



Chapter 15 - Refunds

Part A - ICAI TYK

1) Is there any time limit for sanctioning of refund under section 54?

Sol: Yes, refund has to be sanctioned within 60 days from the date of receipt of application complete in all respects. If refund is not sanctioned within the said period of 60 days, interest @ 6% p.a. will have to be paid in accordance with section 56.

However, in case where provisional refund to the extent of 90% of the amount claimed is refundable in respect of zero-rated supplies made by certain categories of registered persons in terms of sub-section (6) of section 54, the provisional refund has to be given within 7 days from the date of acknowledgement of the claim of refund.

2) Discuss the provisions relating to refund of the amount of advance tax deposited by a casual taxable person under section 27(2).

Sol: The amount of advance tax deposited by a casual taxable under section 27(2), shall be refunded only when such person has, in respect of the entire period for which the certificate of registration granted to him had remained in force, furnished all the returns required under section 39 [Section 54(13)]. Further, refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 at the time of registration, shall be claimed in the last return required to be furnished by him [Fourth proviso to rule 89(1)].

3) In case of refund under exports of goods, whether BRC/FIRC is necessary for granting refund?

Sol. In case of refund on account of export of goods, the refund rules do not prescribe BRC/FIRC as a necessary document for filing of refund claim. However, for export of services details of BRC/FIRC is required to be submitted along with the application for refund.

However, in case of non-realization of consideration in terms of FEMA, the exporter shall deposit the amount so refunded to the extent of non-realization of sale proceed along with interest within 30 days [Rule 96B].

4) When is a deficiency memo issued in respect of a refund claim made under section 54?

Sol. Rule 90(3) provides for communication in prescribed form (deficiency memo) where deficiencies are noticed. The said sub-rule also provides that once the deficiency memo has been issued, the claimant is required to file a fresh refund application after the rectification of the deficiencies. Further the time period, from the date of filing of the refund claim in Form GST RFD-01 till the date of communication of the deficiencies by the proper officer, shall be excluded from the period of two years as specified under Section 54(1), in respect of any such fresh refund claim filed by the applicant after rectification of the deficiencies.

5) State the exceptions to the principle of unjust enrichment as applicable to refund claims.

Sol. The principle of unjust enrichment is applicable in all cases of refund except in the following cases:-

- (a) Refund of tax paid on export of goods or services or both or on inputs or input services used in making such exports.
- (b) Unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.
- (c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued.
- (d) refund of tax in pursuance of section 77 of CGST/SGST Act i.e. tax wrongfully collected and paid to Central Government or State Government.
- (e) if the incidence of tax or interest paid has not been passed on to any other person.
- (f) such other class of persons who has borne the incidence of tax as the Government may notify.

6) Kailash Global (P) Ltd. supplies various goods in domestic and international markets. It is engaged in both manufacturing and trading of goods. The company is registered under GST in the State of Karnataka. The company exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3) of the IGST Act, 2017.

The company has made the following supplies during a tax period:

S.No.	Particulars	(Rs.)
(i)	Export of product 'A' to UK for \$ 10,000 (Assessable value under customs in Indian rupees.) [Export duty is payable on product 'A' at the time of exports. Further, value of like goods domestically supplied by the similarly placed supplier is Rs. 6,00,000]	7,00,000
(ii)	Domestic supplies of taxable product 'B'* during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @18%] *not notified as a product, in respect of which refund of unutilised ITC shall not be allowed under section 54(3)(ii)	10,00,000
(iii)	Supply of goods to Export Oriented Unit [excluding tax @ 18%] [ITC has been claimed by the recipient]	5,00,000
(iv)	Export of exempt supplies of goods (Value of like goods domestically supplied by the similarly placed supplier is Rs. 5,00,000)	6,00,000

The ITC available for the above tax period is as follows:

S.No.	Particulars	(Rs.)
(i)	On inputs	3,50,000
(ii)	On input service	1,50,000
(iii)	On capital goods	1,20,000

Determine maximum amount of refund admissible to Kailash Global (P) Ltd. for the given tax period.

