

# Zero Rated Supplies and Deemed Exports

6

## **This Module Includes**

- 6.1 Introduction**
- 6.2 Zero Rated Supplies**
- 6.3 Deemed exports**

# Zero Rated Supplies and Deemed Exports

## **SLOB Mapped against the Module**

1. To develop detail understanding of various provisions of Goods and Services Tax (GST) to facilitate valuation, computation of tax liability including management of input tax credit.
2. To obtain detail knowledge about the provisions under GST relating to accounts and record, annual returns and dispute resolution to ensure better compliance.
3. To facilitate strategic decision making by appropriate management of various indirect tax issues.

## **Module Learning Objectives**

**After studying this module, the students will be able to:**

- ⦿ Identify zero rated supply and exempted supply
- ⦿ Explain inter State supplies includes supply to/from SEZ units or Developers.
- ⦿ Understand Deemed Exports
- ⦿ Identify difference between Export, Deemed export and Merchant Export.
- ⦿ Explain who is eligible to claim refund of tax in case of Deemed Exports.

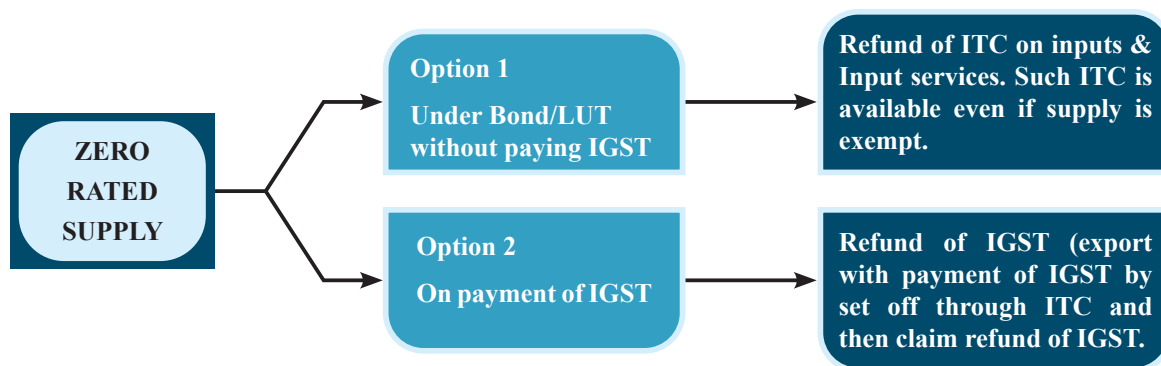
**Z**ero Rate is also a rate of tax. As we all know that numerals start from Zero. Supply which attracts zero rate of tax is called as taxable supply for claiming Input Tax Credit or Refund etc. Zero-rated supply does not mean that the goods and services have a tariff rate of '0%' but the recipient to whom the supply is made is entitled to pay '0%' GST to the supplier. By zero rating it is meant that the entire value chain of the supply is exempt from tax. This means that in case of zero rating, not only is the output exempt from payment of tax, but there is also no bar on taking/availing credit of taxes paid on the input side for making/providing the output supply. Such an approach would in true sense make the goods or services zero rated. All supplies need not be zero-rated. As per the GST Law exports are meant to be zero rated the zero-rating principle is applied in letter and spirit for exports and supplies to SEZ.

# Zero Rated Supplies

## 6.2

The relevant provisions are contained in Section 16(1) of the IGST Act, 2017, which states that “zero rated supply” means any of the following supplies of goods or services or both, namely: —

- (a) Export of goods or services or both; or
- (b) Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.



Without payment of IGST (LUT/Bond)	With Payment of IGST
Supply of goods and services or both	Supply of goods and services or both
Under Letter of Undertaking LUT or Bond as prescribed in Rule 96A of CGST Rules, 2017	Claim Refund of IGST paid as per Rule 96 of CGST Rules, 2017
Refund of ITC will be refunded as per formulae under Rule 89(4) of CGST Rules, 2017 by prescribed Application (GST RFD 01)	No separate Application is required, Shipping Bill, Export Manifest or Departure Manifest or Export Report by conveyance carrying the export goods and Form GSTR 3B submission.

