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Applicable For
MAY/NOV 2025 Exams

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By CA Vishal Bhattad

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CONCEPT OF SUPPLY

Applicability of GST on Preferential Location Charges (PLC) collected along with consideration for sale/ transfer of residential / commercial properties (Cir. No. 234/28/2024)

- Allowing choice of location of apartment is **integral part** of supply of construction services.
- It is clarified that location charges or PLC paid along with consideration for the construction services of residential /commercial/industrial complex **forms part of composite supply**.
- The supply of construction services is main service & **PLC is naturally bundled** with it.
- It is eligible for **same tax** treatment as the main supply of construction service before issuance of completion certificate.



CHAPTER - 2 REVERSE CHARGE & ECO

Goods and services notified under reverse charge mechanism under section 9(3) of the CGST Act/ section 5(3) of the IGST Act are as follows:

8.	Metal Scrap	Newly Inserted by N/No. 06/2024	Any unregistered person	Any registered person
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5AB	Renting of any immovable property other than residential dwelling		
	Reverse Charge	Services	100 % Liability
	Newly Inserted by N/N 09.2024	Service by way of Renting of any immovable property other than residential dwelling	Any registered person
		By Any unregistered person	To Any registered person



EXEMPTIONS FROM GST

Education Sector

66 Education & Training

Definition of Educational Institution

(iii) Education as a part of an **approved vocational education course**.

Notes:- Approved vocational education course includes

⇒ **Approved Vocational Course:** A course by ITI/ ITC affiliated to NCVET or SCVT offering courses in trades notified under the Apprentices Act, 1961.

Private ITI :- Services given by private ITIs exclusively for trades designated under the Apprentices Act, 1961 are exempt from GST. However, services relating non-designated trades are subject to GST.

⇒ **Modular Employable Skill Course (Skills for gainful employment to school drop-outs, workers etc.):** A course approved by NCVET, run by Directorate General of Training, Ministry of Skill Development and Entrepreneurship.

NCVET = National Council for Vocational & Educational Training, SCVT = State Council for Vocational Training

Substituted by N/N 08/2024

66A Affiliation Services by Educational Boards or Councils to Government-Controlled Schools

newly inserted by N/No. 08/2024

Services of affiliation provided

⇒ **by** a Central or State Educational Board or Council or any other similar body,

⇒ **To** a school established, owned or controlled by the CG, SG, UT, LA, Govt. authority or Govt. entity.

CBIC Clarification

GST on Affiliation services provided by Universities to Colleges & Education Board to Schools [Circular No. 234/28/2024]

1. ⇒ Universities' affiliation services to colleges does not involve student admissions or exams.

⇒ These services are **not exempt** from taxes, so an 18% GST applies.

2. ⇒ Affiliation services provided to schools by Education board or Councils does not include student admissions or exams

⇒ These services are **taxable**.

Government Sector

25A	Ancillary Services in Electricity Transmission & Distribution		Newly Inserted by N/N 08/2024
	Exemption	<p>Supply of services by way of</p> <ul style="list-style-type: none"> ➤ providing metering equipment on rent, testing for meters / transformers / capacitor etc., releasing electricity connection, ➤ shifting of meters/service lines, issuing duplicate bills etc., <p style="text-align: center;">which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers.</p>	
44A	Research & Development Services Funded by Govt Entities & Notified Institutions		
	<p>Exemption:- Research and development services against consideration received in the form of grants supplied by –</p> <p>(a) a Government Entity; or Newly Inserted by N/N 08/2024</p> <p>(b) a research association, university, college or other institution, notified u/s 35(1)(ii)/(iii) of Income Tax Act, 1961.</p> <p>Proviso:- Research association, university, college or other institution, notified u/s 35(1)(ii)/(iii) of Income Tax Act, 1961 is so notified at the time of supply of the research and development service.</p>		
71	Training Service under Deen Dayal Upadhyaya Grameen Kaushalya Yojana		
	<p>Exemption:- Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Education and Training.</p> <p style="text-align: right; font-size: small; color: white; background-color: #D9534F; padding: 2px;">Substituted by N/N 08/2024</p>		

List of Services exempt under IGST

10L	Import of services by Foreign Airline Establishment		
	Exemption	Import of services by an establishment of a foreign company in India, which is an airline company, from a related person or from any of its other establishments outside India, when made without consideration.	
	Newly Inserted by N/no. 08/24	Explanation	Foreign co. shall have meaning as assigned u/s 2(42) of Companies Act, 2013.
		Proviso	GST at applicable rates is paid by the establishment of foreign airline co. in India on transport of goods & passengers as may be applicable.
		Proviso	Ministry of Civil Aviation certifies that the establishment of foreign co. in India is that of an airline co. which has been designated by foreign govt. under the applicable bilateral air services agreement with India.
		Proviso	Ministry of Civil Aviation certifies that on a reciprocal basis, designated Indian airlines are not subject to levy of similar taxes by whatever name called for the same services appearing under the entry, by Govt. of the country designating the foreign airline co.

Regularizing payment of GST on these import of services (Circular No. 234/28/2024)

The payment of GST on import of these services is regularized for the period from 01.07.2017 to 09.10.2024 on 'as is where is' basis.