Sol. Computation of maximum amount of refund admissible to Kailash Global (P) Ltd.

Particulars	(Rs.)
Exports of product 'A' to UK [Note (i)]	-
Domestic supplies of taxable product 'B' during the period [Note (ii)]	90,000
Supply of goods to Export Oriented Unit [Note (iii)]	Nil
Export of exempt supplies [Note (iv)]	1,07,143
Total refund claim admissible	1,97,143

Notes:

- i. Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. Further, Kailash Global (P) Ltd. exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3) of the IGST Act, 2017.

Therefore, as per clause (i) of first proviso to section 54(3), a registered person may claim refund, of any unutilised ITC in the case of zero rated supply made without payment of tax at the end of any tax period. However, second proviso to section 54(3) lays down that refund of unutilized ITC is not allowed if the goods exported out of India are subjected to export duty.

- ii. Refund of unutilised ITC is allowed in case of inverted duty structure, i.e. 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 GST Council [Clause (ii) of the first proviso to section 54(3)].

Rule 89(5) stipulates that in the case of refund on account of inverted duty structure, refund of ITC is granted as per the following formula -

$$\text{Maximum Refund Amount} = \frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs and inputs services}}$$

where-

"Net ITC" means ITC availed on inputs during the relevant period

"Adjusted total turnover" means the sum total of the value of:

(a) the turnover in a State/ Union territory, as defined under section 2(112), excluding turnover of services; &

(b) the turnover of zero-rated supply of services determined in terms of specified manner and non-zero-rated supply of services,

excluding:

(i) the value of exempt supplies other than zero-rated supplies during the relevant period.

"Relevant period" means the period for which the claim has been filed.

Tax payable on inverted rated supply of goods = Rs. 10,00,000 × 5% = Rs. 50,000

Here, Net ITC = Rs. 3,50,000,

Adjusted Total Turnover = Rs. 28,00,000 [Rs. 7,00,000 + Rs. 10,00,000 + Rs.5,00,000 + Rs. 6,00,000] and Turnover of inverted rated supply of goods = Rs. 10,00,000

Thus, maximum refund amount under rule 89(5) = Rs. 3,50,000 x 10,00,000/ Rs. 28,00,000 - (Rs. 50,000x{Rs. 3,50,000/(Rs. 3,50,000+Rs. 1,50,000)}) = Rs. 90,000

(iii) As per section 2(39), deemed exports means such supplies of goods as may be notified under section 147. Supplies to EOU is notified as deemed export under section 147 vide Notification No. 48/2017 CT dated 18.10.2017. In respect of supplies regarded as deemed exports, the application of refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund [Third proviso to rule 89(1)]. Therefore, since in the given case, the recipient is claiming ITC, Kailash Global (P) Ltd. (supplier of deemed exports) cannot claim refund of ITC.

(iv) Section 16(2) of the IGST Act, 2017 stipulates that subject to the provisions of section 17(5) of the CGST Act, ITC may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply. Section 54(3) of the CGST Act, 2017 allows refund of ITC in the case of zero rated supply made without payment of tax.

Rule 89(4) stipulates that in the case of zero-rated supply of goods or services or both without payment of tax under bond/LUT in accordance with the provisions of section 16(3) of the IGST Act, 2017, refund of ITC shall be granted as per the following formula:

$$\text{Refund Amount} = \frac{(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services})}{\text{Adjusted Total Turnover}} \times \text{Net ITC}$$

where-

"Net ITC" means ITC availed on inputs and input services during the relevant period.

"Turnover of zero-rated supply of goods" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond/LUT, or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less.

"Adjusted total turnover" means the same as explained in point ii above.

