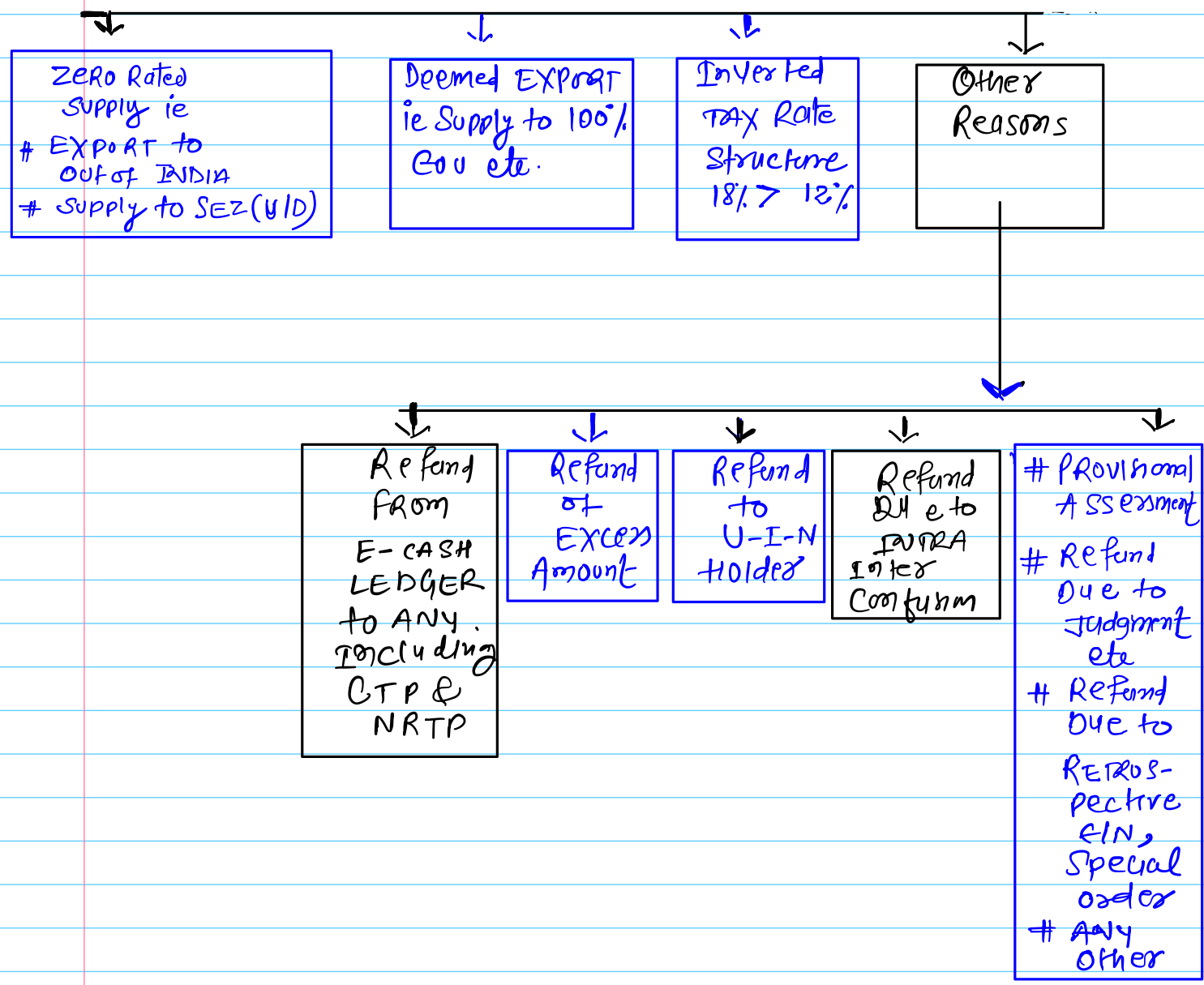


CHAPTER #15 : REFUND

Reasons of REFUND



SECTION: 54 : Refund in General