Training Sector

69 Service by NSDC etc.

Exemption:- Any services provided by –

- a. the National Skill Development Corporation set up by the Government of India;
 - b. the National Council for Vocational Education and Training;
 - c. an Awarding Body recognized by the National Council for Vocational Education & Training;
 - d. an Assessment Agency recognized by the National Council for Vocational Education and Training;
 - e. a Training Body accredited with an Awarding Body that is recognized by the National Council for Vocational Education and Training,
- in relation to-
- i) the National Skill Development Programme or any other scheme implemented by the National Skill Development Corporation; or
 - ii) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
 - iii) any National Skill Qualification Framework aligned qualification or skill in respect of which the National Council for Vocational Education and Training has approved a qualification package.

CBIC Clarifications

GTA with cargo handline services eg. packing charges, loading, unloading charges etc. (Cir. No. 234/28/2024)

- ➔ **Bundle Invoice:-** Ancillary/incidental services provided by GTA in the course of transportation of goods by road is a composite supply of transport of goods, irrespective of invoicing method used by it.
- ➔ **Separate Invoice:-** If such services are not provided in the course of transportation of goods and are invoiced separately, then these services will not be treated as composite supply of transport of goods.

GST on flying training courses conducted by FTO approved by the DGCA
[Cir.No. 234/28/2024]

Education as a part of an approved vocational education course :- It is **clarified** that approved flying training courses conducted by Flying training Organizations (FTOs) approved by Directorate General of Civil Aviation (DGCA), wherein the DGCA mandates the requirement of a completion certificate, **are exempt.**



INPUT TAX CREDIT

Rule 36: Documentary requirements and conditions for claiming ITC

3) No ITC of tax paid towards demands involving fraud

Tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts u/s 74 cannot be availed as ITC.

Inserted by N/No. 20/2024

CBIC Clarification

Availability of ITC in respect of Demo Vehicles purchase by dealer from manufacturer (Circular no. 231/25/2024):-

Issue 1	Authorised dealers purchase demo vehicles from manufacturers against tax invoices & show it as capital assets for certain mandatory period & then sold at WDV by paying GST.
Clarification	Demo vehicles are used for trial run & demonstrate its features to potential buyers. It's used to promote sale & thus, are used for making 'further supply of such motor vehicles' . Thus, ITC for demo vehicles is not blocked u/s 17(5)(a) i.e ITC is available.
Issue 2	ITC on demo vehicles if they are capitalized in books of account by authorized dealers
Clarification	<ul style="list-style-type: none">⇒ If such vehicles are capitalized in books of dealer, it is considered as "capital goods".⇒ Availability of ITC on demo vehicles is not affected by its capitalization in dealer's books, they cannot claim ITC on that tax component.➤ If capitalized demo vehicle is subsequently sold by dealer, he shall have to pay tax as per sec 18(6).



CHAPTER - 8

PLACE OF SUPPLY (IGST Act)

CBIC Clarification

Clarification for advertising services provided by Indian advertising companies/agencies to foreign clients (Circular No. 230/24/2024):-

<p>Case</p>	<ul style="list-style-type: none"> ➔ A foreign company hires an Indian advertising agency to manage all aspects of its advertising, such as media planning, content creation, and campaign monitoring. ➔ The agency then works with media owners in India to buy media space for the ads and track the campaign's progress. ➔ The media owners raise invoice to agency for the media costs, which the agency pays. Then, the agency raises invoices to the foreign client for its advertising services and receives payment in foreign currency.
<p>Legal provision</p>	<ul style="list-style-type: none"> ➔ Refer sec 2(13) of IGST Act read with Circular no. 159/15/2021 for definition of intermediary, sec 2(93)(a) of CGST Act for definition of recipient. ➔ Refer Sec 2(6), 13(2) & 13(3) of IGST Act.
<p>Is an advertising co. is an "intermediary" u/s 2(13) of the IGST Act, making POS u/s 13(8)(b)?</p>	<ul style="list-style-type: none"> ➔ The advertising agency has two separate agreements: one with the foreign client and another with the media company. Invoices are issued based on these agreements. ➔ This setup means the advertising agency & the media company are making independent transactions with each other, and there is no direct agreement between the media company and the foreign client. ➔ The advertising agency is not acting as an agent & provides services to foreign client on its own account. <p>Clarification:</p> <ul style="list-style-type: none"> ➤ The advertising agency is providing the main advertising services, including buying media space, to the foreign client on a principal-to-principal basis. ➤ The agency is not considered an "intermediary" under the IGST Act. ➤ POS cannot be linked with LOS of services as per sec 13(8)(b) of said Act.
<p>Can a foreign client's representative in India or the target audience be considered the recipient of advertising services u/s 2(93) of the CGST Act?</p>	<ul style="list-style-type: none"> ➔ The foreign client is responsible for paying the advertising agency for the advertising services, not the consumers or target audience who see the ads. ➔ Even if there is a representative or target audience in India, they are not considered the recipient of the services. ➔ The advertising agency issues the invoice to the foreign client and receives payment directly from them. <p>Clarification: The recipient of the advertising services is the foreign client, not their Indian representative or the target audience in India, according to sec 2(93) of CGST Act.</p>

<p>Can advertising services to foreign clients be considered performance-based u/s 13(3) of the IGST Act?</p>	<ul style="list-style-type: none"> ⇒ Section 13(3)(a) of the IGST Act doesn't apply here, as the advertising service doesn't involve goods that need to be physically available with the supplier. ⇒ Similarly, Section 13(3)(b) doesn't apply because the foreign client or their representative doesn't need to be physically present to avail of the advertising service. ⇒ Therefore, the POS for advertising services is not determined by Section 13(3). Instead, it is determined u/s 13(2) of IGST Act. ⇒ Since the recipient is the foreign client located outside India, the POS is the location of the foreign client (outside India) u/s 13(2), making this an export of services, provided all export conditions are met.
<p>If an advertising co. in India acts as an agent for a foreign client in securing media space, what is the POS?</p>	<ul style="list-style-type: none"> ⇒ The agreement for media space and ad broadcast is directly between the media owner and the foreign client, with the media owner directly invoices and receiving payment from the foreign client. ⇒ The advertising company only helps facilitate this process and does not provide the service itself. ⇒ The advertising company invoices the foreign client for its facilitation services. ⇒ Thus, advertising co. is an "intermediary" for facilitating this service & its POS shall be location of supplier (advertising co.) as per sec 13(8)(b).