Here, Turnover of zero rated supply of goods = Rs. 6,00,000 (Lower of Rs. 6,00,000 or 1.5 times of Rs. 5,00,000 i.e. 7,50,000 whichever is lower), Net ITC = Rs. 5,00,000 and Adjusted Total Turnover = Rs. 28,00,000 (as computed in point ii above)

Thus, maximum refund amount under rule 89(4) = Rs. 5,00,000 x Rs. 6,00,000/ Rs. 28,00,000 = Rs. 1,07,143.

7) Super Engineering Works, a registered supplier in Haryana, is engaged in supply of taxable goods within the State. Given below are the details of turnover and applicable GST rates of final products

manufactured by Super Engineering Works as also input tax credit (ITC) availed on inputs used in manufacture of each of final products and GST rates applicable on same, during a tax period:

Products	Turnover* (Rs.)	Output GST Rates	ITC availed (Rs.)	Input GST Rates
A	500,000	5%	54,000 (Goods)	18%
B	350,000	5%	54,000 (Goods)	18%
C	100,000	18%	10,000 (Service)	18%

*excluding GST

Determine the maximum amount of refund of the unutilized input tax credit that Super Engineering Works is eligible to claim under section 54(3)(ii) provided that Product B is notified as a product, in respect of which no refund of unutilised input tax credit shall be allowed under said section.

Sol. Section 54(3)(ii) allows refund of unutilized input tax credit (ITC) at the end of any tax period to a registered person where the credit has accumulated on account of inverted duty structure i.e. 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.

In the given case, the rates of tax on inputs used in Products A and B (18% each) are higher than rates of tax on output supplies of Products A and B (5% each). However, Product B is notified as a product, in respect of which no refund of unutilised ITC shall be allowed under section 54(3)(ii). Further rate of tax on input used in the product C is carrying same rate of tax on output supplies hence it is not the case of inverted duty structure. Therefore, no refund on the Product C.

Therefore, only Product A is eligible for refund under section 54(3)(ii).

Further, rule 89(5) stipulates that in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula -

Where -

$$\text{Maximum Refund Amount} = \frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs and inputs services}}$$

A. "Net ITC" means input tax credit availed on inputs during the relevant period;

B. Adjusted Total Turnover means the sum total of the value of-

- (a) the turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and
- (b) the turnover of zero-rated supply of services determined in specified manner and non-zero-rated supply of services, excluding-

the value of exempt supplies other than zero-rated supplies during relevant period.

C. Relevant period means the period for which the claim has been filed.

In accordance with the aforesaid provisions, the maximum refund amount which Super Engineering Works is eligible to claim shall be computed as follows:

Tax payable on inverted rated supply of Product A = Rs. 5,00,000 × 5% = Rs. 25,000

Net ITC = Rs. 108000 (Rs. 54,000 + Rs. 54,000) [Net ITC availed during the relevant period needs to be considered irrespective of whether the ITC pertains to inputs eligible for refund of inverted rated supply of goods or not - Circular No. 79/53/2018-GST dated 31.12.2018]

Adjusted Total Turnover = Rs. 9,50,000 (Rs. 5,00,000 + Rs. 3,50,000 + Rs. 1,00,000) Turnover of inverted rated supply of Product A = Rs. 5,00,000

Maximum refund amount for Super Engineering Works is as follows:

= $[(Rs. 5,00,000 \times Rs. 108000) / Rs. 9,50,000] - (Rs. 25,000 \times 108,000 / 118,000)$

= Rs. 33,961 (rounded off)

8) With reference to Sec. 54(3), mention cases where refund of unutilised input tax credit is allowed.

Sol. As per section 54(3), a registered person may claim refund of unutilised input tax credit at the end of any tax period in the following cases:

(i) Zero rated supplies made without payment of tax: Supply of goods or services or both for authorised operations to an SEZ developer/unit or export of goods or services or both qualifies as zero rated supplies.

(ii) Accumulated ITC on account of inverted duty structure: 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.

However, refund of unutilized input tax credit shall not be allowed if:

- the goods exported out of India are subjected to export duty;
- the supplier of goods or services or both avails of drawback in respect of CGST or claims refund of the IGST paid on such supplies.