### Steps to furnish LUT online:

Step 1: Login to GST website and click on user service

Step 2: click on furnish letter of Undertaking (LUT)

- ⦿ Select financial year
- ⦿ Agree with all points given in application
- ⦿ File details of witnesses

- ⦿ Select authorised signatory and place of filing application
- ⦿ Submit your application with EVC or DSC

### **GST Refund for Zero Rated Supply:**

The credit of input tax may be availed for making zero-rated supplies. A registered person making zero rated supply can claim refund under either of the following options, namely: —

- (a) He may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or
- (b) He may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 of the CGST Act, 2017 or the rules made thereunder.

As per Section 54(3) of the CGST Act, 2017, any unutilised input tax credit in zero rated supplies can be refunded, wherever such supplies are made by using the option of Bond/ LUT.

W.e.f. 1st October 2023, u/s 54(6), the reference of “provisionally accepted input tax credit” is removed so as to align the same with the present scheme of availment of self-assessed ITC as per section 41(1).

### **Provisional refund:**

As per section 54(6) of the CGST Act, 2017, @90% of the total amount of refund claimed, on account of zero-rated supply of goods or services or both made by registered persons, may be sanctioned on a provisional basis. The remaining @10% can be refunded later after due verification of documents furnished by the applicant

There is a condition attached to provisional refunds. The provisional refund is not granted if the applicant has been prosecuted for any offense under the GST law or earlier law within past five years. The amount of tax evaded in such prosecution shall be more than Rupees Two Hundred and Fifty Lakhs (₹ 2.5 Crores).

### **Non-applicability of Principle of Unjust Enrichment:**

The principle of unjust enrichment shall not be applicable in case of refund of taxes paid wherever such refund is on accounts of zero-rated supplies. As per section 54 (8) of the CGST Act, 2017, the refundable amount, if such amount is relatable to 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, shall instead of being credited to the Fund, be paid to the applicant.

### **Provisional sanction of refund claims on the basis of identification and evaluation of risk by the system (vide Instruction No. 06/2025-GST, dated 03rd October 2025):**

What is this instruction about?

It introduces system-based, risk-based provisional refund of GST refunds.

- ⦿ 90% of the refund amount can be given quickly (provisionally)
- ⦿ Based on risk score generated by GST system, not officer discretion
- ⦿ Applicable mainly to:
  - Zero-rated supplies (exports, SEZ supplies)
  - Inverted Duty Structure (IDS) refunds (as an interim measure)

Why was this instruction issued?

- To speed up refunds
- To reduce officer-level delays
- To trust compliant taxpayers
- To use system-generated risk assessment

Key Legal Changes Behind This Instruction

1. Amendment to Rule 91(2)
  - Allows 90% provisional refund based on system risk evaluation
  - Officer can deny provisional refund only with written reasons
2. Notification 14/2025
  - Certain high-risk categories are not eligible for provisional refund

Who is eligible for provisional refund?

### Eligible

- Low-risk refund applications (as per GST system)
- Refunds filed:
  - o On account of exports / SEZ
  - o IDS refunds (temporarily allowed)

### Not eligible

- Taxpayers notified under section 54(6)
- Where:
  - o Prosecution is pending
  - o Earlier refund issue is under appeal
  - o SCN issued and matter not final
  - o Refund is likely to be withheld or adjusted

**Step-by-Step:** How refund will be processed

**Step 1:** Filing of refund application

- Application filed in RFD-01

**Step 2:** Acknowledgement stage

- Officer issues:
  - o RFD-02 (complete application), or
  - o RFD-03 (deficiency memo)
- Timelines must be strictly followed

**Step 3:** Risk-based decision

**Case 1:** Low-risk application

- ⦿ System marks refund as low-risk

- ⊙ Officer sanctions 90% refund provisionally
- ⊙ No detailed scrutiny required

### Example

Exporter A regularly exports goods, files returns correctly, no past disputes.

System flags refund as low-risk.

₹90 lakh refunded immediately out of ₹1 crore claim.

**Case 2:** Not low-risk

- ✘ System does not classify as low-risk
- ✓ Officer does full scrutiny
- ✓ No provisional refund

### Example

Exporter B had earlier fake ITC issue.