<p>Clarification on POS of data hosting services provided by service providers located in India to cloud computing service providers located outside India (Circular No. 232/26/2024):-</p>	
<p>Legal provision</p>	<ul style="list-style-type: none"> ⇒ Refer sec 2(13) of IGST Act read with Circular no. 159/15/2021 for definition of intermediary. ⇒ Refer sec 2(6), 13(3)(a), 13(8) & 13(4) of IGST Act.
<p>Is a data hosting service provider an "intermediary" u/s 2(13) of IGST Act betw" cloud providers and end users? Are their services being intermediary services with POS u/s 13(8)(b)?</p>	<ul style="list-style-type: none"> ⇒ The data hosting service provider either owns or leases a data centre, where they manage infrastructure and operations to offer data hosting services. ⇒ End users/customers/subscribers access cloud services provided by the cloud computing provider over the internet, without the data hosting provider interacting with them. ⇒ Thus, the data hosting provider offers services directly to the cloud computing provider, not acting as a broker or agent. <p>Clarification: This service is not considered intermediary services, so its place of supply cannot be determined u/s 13(8)(b).</p>
<p>Are data hosting services provided in relation to goods "made available" by the recipient, with POS determined u/s 13(3)(a) of IGST Act?</p>	<ul style="list-style-type: none"> ⇒ The data hosting service provider is an independent entity offering data hosting services to overseas cloud providers. ⇒ The hosting provider owns and manages all necessary infrastructure (hardware, power, security, etc.) and maintains it independently. ⇒ The cloud providers do not own or provide this infrastructure. Instead, the hosting service provider charges fees for its services as per specific agreements, operating as a separate entity.

	<p>Clarification:</p> <ul style="list-style-type: none"> ➤ Data hosting services are not related to goods "made available" by the recipient (cloud provider) to the supplier (hosting provider), so the POS cannot be determined u/s 13(3)(a). ➤ Even if the cloud computing service provider provides hardware, the data hosting services are not considered to be provided in relation to the goods made available by the cloud provider. ➤ Therefore, the POS cannot be determined u/s 13(3)(a).
<p>Are data hosting services provided in relation to "immovable property" with POS determined u/s 13(4) of IGST Act?</p>	<p>⇒ Data hosting services are not passive services related to immovable property. Instead, they involve providing essential services for cloud computing to end users/customers/subscribers.</p> <p>Clarification: Data hosting services are not directly linked to immovable property or physical premises, so the POS cannot be determined u/s 13(4).</p>
<p>What is the POS for data hosting services provided by an Indian provider to overseas cloud computing service providers?</p>	<p>⇒ The POS is not covered u/s 13(3) to 13(13).</p> <p>⇒ Therefore, POS will be determined u/s 13(2), which is the location of the service recipient i.e outside India.</p> <p>⇒ This can be treated as an export of services if all export conditions are met.</p>



REGISTRATION

Sec 23 : Persons Not Liable For Registration

(2)	<p>Notified person by Govt</p>	<p>Overriding sec 22(1)/24, the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, specify the category of persons who may be exempted from obtaining registration under this Act.</p>															
<p>Proviso (Inserted by 24/2024):- Nothing contained in this notification shall apply to any person engaged in the supply of metal scrap, falling under Chapters 72 to 81 in the first schedule to the Customs Tariff Act, 1975.</p>		<p>Persons making only reverse charge supplies (N/N 5/2017)</p>															
		<p>Persons engaged only in making supplies of taxable goods &/or services, total tax on which is liable to be paid on reverse charge basis by recipient u/s 9(3) are exempted from obtaining registration</p>															
		<p>Example: Ganga Transporters, a Goods Transport Agency (GTA), is engaged in providing GTA services taxed under reverse charge at 5%. They provide services to Sharma Industries Pvt. Ltd., a company with an agg.T/o below the threshold limit.</p>															
		<table border="1"> <thead> <tr> <th data-bbox="467 989 678 1069">Entity</th> <th data-bbox="678 989 889 1069">Service Type</th> <th data-bbox="889 989 1101 1069">Agg. T/O</th> <th data-bbox="1101 989 1312 1069">GST Reg. Requirement</th> <th data-bbox="1312 989 1557 1069">Reason</th> </tr> </thead> <tbody> <tr> <td data-bbox="467 1069 678 1212">Ganga Transporters</td> <td data-bbox="678 1069 889 1212">GTA Services exclusively supplied</td> <td data-bbox="889 1069 1101 1212">Not Applicable</td> <td data-bbox="1101 1069 1312 1212">Exempt Sec 23(2)</td> <td data-bbox="1312 1069 1557 1212">Services under reverse charge; no self-GST payment</td> </tr> <tr> <td data-bbox="467 1212 678 1327">Sharma Industries Pvt. Ltd.</td> <td data-bbox="678 1212 889 1327">Recipient of GTA Service</td> <td data-bbox="889 1212 1101 1327">Below Threshold Limit</td> <td data-bbox="1101 1212 1312 1327">Mandatory Sec 24</td> <td data-bbox="1312 1212 1557 1327">Liable for reverse charge tax on GTA services</td> </tr> </tbody> </table>	Entity	Service Type	Agg. T/O	GST Reg. Requirement	Reason	Ganga Transporters	GTA Services exclusively supplied	Not Applicable	Exempt Sec 23(2)	Services under reverse charge; no self-GST payment	Sharma Industries Pvt. Ltd.	Recipient of GTA Service	Below Threshold Limit	Mandatory Sec 24	Liable for reverse charge tax on GTA services
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TDS-TCS