SECTION: 55 : Refund to UIN Holder

SECTION: 56 : Interest on Refund

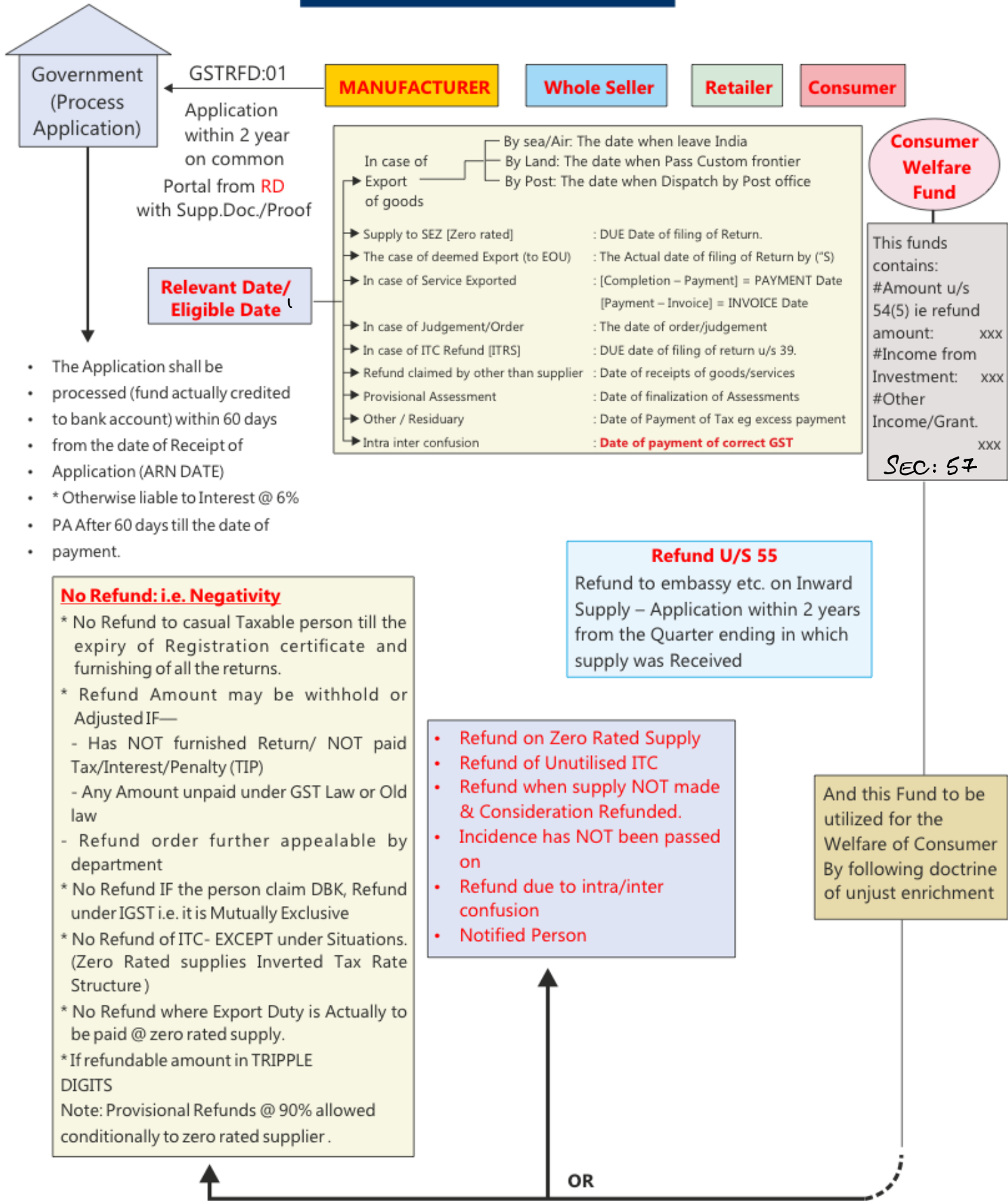
SECTION: 57 : Consumer welfare fund (IN)