System flags refund as risky.

Officer examines invoices, shipping bills before refund.

**Step 4:** Officer overrides provisional refund (exceptional cases)

Officer may deny provisional refund:

- Only case-by-case
- Written reasons mandatory
- Cannot deny on presumptions or routine scrutiny

### Example

Exporter C is low-risk but refund overlaps with earlier disputed claim pending in appeal.

Officer records reasons and proceeds with detailed examination.

Important safeguards

No adjustment or withholding allowed

- Once provisional refund is granted:
  - Cannot adjust against future dues
  - Cannot withhold under section 54(10)/(11)

If adjustment likely → final refund should be issued instead

Excess provisional refund?

If later found that:

- Provisional refund > eligible refund

Officer will:

- Issue SCN in RFD-08
- Recover excess under:
  - Section 73 / 74 / 74A

### Example

₹90 lakh provisionally refunded

Final eligible refund = ₹80 lakh

SCN for recovery of ₹10 lakh

Inverted Duty Structure (IDS) – Special relief

Normal law:

- Provisional refund not allowed for IDS

Interim relief (from 01.10.2025):

- ✓ 90% provisional refund allowed
- ✓ Same process as exports

### Example

Manufacturer with higher GST on inputs than outputs claims IDS refund of ₹50 lakh.

System marks low-risk.

□ ₹45 lakh refunded provisionally.

### Effective date

Applicable for refund applications filed on or after 01.10.2025

Monitoring & responsibility

- Commissioners must:
  - o Monitor implementation
  - o Ensure trade facilitation
  - o Prevent misuse or unnecessary denial

Key Takeaways (Quick Revision)

- ✓ 90% provisional refund = default for low-risk cases
- ✓ Risk assessment done by system, not officer
- ✓ Officer can deny provisional refund only with written reasons
- ✓ Applies to:
  - Exports / SEZ
  - IDS (interim relief)
- ✓ Excess refund → recover through SCN

One-line summary

“If the system says you are low-risk, 90% of your GST refund should come fast.”

### Notification No, 14/2025 Central Tax dated 17th day of September 2025:

w.e.f. 1st day of October, 2025, The following category of registered persons who shall not be allowed refund on provisional basis under the said Act, namely : –

- (a) Any person, who has not undergone Aadhaar authentication under rule 10B of the Central Goods and Services Tax Rules, 2017;
- (b) Any person, who is engaged in the supply of the goods bearing description specified in column (3), falling under Chapter or heading or sub-heading or tariff item specified in column (2), of the Table below

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
1	0802 80	Areca nuts
2	2106 90 20	Pan masala
3	24	Tobacco and manufactured tobacco substitutes
4	3301	Essential oils

#### Features of Zero-Rated Supplies:

1. No tax on the outward supplies; Input supplies also to be tax free.
2. Credit of input tax may be availed for making zero-rated supplies, even if such supply is an exempt supply ITC allowed on zero rated supplies.
3. Value of zero-rated supplies shall be added along with the taxable supplies for apportionment of ITC.
4. A person exclusively making zero rated supplies may have to register as refunds of unutilised ITC or integrated tax paid shall have to be claimed.
5. A registered person supplying zero rated supply of goods or services, or both shall issue normal tax invoice.
6. SEZ units are exempt from issuing E-invoice.

#### Zero Rated vs Exempt Supply:

- (a) Export of goods and services and supplies to SEZ units or developers are classified as zero-rated supply.
- (b) On the other hand, nil or exempt supply are those supply with 0% GST rate.
- (c) Exempted supply means the supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of CGST Act or under section 6 of the IGST Act, and includes the non-taxable supply.

The following points refers to the exempted supply:

- i. GST does not apply on the outward exempted supplies;
- ii. Input tax credit of inputs and / or input services used in providing exempted supply is not available i.e. no input tax credit on exempted supplies;
- iii. A registered person supplying exempted goods or services or both shall issue 'bill of supply' instead of tax invoice.
- iv. A person supplies wholly nil rate of tax is exempt from registration under GST.