Sec 51 - TDS

Deductors of Tax at Source	As per Sec 51 (1)	
	a	a department or establishment of the CG or SG
	b	local authority
	c	Governmental agencies
	d	such persons or category of persons as may be notified by the Government on the recommendations of the Council.
	Notified Person u/s 51(1)(d) [N/N 50/2018]	
1	an authority or a board or any other body, - (i) set up by an Act of Parliament or a State Legislature or (ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function Note :- Sec 51 of the CGST Act apply only to authorities, boards, or bodies established by an Act of Parliament or State legislature, or set up by the Govt., with 51% or more government equity or control.	
2	Society established by the CG or the SG or LA under the Societies Registration Act, 1860	
3	Public sector undertakings (PSUs)	
4	Any RP Receiving supplies of metal scrap from other RP Inserted by N/N 25/2024	
Non Applicability of TDS	As per Notification	Tax is not liable to be deducted at source in the following cases:- (i) When goods and/or services are supplied from a PSU to another PSU, whether or not a distinct person [N/N 61/2018] (ii) When supply of goods and/or services takes place between one person to another person specified in clauses (a), (b), (c) and (d) of section 51(1) of the CGST Act except any RP receiving supplies of Metal scrap from other RP's. [N/ N. 73/2018] Inserted by N/No. 25/2024



REFUNDS

Rule 89(4): Refund of Un-utilized ITC in case of Zero rated supply

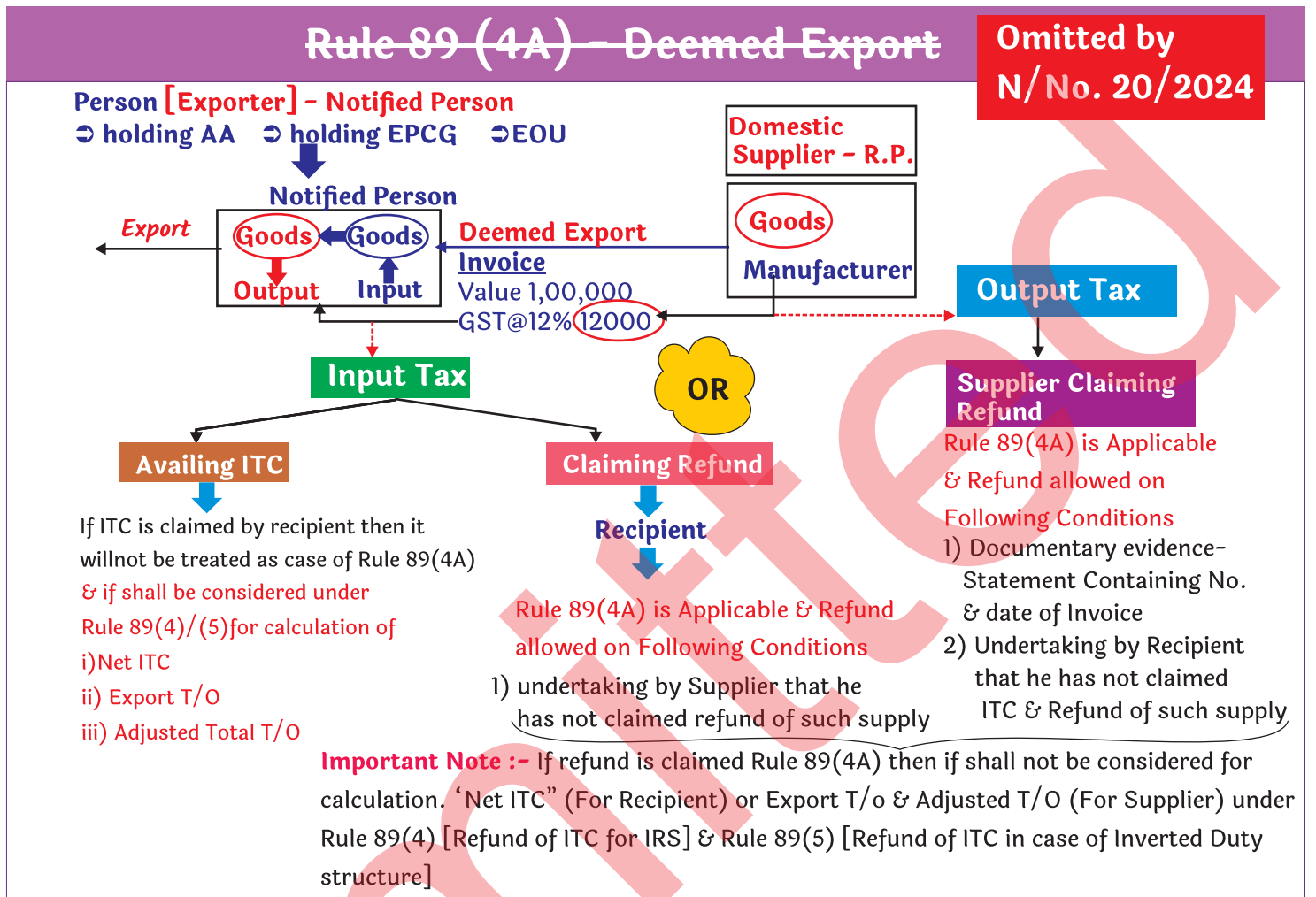
<p>Meaning</p>	<p>Export of goods &/or Services or Supply to SEZ developer/Unit are qualifies as ZRS.</p> <p>However, refund of unutilized ITC shall not be allowed if:- (IMP)</p> <ul style="list-style-type: none"> ➔ goods exported out of India are subjected to export duty (i.e. on which some export duty has to be paid at the time of export) or ➔ supplier of goods &/or services avails of drawback in respect of CGST or claims refund of the IGST paid on such supplies. 									
<p>Amount of refund</p>	<p>In case of ZRS of goods or services without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:-</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> $\text{Refund Amount} = \left\{ \frac{\text{(Turnover of zero-rated supply of goods + Turnover of zero - rated supply of services)}}{\text{Adjusted Total Turnover}} \right\} \times \text{Net ITC}$ </div> <p>"Refund amount" means the maximum refund that is admissible</p>									
<p>Net ITC</p> <p>Omitted by N/N 20/2024</p>	<p>means ITC availed on inputs and input services during the relevant period other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>Note: In 'Net ITC', only the ITC of I & IS are covered & not for CG. Hence any CG is used in ZRS is not eligible for refund of ITC. RP can continue the ITC of CG & balance if any then it will be C/F</p> </div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: left;">Amt.</th> </tr> </thead> <tbody> <tr> <td>Total ITC of (I + IS) in relevant period</td> <td>XXX</td> </tr> <tr> <td>Less : ITC of Inputs for which refund is claimed under rule 89(4A) & 89(4B)</td> <td>XXX</td> </tr> <tr> <td>Net ITC</td> <td>XXX</td> </tr> </tbody> </table>	Particulars	Amt.	Total ITC of (I + IS) in relevant period	XXX	Less : ITC of Inputs for which refund is claimed under rule 89(4A) & 89(4B)	XXX	Net ITC	XXX
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Net ITC	XXX									
<p>Turnover of zero-rated supply of goods</p> <p>Omitted by N/N 20/2024</p>	<ul style="list-style-type: none"> ➔ The value of ZRS 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, <p>other than the turnover of supplies in respect of which refund is claimed u/r 89(4A) or 89(4B) or both.</p> <p>This can also be explained as below:</p> <p>Actual Value (i.e. lower of FOB value in shipping bill or value in invoice) of ZRS of goods in relevant Period exported under bond/ LUT OR 1.5 times like goods domestically supplied</p> <p style="text-align: center; color: blue;">Whichever is Lower</p>									