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

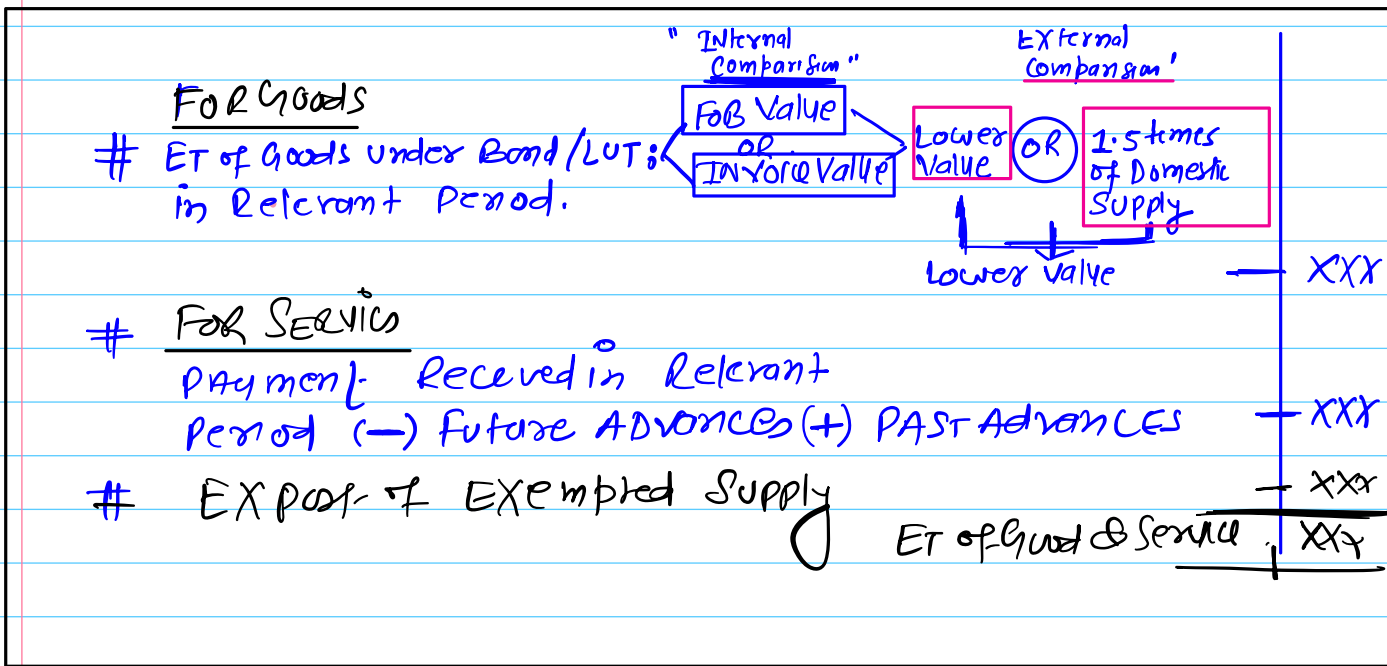
WHAT will be the maximum amount
 of Refund of ITC:

- (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)