9) State few cases where refundable amount shall be paid to the applicant, instead of being credited to Consumer Welfare Fund under CGST Act, 2017.

Sol. Section 54(8) provides that the refundable amount shall be paid to the applicant, instead of being credited to the Consumer Welfare Fund, if such amount is relatable to —

(a) refund of tax paid on export of goods and/or services or on inputs or input services used in making such exports;

(b) refund of unutilized ITC in case of zero-rated supplies made without payment of tax or accumulated ITC on account of inverted duty structure;

(c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;

(d) refund of tax paid on a transaction treating it to be an intra-State supply, but which is subsequently held to be an inter-State supply or vice-versa;

(e) 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

(f) the tax or interest borne by notified class of applicants.

Part B - PYQs/RTPs/MTPs

10) Discuss three supplies which have been notified as deemed exports under section 147 of CGST Act, 2017. [PYQ Nov'18]

Sol. Following supplies have been notified as deemed exports under section 147 of the CGST Act, 2017:

1. Supply of goods by a registered person against Advance Authorisation.
2. Supply of capital goods by a registered person against Export Promotion Capital Goods Authorisation.
3. Supply of goods by a registered person to Export Oriented Unit.
4. Supply of gold by a notified bank/Public Sector Undertaking against Advance Authorisation.

11) Narmada Enterprises, a registered person, pays CGST and SGST on a transaction considered by it to be an intra-State supply. However, subsequently said transaction is held to be an inter-State supply. Examine the recourse available with Narmada Enterprises. [RTP Nov'20]

Sol. Section 77(1) of the CGST Act, 2017 stipulates that a registered person who has paid the Central tax and State tax or, as the case may be, the Central tax and the Union territory tax on a transaction considered by him to be an intra-State supply, but which is subsequently held to be an inter-State supply, shall be refunded the amount of taxes so paid.

Further, Section 19(2) of the IGST Act, 2017 provides that a registered person who has paid central tax and State tax or Union territory tax, as the case may be, on a transaction considered by him to be an intra-State supply, but which is subsequently held to be an inter-State supply, shall not be required to pay any interest on the amount of integrated tax payable.

Thus, in the given case, Narmada Enterprises shall be refunded the amount of taxes so paid, and it shall not be required to pay any interest on the amount of IGST payable by it on the transaction wrongly considered by it earlier as an intra-State transaction.

12) The following particulars are furnished by Delight Exporters, Karnataka, which is duly registered under the GST law. The entity has also filed bond/LUT in order to export goods without payment of any taxes. You are required to calculate the refund amount in respect of input tax credit on inputs and input services relating to goods exported in the relevant tax period. [PYQ Nov. 2019]

S.N.	Particulars of supply	Value Rs.
1.	Turnover - excluding supply of services, but includes exempt supplies of Rs. 8,00,000 and inward supplies of Rs. 2,00,000	76,00,000
2.	Zero-rated supply of goods under bond/LUT	12,00,000
3.	Export services under bond/LUT	48,00,000
4.	Non-zero-rated supply of services	10,00,000
5.	Payments received towards zero-rated supply, which includes Rs. 12,00,000 against which services are yet to be supplied	48,00,000
6.	Advance received in the past, against which zero-rated supplies have been made in the current tax period	14,00,000

7.	Turnover on which suppliers have claimed refund under rule 89(4A) & rule 89(4B) - Goods - Services	6,00,000 6,00,000
8.	ITC on inputs and input services during the tax period including those under rule 89(4A) and rule 89(4B)	12,00,000
9.	ITC relating to rule 89(4A) and rule 89(4B)	2,40,000

Sol. In case of zero-rated supply of goods and services without payment of tax under bond/LUT, refund of ITC relating to goods and services exported is granted as per the following formula:

$$\text{Refund Amount} = \frac{(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services})}{\text{Adjusted Total Turnover}} \times \text{Net ITC}$$

Accordingly, the amount of refund shall be computed as follows:

Particulars	Rs.
Net ITC	12,00,000
Turnover of zero-rated supply of goods	12,00,000
Turnover of zero rated supply of services [Aggregate of payments received during the relevant period and services where supply has been completed for which payment had been received in advance in any prior period reduced by advances received for which the supply of services has not been completed during the relevant period] [Rs. 48 lakh + Rs. 14 lakh - Rs. 12 lakh] [It is assumed that S. No. 6 of the table in the question belongs to zero rated supply of service and not for zero rated supply of goods.]	50,00,000
Adjusted total turnover = Turnover in a State excluding turnover of services + Turnover of zero-rated supply of services determined as above + Non-zero-rated supply of services - [Exempt supplies other than zero-rated supplies] [Rs. 76 lakh - Rs. 2 lakh + Rs. 50 lakh + Rs. 10 lakh - Rs. 8 lakh] [The exempt supplies are logically assumed to be other than zero rated supplies.]	1,26,00,000
Refund of ITC for zero rated supply of goods and zero rated supply of services [Rs. 12,00,000 × (Rs. 62,00,000 / Rs. 1,26,00,000)] (rounded off)	5,90,476

Note: The above answer is based on the following assumptions made with regard to the information given in the table in the question:

- (i) Turnover at Sl. No. 1 [Rs. 76 lakh] includes the turnover of zero rated supply of goods given at S. No. 2 [Rs. 12 lakh].
- (ii) Turnover of zero-rated supply of goods given at S. No. 2 [Rs. 12 lakh] includes turnover of supplies of goods relating to rule 89(4A) and 89(4B) [Rs. 6 lakh]
- (iii) Turnover of zero-rated supply of services computed as per rule 89(4)(D) [Rs. 50 lakh] includes the turnover of supplies of services relating to under rule 89(4A) and 89(4B) [Rs. 6 lakh].

12) DF Ltd. exported goods valued Rs. 50 lakh and received refund of integrated tax paid amounting to Rs. 9 lakh on 16th August, 2020. He could realise export proceeds to the extent of Rs. 25 lakh, but did not realise the balance export proceeds within the prescribed time limit of 9 months and has applied for extension of time to RBI. There is no dispute about the supply of the goods as regards quality, time of supply and fulfilment of terms and conditions of sale. He wants you to inform him of consequences under GST law in case RBI does not give him extension. [PYQ July'21]

Sol. Where any applicant has received refund of integrated tax paid on export of goods but could not realise sale proceeds of such exported goods within prescribed time limit (or extended time period), he shall deposit amount so refunded along with interest of 18% within 15 days of expiry of the said period (or extended time period), to the extent of non-realisation of sale proceeds.

However, if RBI writes off requirement of such realization on merits, recovery shall not be made.

In view of the aforesaid provisions, DF Ltd. has to deposit the refund of integrated tax of Rs. 4.5 lakh (to the extent of non-realisation of export proceeds of Rs. 25 lakh) along with interest @ 18% within 15 days of the expiry of the prescribed time-limit.

In case of failure to do so, the amount will be recovered in accordance with the provisions relating to recovery of erroneous refund and also penalty can be imposed.

13) EverYoung Manufacturers LLP, a registered supplier under GST, is engaged in manufacturing of ayurvedic cosmetic products within the State of Gujarat. It provides the following information for the month of January, 2023:

Particulars for month of January, 2023	CGST Rate	SGST Rate	Value (excl. GST)
Outward supply of skin care products	2.5%	2.5%	50,00,000
Outward supply of skin care products	6%	6%	50,000
Inward supply of Inputs for skin care products	6%	6%	35,00,000
Inward supply of Input Services	2.5%	2.5%	5,00,000
Inward supply of capital goods	9%	9%	25,00,000

Other Information

(a) ITC in respect of all types of inward supply as given above was claimed in the relevant GSTR 3B and the same was also reflected in GSTR 2B.

(b) All other conditions for claiming the refund are duly complied with.

(c) No refund was claimed for the month of January 2023.