<p>Omitted by N/N 20/2024</p>	<table border="1"> <tr> <td>Value of ZRSG</td> <td>XX</td> </tr> <tr> <td>Less: T/o of supplies for which refund is claimed u/r 89(4A)/(4B)</td> <td>(XX)</td> </tr> <tr> <td></td> <td>XX</td> </tr> </table>	Value of ZRSG	XX	Less: T/o of supplies for which refund is claimed u/r 89(4A)/(4B)	(XX)		XX				
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	XX										
<p>Value of goods exported out of India</p>	<p>Notes:</p> <ul style="list-style-type: none"> ➤ Rule 89(4A) is for Deemed Exports & Rule 89(4B) is for Penultimate Supply. ➤ If Refund is not claimed u/r 89(4A) or 89(4B), then no need to deduct this amount. <p>shall be the lower of:-</p> <ol style="list-style-type: none"> 1) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export or 2) the value declared in tax invoice or bill of supply. 										
<p>Turnover of zero-rated supply of services</p>	<p>means the value of zero-rated supply of services made without payment of tax under bond/LUT & it is calculated as follows:</p> <table border="1"> <tr> <td>Payments received during the relevant period</td> <td>xx</td> </tr> <tr> <td>Add: ZRSS where Advance has been received in prior period, but supply has been completed in relevant period</td> <td>xx</td> </tr> <tr> <td>Less: Advance received in relevant period for which supply of services has not been completed</td> <td>(xx)</td> </tr> <tr> <td>Turnover of ZRS</td> <td>XX</td> </tr> </table>	Payments received during the relevant period	xx	Add: ZRSS where Advance has been received in prior period, but supply has been completed in relevant period	xx	Less: Advance received in relevant period for which supply of services has not been completed	(xx)	Turnover of ZRS	XX		
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Less: Advance received in relevant period for which supply of services has not been completed	(xx)										
Turnover of ZRS	XX										
<p>Adjusted Total turnover</p>	<table border="1"> <tr> <td> <p>SOG: T/o in State includes</p> <ul style="list-style-type: none"> ➤ All Taxable Supply, Wholly Exempt Supply, Non-Taxable Supply ➤ Exempt Supply (Wholly Exempt + Nil + NTS) ➤ Exports with or without bond ➤ Inter State Supply <p>excludes tax under GST & Inward supplies under RCM</p> </td> <td>xx</td> </tr> <tr> <td> <p>SOS: Zero Rated Supply of services (As calculated above)</p> <p>Add: Non ZRS of Services (Domestic supply + Export without Bond)</p> </td> <td>xx</td> </tr> <tr> <td> <p>Less:</p> <ol style="list-style-type: none"> 1) Exempt Supplies other than Zero rated Supplies* 2) T/o of supplies for which refund is claimed u/r 89(4A) or (4B) or both </td> <td>(xx) (xx)</td> </tr> <tr> <td>Adjusted Total T/o</td> <td>xx</td> </tr> <tr> <td colspan="2"> <p>Notes:</p> <ul style="list-style-type: none"> ➤ Exempt supplies & T/o of supplies for refund is claimed u/r 89(4A)/89(4B) is deducted only if already covered in T/o of ZRS of goods or services. ➤ Other than ZRS*: As per Sec 16 of the IGST Act, if an exempt supply is exported from India, it is not considered an exempt supply and falls under ZRS. Therefore, any exempt supply that qualifies as ZRS should not be deducted. </td> </tr> </table>	<p>SOG: T/o in State includes</p> <ul style="list-style-type: none"> ➤ All Taxable Supply, Wholly Exempt Supply, Non-Taxable Supply ➤ Exempt Supply (Wholly Exempt + Nil + NTS) ➤ Exports with or without bond ➤ Inter State Supply <p>excludes tax under GST & Inward supplies under RCM</p>	xx	<p>SOS: Zero Rated Supply of services (As calculated above)</p> <p>Add: Non ZRS of Services (Domestic supply + Export without Bond)</p>	xx	<p>Less:</p> <ol style="list-style-type: none"> 1) Exempt Supplies other than Zero rated Supplies* 2) T/o of supplies for which refund is claimed u/r 89(4A) or (4B) or both 	(xx) (xx)	Adjusted Total T/o	xx	<p>Notes:</p> <ul style="list-style-type: none"> ➤ Exempt supplies & T/o of supplies for refund is claimed u/r 89(4A)/89(4B) is deducted only if already covered in T/o of ZRS of goods or services. ➤ Other than ZRS*: As per Sec 16 of the IGST Act, if an exempt supply is exported from India, it is not considered an exempt supply and falls under ZRS. Therefore, any exempt supply that qualifies as ZRS should not be deducted. 	
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Rule 89(5): Refund on account of Inverted Duty Structure (IDS)