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

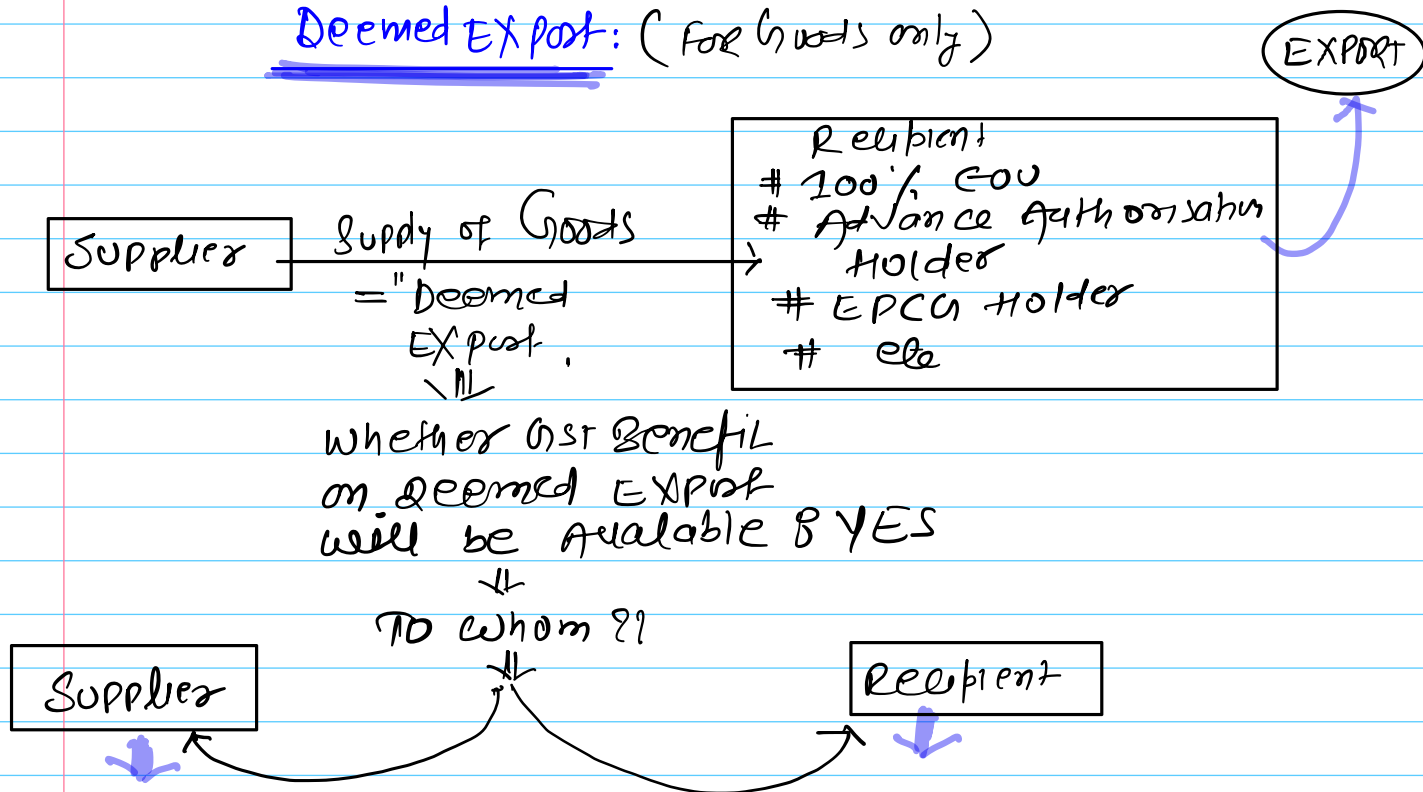
"The turnover in respect of which ITC has taken"

- # 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 Authorized 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

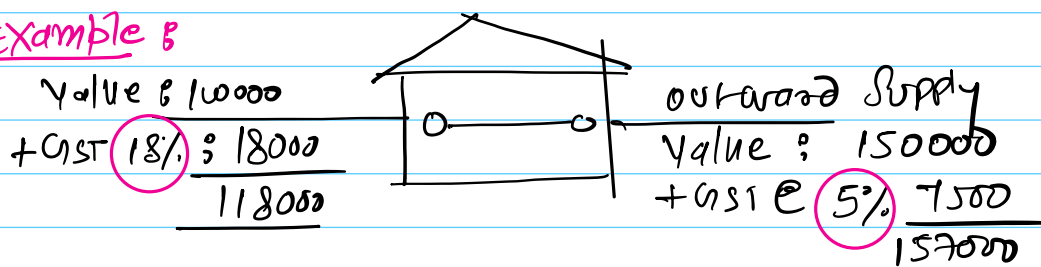
" Inverted TAX Rate Structure "

" 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 :

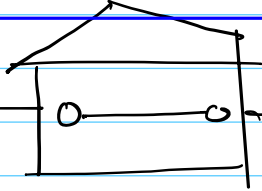


$$\begin{aligned} \text{O/p GST} &= 7500 \\ - \text{ITC UOE} &= 7500 \\ \hline & \text{NIL} \end{aligned}$$

UNUTILISED Balance of ITC = 10500
to be Refunded by Govt.