You are requested to compute the 'Maximum refund amount' eligible for inverted duty structure.

Working notes should form part of your answer.

[PYQ May'23]

Sol. In the case of refund on account of inverted duty structure, refund of ITC is granted as per the following formula:

$$\text{Maximum Refund Amount} = \frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs and inputs services}}$$

1. Turnover of inverted rated supply of goods and services = 50,00,000 (product having rate less than 6% to be considered).
2. Adjusted Total Turnover = 50,00,000 + 50,000 = 50,50,000.
3. Net ITC (means ITC available only on Inputs) = 35,00,000 × 12% = 4,20,000.
4. ITC of Input Service and Capital Goods not to be considered.
5. Tax payable on such inverted rated supply of goods and services: 2,50,000 [(50,00,000 × 5%)]
6. ITC availed on inputs: [(35,00,000 × 12%)] = 4,20,000
7. ITC availed on input services: [(5,00,000 × 5%)] = 25,000

Maximum refund amount eligible in the given case = $50,00,000 / 50,50,000 \times 4,20,000 - 2,50,000$
 $\times 4,20,000 / 4,45,000$
 = Rs. 1,79,887 (rounded off) (Total under CGST and SGST)

Or

Rs. 89,943.50 + 89,943.50 each (under CGST and SGST)

14) Jai and Co, a registered supplier under GST, is engaged in weaving yarn into fabrics and has provided the following information: [PYQ Nov'21]

Nature of various intra-State supplies during April 2021	Value of supply (excluding GST) (Rs.)
Outward supply of fabrics (Tax rate of CGST and SGST is 2.5% each)	30,00,000
Inward supply of rayon yarn (Tax rate of CGST and SGST is 6% each)	24,00,000
Inward supply of services for processing the yarn (Tax rate of CGST and SGST is 2.5% each)	4,00,000
Inward supply of machineries for weaving the processed yarn into fabrics (Tax rate of CGST and SGST is 9% each)	45,00,000
The concern has not provided any supply other than the outward supply referred above. ITC in respect of all types of inward supplies as given above was claimed in the relevant GSTR 3B as well reflected in GSTR 2B.	
Other applicable conditions for claiming the refund are duly complied with.	

You are required to compute the 'maximum refund amount' eligible under rule 89(5) of CGST Rules, 2017 for inverted duty structure.

Also provide working notes for your calculation.

Note - No refund has been claimed under rule 89(3) or rule 89(4) of the CGST Rules, 2017.

Sol. Maximum refund amount under rule 89(5) of the CGST Rules, 2017 on account of inverted duty structure, is computed as follows -

$$\text{Maximum Refund Amount} = \frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs and inputs services}}$$

where Net ITC means ITC availed only on inputs

= Rs. $[(24,00,000 \times 6\%) \times 30,00,000 / 30,00,000] - [(30,00,000 \times 2.5\%) \times 1,44,000 / 1,54,000]$
(each for CGST and SGST)

= Rs. 1,44,000 - Rs. 70,130 = Rs. 73,870

Thus, maximum refund amount is Rs. 73,870 each for CGST and SGST.

Note: Refund of tax paid on input services and capital goods is not a part of refund of accumulated ITC on account of inverted duty structure.

15) Synotex Pvt. Ltd. manufactures taxable goods, 'Q' and exempt goods 'S'. Product 'S' is sold in international markets without payment of tax under letter of undertaking. The company is registered under GST in the State of Maharashtra. The company provides the following information in relation to various supplies made by it during a tax period:

(a) Product 'S' has been exported to the UK for £12,000

(b) Product 'Q' has been supplied to Betty Enterprises within India for Rs. 20,00,000

Note: The above amounts are exclusive of taxes, wherever applicable.