<p>Meaning</p>	<p>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),</p> <p>except supplies of goods or services or both as may be notified by the Govt. on the recommendations of the Council.</p> <table border="1" data-bbox="407 415 1528 920"> <tr> <th colspan="2">Goods or services notified by the Government</th> </tr> <tr> <td>Construction Sector</td> <td> <ul style="list-style-type: none"> ⇒ If construction services are provided for a complex or building that is intended for sale, the price charged from the recipient includes the value of the land. ⇒ However, this rule does not apply if the full payment is received after a completion certificate is issued or after the property is first occupied, whichever is earlier. </td> </tr> <tr> <td>Textiles</td> <td>Woven fabrics of silk/wool/cotton, knitted or crocheted fabrics</td> </tr> <tr> <td>Rail</td> <td>Rail locomotives powered from an external source of electricity or by electric accumulators.</td> </tr> <tr> <td>Oil</td> <td>Soya bean oil, olive oil, palm oil, coal, lignite, peat etc.</td> </tr> </table> <p>Note: Circular No. 18/18/2017: This restriction on refund of unutilised ITC of GST paid on inputs is not applicable to zero rated supplies.</p>	Goods or services notified by the Government		Construction Sector	<ul style="list-style-type: none"> ⇒ If construction services are provided for a complex or building that is intended for sale, the price charged from the recipient includes the value of the land. ⇒ However, this rule does not apply if the full payment is received after a completion certificate is issued or after the property is first occupied, whichever is earlier. 	Textiles	Woven fabrics of silk/wool/cotton, knitted or crocheted fabrics	Rail	Rail locomotives powered from an external source of electricity or by electric accumulators.	Oil	Soya bean oil, olive oil, palm oil, coal, lignite, peat etc.
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Oil	Soya bean oil, olive oil, palm oil, coal, lignite, peat etc.										
<p>Amount of refund</p>	<p>Refund on account of IDS, refund of ITC shall be granted as per the following formula:-</p> <table border="1" data-bbox="407 1104 1520 1317"> <tr> <td colspan="2">Maximum Refund Amount =</td> </tr> <tr> <td> $\left\{ \frac{\text{Turnover of inverted rated supply of goods \& services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right\} - \left\{ \frac{\text{Tax payable on such inverted rated supply of goods \& service}}{\text{Net ITC}} \times \frac{\text{ITC available on Inputs \& Input service}}{\text{ITC available on Inputs \& Input service}} \right\}$ </td> <td></td> </tr> </table>	Maximum Refund Amount =		$\left\{ \frac{\text{Turnover of inverted rated supply of goods \& services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right\} - \left\{ \frac{\text{Tax payable on such inverted rated supply of goods \& service}}{\text{Net ITC}} \times \frac{\text{ITC available on Inputs \& Input service}}{\text{ITC available on Inputs \& Input service}} \right\}$							
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<p>Net ITC</p> <p>Omitted by N/N 20/2024</p>	<p>means ITC availed on inputs during the relevant period other than ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.</p> <p>Notes:</p> <ul style="list-style-type: none"> ⇒ In 'Net ITC', ITC is availed only on inputs, excluding input services and capital goods. The law clearly states that tax paid on these cannot be refunded due to an inverted duty structure. ⇒ If there are multiple inputs attracting different rates of tax, 'Net ITC' in rule 89(5) covers the ITC availed on all inputs in the relevant period, irrespective of their rate of tax. 										
<p>Adjusted Total turnover</p>	<table border="1" data-bbox="407 1671 1528 2066"> <tr> <td> <p>SOG: T/o in State</p> <p>includes</p> <ul style="list-style-type: none"> ⇒ All Taxable Supply, Wholly Exempt Supply, Non-Taxable Supply ⇒ Exempt Supply (Wholly Exempt + Nil + NTS) ⇒ Exports with or without bond ⇒ Inter State Supply <p>excludes tax under GST & Inward supplies under RCM</p> <p>SOS:</p> <p>Zero Rated Supply of services (As calculated above)</p> <p>Add: Non ZRS of Services (Domestic supply + Export without Bond)</p> </td> <td> <p>xx</p> <p>xx</p> </td> </tr> </table>	<p>SOG: T/o in State</p> <p>includes</p> <ul style="list-style-type: none"> ⇒ All Taxable Supply, Wholly Exempt Supply, Non-Taxable Supply ⇒ Exempt Supply (Wholly Exempt + Nil + NTS) ⇒ Exports with or without bond ⇒ Inter State Supply <p>excludes tax under GST & Inward supplies under RCM</p> <p>SOS:</p> <p>Zero Rated Supply of services (As calculated above)</p> <p>Add: Non ZRS of Services (Domestic supply + Export without Bond)</p>	<p>xx</p> <p>xx</p>								
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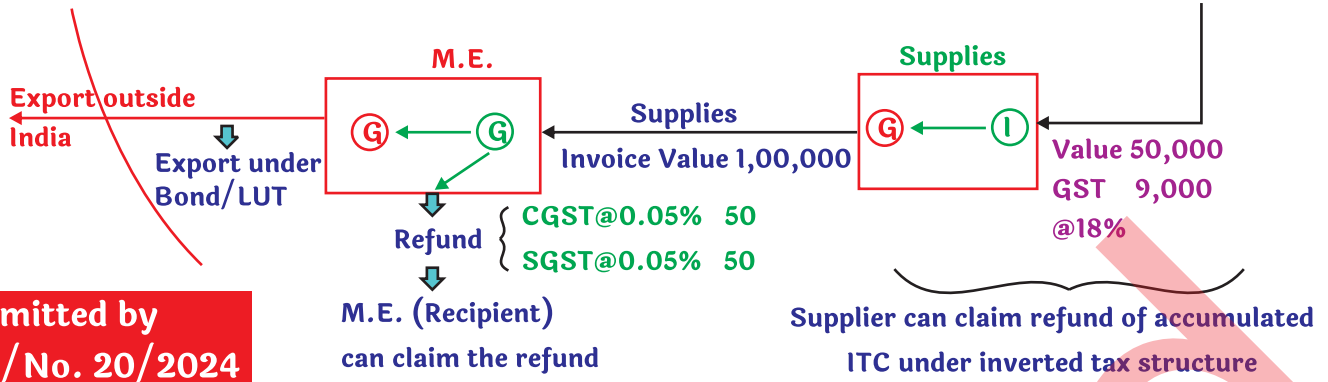
Omitted by N/N 20/2024	Less: 1) Exempt Supplies other than Zero rated Supplies*	(xx)
	2) T/o of supplies for which refund is claimed u/r 89(4A) or (4B) or both	(xx)
	Adjusted Total T/o	xx
Notes: ⇒ Exempt supplies & T/o of supplied for refund is claimed u/r 89(4A)/89(4B) is deducted only if already covered in T/o of ZRS of goods or services. ⇒ Other than ZRS* : As per Sec 16 of the IGST Act, if an exempt supply is exported from India, it is not considered an exempt supply and falls under ZRS. Therefore, any exempt supply that qualifies as ZRS should not be deducted.		