Decide whether following cases are covered under ITRS :


Exempt

① Value ₹ 10000 + GST 18% ₹ 18000 <hr style="width: 100%;"/> 118000		outward Supply Value : 150000 + GST @ EXEMPT/NIL RATED/ETC <hr style="width: 100%;"/> 150000
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ANS : NO, this CASE is NOT an ITRS CASE.

Rate Change @ TRADER

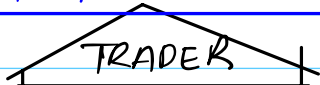
②

Value ₹ 10000 + GST 18% ₹ 18000 <u>118000</u> Year 2022	 "Calculator Dealer"	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>	 FABRIC Dealer	Normal Rate 18% # BUT IF Supply made FOR Army Unit from team rate will be 5% Value = 150,000 + GST 5% = 7500 <u>157500</u>
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YES, It is A CASE OF ITRS.

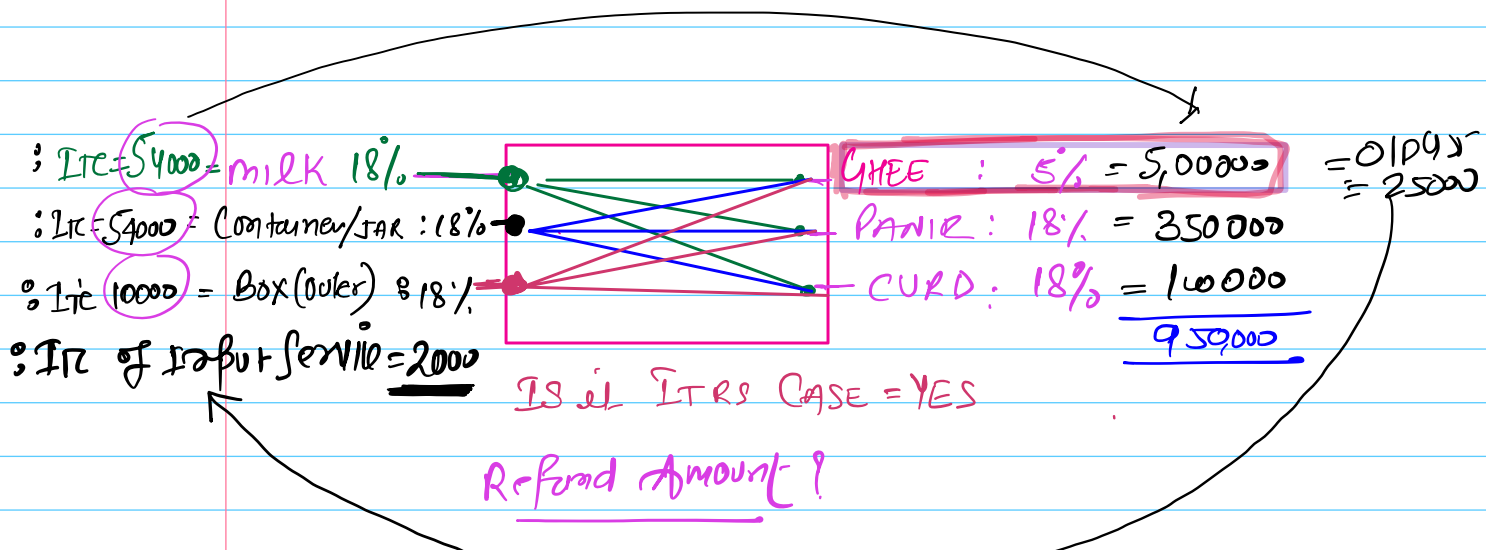
FORMULA Under Rule = 89(5) :

$$= \left[\begin{array}{l} \text{All INPUT ITC} \\ \text{KO PROPORTIONATE KARO} \\ \text{in the Raho of TURNOVER} \end{array} \right] (-) \left[\begin{array}{l} \text{OUTPUT GST @ ITRS WALI} \\ \text{KO PROPORTIONATE KARO} \\ \text{ITC KE RAHO ME} \end{array} \right]$$

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

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

RHS
 Opposi @ ITR wali
 @ ITC me Prop

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

$$\left(25000 * \frac{118000}{120,000} \right)$$

$$62105 - 24583 = \text{Rs } 37,522$$

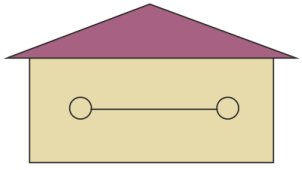
CRUX :