#### Clarification on certain refund related issues Circular No. 166/22/2021-GST dt. 17.11.2021

Following clarifications have been issued in regard to refund:

- i. The time period within which an application for refund can be made shall not be applicable in cases of refund of excess balance in e-cash ledger.

- ii. Furnishing of certification/ declaration under rule 89(2)(l) or 89(2)(m) of the CGST Rules, 2017 for not passing the incidence of tax to any other person is not required in cases of refund of excess balance in e-cash ledger as unjust enrichment clause is not applicable in such case.
- iii. The amount deducted/collected as TDS/TCS under the provisions of section 51/ 52 of the CGST Act, as the case may be, and credited to e-cash ledger of the registered person, is equivalent to cash deposited in electronic cash ledger. It is not mandatory for the registered person to utilize such TDS/TCS amount only for the purpose of discharging tax liability. The registered person is at full liberty to discharge his tax liability in respect of the supplies made by him during a tax period, either through debit in electronic credit ledger or through debit in electronic cash ledger, as per his choice and availability of balance in the said ledgers. Any amount, which remains unutilized in electronic cash ledger, after discharge of tax dues and other dues payable under CGST Act, 2017 and rules made thereunder, can be refunded to the registered person as excess balance in electronic cash ledger in accordance with the proviso to sub-section (1) of section 54, read with sub-section (6) of section 49 of CGST Act, 2017.
- iv. Clause (b) of Explanation (2) under section 54 of the CGST Act, 2017 is applicable for determining relevant date in respect of refund of amount of tax paid on the supply of goods regarded as deemed exports irrespective of the fact whether the refund claim is filed by the supplier or by the recipient. Further, as the tax on the supply of goods, regarded as deemed export, would be paid by the supplier in his return, therefore, the relevant date for purpose of filing of refund claim for refund of tax paid on such supplies would be the date of filing of return, related to such supplies, by the supplier.

### **Refund of GST can be claimed on submitting the attested copy of tax invoice by the Unique Identification Number (UIN) holder, if UIN is not mentioned therein: -**

Rule 95 of the CGST Rules, 2017 relating to refund of taxes paid on the Notification inward supplies to notified specialized agency of UNO or Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947 or Consulate or Embassy of foreign countries or any other notified person/class of persons.

One of the conditions prescribed therein for sanction of refund is that name and GSTIN/UIN of the applicant is mentioned in the tax invoice. A proviso has been inserted retrospectively, w.e.f. 1-4-2021, to sub-rule (3) of Rule 95 to provide that where UIN of the applicant is not mentioned in tax invoice, the refund of tax paid by the applicant on such invoice shall be available only if the copy of the invoice, duly attested by the authorised representative of the applicant, is submitted along with the refund application in prescribed form (Notification No. 40/2021 CT dated 29.12.2021).

### **Refund to international tourist:**

An enabling mechanism has been introduced in Section 15 of the IGST Act, 2017 whereby an international tourist procuring goods in India, may while leaving the country seek refund of integrated tax paid by them.

### **W.e.f. 01-10-2022, Withholding and deduction of amounts extended to all kinds of refunds section 54(10) of CGST Act, 2017:**

Where any refund is due to a registered person who has defaulted in furnishing of any return or has not paid the GST liability, the refund due is liable to be withheld or deductible from the refund due. This clause is applicable only for refund of unutilized input tax credit i.e. for exports, supplies to SEZ and inverted duty structure. The withholding and deduction of refund is now being extended to all kinds of refunds if there is any pending liability of the applicant.

The extent of withholding the refund of tax has been extended by removing the reference to refund in case of unutilised input tax credit in sub-section (3) of section 54.

**Supply of Goods from SEZ to SEZ:**

It is interesting to note that section 7(5) of IGST Act, 2017 (and even proviso to section 8(1)) declares that supplies 'to' or 'by' SEZ developer or unit will be treated as an inter-State supply. So, when two SEZ units or one SEZ developer and another SEZ unit supply goods or services to each other (among themselves within the zone) and the zone being located within the same State or UT, such supplies will always be inter-State supplies.