Sec 2(39) Deemed exports	means such supplies of goods as may be notified u/s 147 of CGST Act, 2017
Section 147	The Government may, on the recommendations of the Council, notify certain supplies of goods as deemed exports, where: i) The goods supplied do not leave India, ii) Payment for such supplies is received in INR/Convertible Foreign Exchange, & iii) Such goods are manufacture in India.

Notified supplies for Deemed Export (N/N 48/2017)	<p>a) Supply of goods by a RP against Advance Authorisation(AA).</p> <p>b) Supply of capital goods by a RP against Export Promotion Capital Goods Authorisation (EPCG).</p> <p>c) Supply of goods by a RP to Export oriented Unit (EOU).</p> <p>d) Supply of gold by a specified bank or PSU against advance Authorisation.</p>
Eligibility of Refund	In respect of supplies regarded as deemed exports, either recipient or supplier are allowed to file the refund application.
Application for Refund	The application shall be filed by RFD - 01
In case refund is sought by the supplier of deemed export supplies	<p>As per Rule 89(2) of CGST Rules, the following evidences notified by Central Government are to be produced by supplier of deemed export supplies for claiming refund:-</p> <ul style="list-style-type: none"> ➤ Acknowledgment by the jurisdictional tax officer of Advance Authorization (AA) holder or Export Promotion Capital Goods (EPCG) Authorization holder that the said deemed export supplies have been received by the said AA/ EPCG Authorization holder or ➤ A copy of tax invoice for such supplies duly signed by recipient EOU. ➤ An undertaking by recipient that no ITC has been availed of by him on such supplies. ➤ An undertaking by recipient that he shall not claim the refund in respect of such supplies and the supplier may claim the refund.
In case refund of ITC is sought by the recipient of deemed export supplies	<p>An undertaking by the supplier of deemed export that he shall not claim the refund in respect of such supplies is also required to be furnished manually.</p> <p>Circular no. 172/04/2022: Refund claimed by the recipients of supplies regarded as deemed export.</p> <ul style="list-style-type: none"> ➤ The Input Tax Credit (ITC) of tax paid on deemed export supplies, claimable as a refund by recipients, is not categorized as ITC under CGST Act, 2017. ➤ This ITC availed by recipients of deemed export supplies is not subject to the provisions of sec 17. ➤ This implies that entire amount paid by the recipient will be available as ITC for claiming refund irrespective of the fact whether it is blocked in terms of sec 17(5) <p>Example:- XYZ Ltd. received deemed export supplies valued at ₹ 2,00,000, on which it paid a GST of ₹ 36,000 at an 18% rate. Some of the components included in the supply are outdoor Catering services that falls u/s 17(5).</p> <p>HINT: It is clarified that XYZ Ltd. can claim the entire ITC amount paid on Deemed exports, even if certain inputs are blocked.</p>
Time limit & relevant date for claiming refund	<p>Make an application before the expiry of 2 years from the 'Relevant Date' i.e. the date on which the return relating to such deemed exports is furnished by supplier.</p> <p>Note: For deemed exports, since the supplier pays the tax in their return, the relevant date for filing a refund claim is the date when the supplier files that return. This applies whether the refund claim is made by the supplier or the recipient.</p>