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



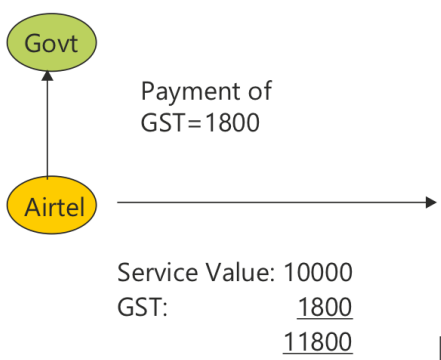
Legal Rate of : GST=12%, but Actually Paid @ 18% (with Interest due to late Payment)

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
Refund:	3000	3000	300	300	6600

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

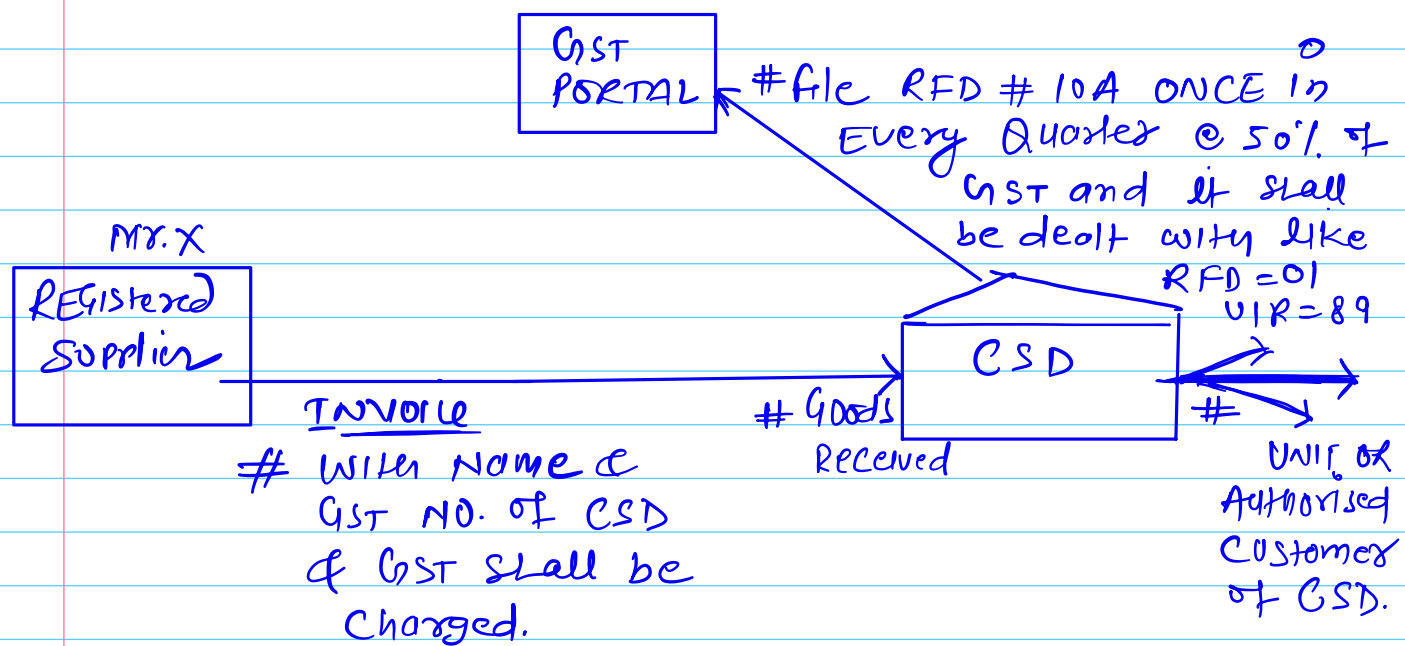
UN: Related: WHO, WTO, World Bank, UNESCO, UNIDO, I.L.O, IMF etc
Embassy
 Other Notified: CSD/DFS

- * 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 U/s: 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.