Allowing supplies to SEZ units/ developer for authorised operations for IGST refund route by amendment in Notification 01/2023-Integrated Tax dated 31.07.2023

The Council has recommended to amend Notification No. 1/2023-Integrated Tax dated 31.07.2023 w.e.f. 01.10.2023 so as to allow the suppliers to a Special Economic Zone developer or a Special Economic Zone unit for authorised operations to make supply of goods or services (except the commodities like pan masala, tobacco, gutkha, etc. mentioned in the Notification No. 1/2023-Integrated Tax dated 31.07.2023) to the Special Economic Zone developer or the Special Economic Zone unit for authorised operations on payment of integrated tax and claim the refund of tax so paid [vide Notification No 05/2023-IT dt 26-10-2023].

**Supply of Goods from SEZ to Domestic Tariff Area (DTA):**

Supply of goods by SEZ to non- SEZ area is governed by Customs Act in terms of Rule 47 in Chapter V of SEZ Rules, 2006. Accordingly, duties of customs will be levied by Customs Department.

**Supply of Services from SEZ to DTA:**

Sub-section (1) of Section 53 of the SEZ Act, 2005 provide that "A Special Economic Zone shall, on and from the appointed day, be deemed to be a territory outside the customs territory of India" for the purposes of undertaking the authorised operations. SEZ is also be called as separate island within the territory of India. Thus, any Supply of Services from SEZ to DTA shall be Treated as Import of Services by the Domestic Tariff Area (DTA). Accordingly Import of services attracts GST under Reverse Charge Basis.

**D**eemed Exports refers to supplies of goods manufactured in India (and not services) which are notified as deemed exports under Section 147 of the CGST/SGST Act, 2017. The supplies do not leave India. The payment for such supplies is received either in Indian rupees or in convertible foreign exchange. Deemed exports are not zero rated supplies by default, unlike the regular exports. Hence all supplies notified as supply for deemed export will be subject to levy of taxes i.e. such supplies can be made on payment of tax and cannot be supplied under a Bond/LUT. However, the refund of tax paid on the supply regarded as Deemed export is admissible to either the supplier or the recipient. The application for refund has to be filed by the supplier or recipient (subject to certain conditions) of deemed export supplies, as the case may be.

As per **Section 2(39) of the CGST Act, 2017** “deemed exports” means such supplies of goods as may be notified under Section 147;

As per **Section 147 of the CGST Act, 2017** The Government may, on the recommendations of the Council, notify certain supplies of goods as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange, if such goods are manufactured in India.

### **Difference between Export, Deemed Export, and Merchant export**

**Export:** An export refers to a trade transaction wherein the goods are produced locally and then it is shipped to a foreign country.

**Deemed Export:** Goods classified as deemed export may not ship out of the country.

### **Example 1**

When a Andhra Pradesh based manufacturer supplies goods to an Export oriented Unit in Maharashtra, who further ships the product to its customer in the USA - the first part of the transaction is classified as deemed export while the second transaction is considered an export.

**Merchant Export:** Merchant export is the process of procuring the goods locally and then exporting them under their label. A merchant exporter is someone who buys the goods locally and then exports it globally under his name.

Deemed exports are likely to be considered for purpose of GST to claim refund.

Customs notification 79/2017, dated 13th October, 2017 and DGFT’s Notification No. 33/2015-2020 contain provisions regarding exemption from GST on imports made under the Duty exemption Schemes.

Exemption from GST and Goods and Service Tax Compensation cess in respect of imports under the Advance Authorization (AA)/Export Promotion Capital Goods (EPCG) from abroad as well as domestic suppliers. The GST Council recommended that the holders of AA/EPCG and EOUs would not have to pay IGST, Cess etc. on imports and Also, domestic supplies to holders of AA/EPCG and EOUs would be treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies given to the supplier.

### Supplier of deemed export also enabled to file application for refund (other than refund of IGST paid on goods exported out of India):

Earlier, only the recipient of deemed exports could file the application for refund under third proviso to rule 89(1) of the CGST Rules. The said proviso has been amended to also enable the supplier of deemed export supplies to file application for refund if the recipient does not avail of input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund [Notification No. 47/2017-CT, dated 18.10.2017].