Rule 89(4B) Penultimate Supply or Merchant Exporter (ME)



Omitted by N/No. 20/2024

Where the person claiming refund of unutilised ITC on account of zero-rated supplies without payment of tax has received supplies on which the supplier has availed the benefit of supply of goods to merchant exporters at the concessional rate of 0.1% (CGST=0.05% & SGST=0.05% OR IGST=0.1%)

OR

We can say that, supply of taxable goods by a registered supplier to registered recipient (Merchant exporter(ME)) for export i.e. CG has exempted the GST in excess of 0.1% (CGST=0.05% & SGST=0.05% OR IGST=0.1%), subject to specified conditions to be fulfilled as follows:-

Tax invoice	The registered supplier shall supply goods to the registered recipient (ME) on a tax invoice.
Export within 90 days of invoice	The registered recipient shall export the said goods within 90 days from the date of issue of tax invoice by the registered supplier. Note: Full tax rate is applicable, if goods not exported within 90 days from tax invoice:- The registered supplier shall not be eligible to pay tax at concessional rate, if the registered recipient fails to export the said goods within 90 days from the date of issue of tax invoice.
GSTIN of supplier and tax invoice number in export documents	The registered recipient shall indicate the GSTIN of registered supplier and tax invoice number issued by supplier in the shipping bill or bill of export.
Recipient must be registered with EPC	The registered recipient shall be registered with an Export Promotion Council or a Commodity Board recognized by the Department of Commerce.
Copy of purchase order to be given to Jurisdictional tax Officer of Supplier	The registered recipient shall place an order on registered supplier for procuring goods at concessional rate and a copy of the same shall be provided to the jurisdictional tax officer of the registered supplier.
Proof of export to be given to supplier and his Jurisdictional Officer	When goods have been exported, registered recipient shall provide copy of shipping bill of export containing details of GSTIN and tax invoice of registered supplier along with proof of export general manifest or export report having been filed to such supplier as well as jurisdictional tax officer of such supplier.

Important points:

1. The supplier who supplies goods at the concessional rate will be eligible for refund on account of IDS.
2. It may be noted that the exporter of such goods can export the goods only under LUT / bond and cannot export on payment of IGST.

Impact of rule 89(4A) & (4B) on claiming refund under 89(4) ZRS & 89(5) IDS Omitted by N/No. 20/2024

For calculation of 'Net ITC'	1	If refund of ITC is claimed by notified recipient (i.e.AA/ EPCG/ EOU etc)	It shall be excluded for calculation of Net ITC of recipient (who is also claiming refund under rule 89(4)/(5))
	2	If no refund of ITC is claimed by notified recipient (ME)	It shall be included for calculation of Net ITC of recipient (who is also claiming refund under rule 89(4)/(5))
For calculation of 'Export T/O & Adjusted total T/O'	Deemed export under rule 89(4A)	1	If supplier or recipient claimed refund of tax paid on such supplies
		2	If supplier or recipient has not claimed refund of tax paid on such supplies
	Supply to merchant exporter rule 89 (4B)	If supply is made to merchant exporter under concessional rate then it shall be excluded from 'Export T/O & Adjusted total T/O'	

Rule 96: Refund on account of Export of goods or Services with payment of tax i.e Export with IGST Payment without bond

~~Clarification regarding regularization of refund of IGST availed in contravention of rule 96(10), in cases where exporters had imported certain inputs without payment of IGST and compensation cess (Circular no. 233/27/2024)~~

Issue ~~Whether Refund of IGST on exports be regularized if the RP initially imported inputs without paying IGST and cess, but later paid or is willing to pay them with interest?~~

Legal Provision ~~As per Rule 96(10), Refund of IGST on exports is **not allowed** if benefits from certain concessional/exemption notifications were used for imported or domestically procured inputs.~~

Omitted by N/N 20/2024

~~As per Explanation to Rule 96(10), benefits are not considered used if the RP paid IGST and Compensation Cess on inputs but only claimed an exemption for Basic Customs Duty.~~

Clarification ~~If inputs were imported without paying IGST and compensation cess by availing benefits, but subsequently these taxes are paid with interest and the Bill of Entry is reassessed, then the IGST refunded on exports **will not violate** Rule 96(10).~~