The company provides the following information in relation to tax paid on inward supplies received during the said tax period:

(a) GST of Rs. 5,00,000 has been paid on inputs

(b) GST of Rs. 2,40,000 has been paid on capital goods

(c) GST of Rs. 2,00,000 has been paid on input services

(d) All the above inputs, input services, and capital goods are used in the manufacturing process

Following additional information is also provided:

(i) Value of product 'S' exported to the UK in Indian rupees is Rs. 12,00,000. However, the value of such a product when supplied domestically by the company in similar quantities is Rs. 10,00,000.

(ii) Betty Enterprises is a 100% export-oriented undertaking. It has claimed the ITC on goods supplied to it by Synotex Pvt. Ltd.

(iii) The balance in the electronic credit ledger of Synotex Pvt. Ltd. at the end of the tax period for which the refund claim is being filed after GSTR-3B for the said period has been filed is Rs. 5,80,000.

(iv) The balance in the electronic credit ledger of Synotex Pvt. Ltd. at the time of filing the refund application is Rs. 3,00,000.

Compute the amount refundable to Synotex Pvt. Ltd. for the tax period.

[RTP Nov'20]

Sol. Export of product 'S'

Export of goods is a zero-rated supply in terms of **section 16(1)(a) of the IGST Act, 2017**. **Section 16(2) of the IGST Act, 2017** stipulates that, subject to the provisions of **section 17(5) of the CGST Act, 2017**, ITC may be availed for making zero-rated supplies even if such a supply may be an exempt supply. As per **section 54(3)(i) of the CGST Act, 2017**, a registered person may claim a refund of any unutilized ITC at the end of any tax period in the case of zero-rated supply made without payment of tax.

Therefore, in the given case, Synotex Pvt. Ltd. will be eligible to claim ITC for the export of exempt product 'S' in terms of section 16(2) of the IGST Act, 2017 and will thus be able to claim a refund of unutilized ITC in terms of section 54(3)(i) of the CGST Act, 2017.

As per rule 89(4) of the CGST Rules, 2017, a refund of unutilized ITC in the case of zero-rated supply without payment of tax under a letter of undertaking is granted in accordance with the following formula:

$$\text{Refund Amount} = \frac{(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services})}{\text{Adjusted Total Turnover}} \times \text{Net ITC}$$

Here, **Net ITC** = Rs. 7,00,000 [Net ITC includes ITC on inputs and input services but not ITC on capital goods].

Turnover of zero-rated supply of goods (Product 'S') = Rs. 12,00,000 [Lower of the value of zero-rated supply of goods (Rs. 12,00,000) or the value which is 1.5 times the value of like goods domestically supplied by the same or a similarly placed supplier (Rs. 15,00,000)].

Adjusted total turnover = Rs. 32,00,000 [Rs. 20,00,000 + Rs. 12,00,000]

Thus, refund amount under **rule 89(4)** = Rs. 7,00,000 × 12,00,000 / 32,00,000 = Rs. 2,62,500

Circular No. 125/44/2019 GST dated 18.11.2019 provides that the amount refundable to the applicant is the least of the following amounts:

- (a) Maximum refund amount as per the formula in rule 89(4) of the CGST Rules [Rs. 2,62,500]
- (b) Balance in the electronic credit ledger at the end of the tax period for which the refund claim is being filed after GSTR-3B for the said period has been filed [Rs. 5,80,000]
- (c) Balance in the electronic credit ledger at the time of filing the refund application [Rs. 3,00,000]

Thus, **amount refundable to Synotex Pvt. Ltd. of unutilized ITC is Rs. 2,62,500.**

Supply of product 'R' to Betty Enterprises, a 100% EOU

Supplies to EOU is notified as deemed export under section 147 vide Notification No. 48/2017 CT dated 18.10.2017. In respect of supplies regarded as deemed exports, the application for refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund [Third proviso to rule 89(1) of the CGST Rules, 2017].

Therefore, since in the given case, Betty Enterprises (recipient) is claiming ITC, Synotex Pvt. Ltd. (supplier of deemed exports) cannot claim a refund of ITC.

Therefore, the amount refundable to Synotex Pvt. Ltd. is Rs. 2,62,500.

=====