### Supplies against Advance Authorisation scheme not to be used in supply of nil rated/fully exempted supplies, when exports have already been made after availing ITC on inputs used in manufacture of such exports

Notification No. 48/2017-CT, dated 18.10.2017 specifies the supplies which shall be treated as deemed exports. The said notification has been amended as under:

- (i) Supply of goods by a registered person against Advance Authorisation is a deemed export in terms of the said notification. The following conditions have been prescribed in this regard:
  1. the goods so supplied, when exports have already been made after availing ITC on inputs used in manufacture of such exports, shall be used in manufacture and supply of taxable goods (other than nil rated or fully exempted goods) and a certificate to this effect from a chartered accountant is submitted to the jurisdictional commissioner of GST or any other officer authorised by him within 6 months of such supply. 2. No such certificate shall be required if ITC has not been availed on inputs used in manufacture of export goods.
  2. Thus, supplies against Advance Authorisation scheme cannot be used in manufacture and supply of nil rated or fully exempted supplies.
- (ii) The definition of advance authorisation has been amended to remove the words “on pre import basis” therefrom. The amended definition reads as under:
 

“Advance Authorisation means an authorisation issued by the Director General of Foreign Trade under Chapter 4 of the Foreign Trade Policy 2015-20 for import or domestic procurement of inputs for physical exports”.

[Notification No. 01/2019-CT, dated 15.01.2019]

### Categories of supply of goods notified as Deemed Exports:

1. Supply of goods by a registered person against Advance Authorisation (AA)
2. Supply of capital goods by a registered person against Export Promotion Capital Goods (EPCG) Authorisation.
3. Supply of goods by a registered person to Export Oriented Unit (EOU)
4. Supply of gold by a bank or Public Sector Undertaking specified in the notification No. 50/2017-Customs, dated 30th June, 2017 against Advance Authorisation.

### Taxability of deemed exports:

All supplies notified as supply for deemed exports are subject to levy of taxes. However, the refund of tax paid on the supply regarded as deemed export is admissible to either the supplier or the recipient.

### Filing of departure manifest shall be deemed to be the application filed for refund of tax paid on export of goods (vide Notification No. 74/2018-CT, dated 31.12.2018)

### Amendments in provisions relating to grant of provisional refund [Rule 91]

w.e.f. 01-10-2025, Vide Notification No. 13/2025-Central Tax dated 17-09-2025:

In the said rules, with effect from the 1st day of October, 2025, in rule 91, for sub-rule (2), the following sub-rule shall be substituted, namely: —

“(2). The proper officer, on the basis of identification and evaluation of risk by the system, shall make an order in FORM GST RFD-04, within a period not exceeding seven days from the date of the acknowledgement under sub-rule (1) or sub-rule (2) of rule 90:

Provided that the proper officer, for reasons to be recorded in writing, may not grant refund on provisional basis and proceed with the order under rule 92:

Provided further that the order issued in FORM GST RFD-04 shall not be required to be revalidated by the proper officer.”.

Old provision: Rule 91(2) provides that the proper officer, after scrutiny of the claim and the evidence submitted in support thereof and on being prima facie satisfied that the amount claimed as refund is due to the applicant in accordance with the provisions of section 54(6), shall make an order in prescribed form, sanctioning the amount of refund due to the said applicant on a provisional basis within a period not exceeding 7 days from the date of the acknowledgement.

**With effect from 01.02.2019**, a proviso is inserted in this sub-rule that the order issued under this sub-rule shall not be required to be revalidated by the proper officer.

### Numerical example:

#### Facts Common to Both Cases

- Registered person: XYZ Exports Pvt Ltd
- Nature of refund: Zero-rated supply (export with payment of tax)
- Tax period: August 2025
- Refund application filed in FORM GST RFD-01
- Date of acknowledgement (RFD-02): 05-09-2025
- Total refund claimed: ₹10,00,000
- Eligible provisional refund rate (section 54(6)): 90%

#### Case 1: Numerical Illustration under Old Rule 91(2)

(Position before 01-10-2025)

##### Step 1: Scrutiny by Proper Officer

- Proper officer manually scrutinises:
  - o Export invoices
  - o Shipping bills
  - o LUT
- Officer is prima facie satisfied that refund is due.

##### Step 2: Calculation of Provisional Refund

- Refund claimed: ₹10,00,000
- Provisional refund @ 90%:  
 $₹10,00,000 \times 90\% = ₹9,00,000$

**Step 3: Order Issued**

- FORM GST RFD-04 issued on or before 12-09-2025 (within 7 days)
- Provisional refund sanctioned: ₹9,00,000
- Balance ₹1,00,000 processed later under Rule 92

**✓ Key Feature Highlighted**

- Grant depends on officer's prima facie satisfaction
- No concept of system-based risk evaluation

**Case 2: Numerical Illustration under New Rule 91(2)**

(Applicable w.e.f. 01-10-2025)

**Step 1: System-based Risk Evaluation**

- Refund application is auto-analysed by GST system
- Risk parameters checked:
  - o Past refund history
  - o Filing compliance
  - o Invoice matching
- System categorises applicant as "Low Risk"

**Step 2: Provisional Refund Order**

- Proper officer relies on system risk output
- FORM GST RFD-04 issued within 7 days from 05-09-2025
- Provisional refund sanctioned:  
₹10,00,000 × 90% = ₹9,00,000

**✓ Outcome (Low-risk case)**

- Provisional refund of ₹9,00,000 granted
- No manual scrutiny required
- No revalidation of RFD-04 needed

**Alternative Numerical Outcome under New Rule (High-Risk Case)**

Suppose system flags "High Risk"

- Officer records reasons in writing
- Provisional refund not granted
- Officer proceeds directly under Rule 92

**Numerical Impact**

- Provisional refund: ₹0
- Entire refund of ₹10,00,000 examined in detail
- Final sanction only after full verification

### Numerical Comparison in One Line

- Under the old rule, ₹9,00,000 was granted based on manual prima facie satisfaction.
- Under the new rule, ₹9,00,000 is granted only if system risk permits, otherwise ₹0 provisional refund.

### Exam-oriented Takeaway

W.e.f. 01-10-2025, provisional refund is no longer automatic; it is conditional upon system-based risk evaluation, even though the quantum (90%) and time limit (7 days) remain unchanged.

Further, rule 91(3) stipulates that the proper officer shall issue a payment advice for the amount so sanctioned and the same shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund.

**With effect from 01.02.2019**, a new proviso has been inserted in this sub-rule also that the payment advice shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said payment advice was issued.

[Notification No. 03/2019-CT, dated 29.01.2019]

### Evidence to be produced by the supplier of deemed exports for claiming refund, notified:

Rule 89(2)(g) of the CGST Rules provides that where refund is on account of deemed exports, the refund application shall be accompanied by a statement containing the number and date of invoices along with such other evidence as may be notified in this behalf, to establish that a refund is due to the applicant.

Now, the Central Government has notified the following evidences which are required to be produced by the supplier of deemed export supplies for claiming refund, namely: -

- (i) Acknowledgment by the jurisdictional Tax officer of the Advance Authorisation (AA) holder or Export Promotion Capital Goods (EPCG) Authorisation holder, as the case may be, that the said deemed export supplies have been received by the said AA or EPCG Authorisation holder, or a copy of the tax invoice under which such supplies have been made by the supplier, duly signed by the recipient EOU that said deemed export supplies have been received by it.
- (ii) An undertaking by the recipient of deemed export supplies that no input tax credit on such supplies has been availed of by him.
- (iii) An undertaking by the recipient of deemed export supplies that he shall not claim the refund in respect of such supplies and the supplier may claim the refund.

[Notification No. 49/2017-CT, dated 18.10.2017]

### No restriction on recipient of deemed export supplies in availing ITC of the tax paid on such supplies

As per third proviso to rule 89(1) of the CGST Rules, in respect of supplies regarded as deemed exports, either recipient or supplier is allowed to file the refund application. However, the supplier can seek refund only in case where the recipient does not avail ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund. Otherwise, recipient of deemed export supplies can claim the refund.

In view of aforesaid provisions, it has been clarified that:

In a case where recipient of deemed export supplies claims the refund on such supplies, there is no restriction on such recipient in availing ITC of the tax paid on such supplies.

[Circular No. 147/03/2021 GST dated 12.03.2021].