

From	Karvy Data Management Services Ltd.
Date	December 02, 2017
Subject	Procedure of manual filing of refund application in respect of zero-rated supplies under GST regime
Category	Notification & Circular
Reference	Notification No. 55/2017-Central Tax dated 15 th Nov 2017; Circular No. 17/17/2017-GST dated 15 th Nov 2017
Series	Karvy/GST/27

Exporters can now manually file claims for GST refunds before tax officers owing to the specific modules not being available online, as per latest orders of the Central Board of Excise and Customs (CBEC).

Government of India looks to fast-track clearance of dues to ease liquidity stress faced by the exporters.

Businesses making zero-rated supplies or those who have paid IGST on exports, or want to claim input credit, would need to print out Form GST RFD-01A and approach the Chief Commissioner of Central Tax and the Commissioner of State Tax for refund claim.

Notification and Circular were issued by the CBEC on dated 15th November 2017 detailing the procedure of manual filing and processing of refund application:

Definition of Zero-Rated Supplies:

“Zero-Rated Supply” means any of the following supplies of goods or services or both, namely:-

- Export of goods or services or both; or
- Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone Unit.

– Sec. 16 of IGST Act 2017

Provisions relating to refund of input tax credit used in making Zero-Rated Supplies or refund of tax paid on Zero-Rated Supplies:

A registered person may claim refund of any unutilized input tax credit at the end of any tax period in case of-

- Zero-Rated Supplies made without payment of tax; or
- Where credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outward supplies.

– Sec. 54(3) of CGST Act 2017

Determination of refund amount:

The proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered person, refund on a provisional basis the amount of tax paid:

Amount of Refund on Provisional Basis = (90% of the total amount so claimed - Amount of input tax credit provisionally accepted)

Conditions for granting refund:

- The refund shall be in such manner and subject to such conditions, limitations and safeguards as may be prescribed
- The officer shall make an order for final settlement of refund claim after due verification of documents furnished by the applicant
- The refund shall not be granted on such goods and services as may be notified by the Government on the recommendations of the Council

– Sec. 54(6) of CGST Act 2017

Insertion of new rules as per the Notification No. 55/2017-Central Tax dated 15th Nov 2017:

Rule 97 A - Manual Filing and Processing	Any reference to electronic filing of an application, intimation, reply, declaration, statement or electronic issuance of a notice, order or certificate on the common portal shall, include manual filing .
---	--

Refund application to be filed:

Sl. No.	Category of Refund	Process of filing refund application
1.	Refund of IGST paid on export of goods	No separate application is required as shipping bill itself will be treated as application for refund.
2.	Refund of IGST paid on <ul style="list-style-type: none">➤ export of services➤ zero-rated supplies to SEZ units or SEZ developers	Printout of Form GST RFD-01A needs to be filed manually with the jurisdictional GST officer (only at one place-Centre or State) along with relevant documentary evidences, wherever applicable.
3.	Refund of unutilized input tax credit due to the accumulation of credit of tax paid on inputs or input services used in making zero-rated supplies of goods or services or both	<ul style="list-style-type: none">➤ First Form GST RFD-01A needs to be filed on the common portal.➤ The amount of credit claimed as refund would be debited in the electronic credit ledger and proof of debit needs to be generated on the common portal.➤ Printout of the Form GST RFD-01A needs to be submitted before the jurisdictional GST officer along with necessary documentary evidences, wherever applicable.

Summary of Procedure for manual processing of refund claims:-

Sl. No.	Procedure as per circular no. 17/17/2017-GST dated 15 th Nov 2017 issued by Commissioner of GST, Govt. of India
1.	<ul style="list-style-type: none">➤ Only in case refund of unutilized ITC is claimed, a refund application is needed to be filed online on the common portal in Form GST RFD-01A.➤ The corresponding Electronic Credit Ledger will get debited and an ARN number will be generated.
2.	<ul style="list-style-type: none">➤ Printout of Form GST RFD-01A needs to be filed, along with the printout of ARN in case of refund of ITC, application of refund shall be submitted manually in the appropriate jurisdiction.➤ The form needs to be accompanied with the requisite documentary evidences.➤ It shall contain the debit entry in the Electronic Credit Ledger of the amount claimed as refund.

3.	<ul style="list-style-type: none"> ➤ On such submission, the proper officer shall do initial scrutiny of documents and validate the GSTIN details on the portal to validate whether return in Form GSTR-3 or Form GSTR-3B, as the case may be, has been filed. ➤ Deficiencies, if any, in documentary evidences shall be ascertained by proper officer and communicated in Form GST RFD-03 within 15 days of filing of the refund application. ➤ Deficiency Memo should be complete in all respects and only one deficiency memo shall be given.
4.	<ul style="list-style-type: none"> ➤ In case a deficiency Memo is received, the refund application needs to be re-submitted after rectifying the deficiencies pointed out. ➤ When an application for refund is resubmitted after rectifying the deficiencies, the application shall be treated as a fresh application. ➤ It shall accompany the ARN number and debit entry generated originally.
5.	<ul style="list-style-type: none"> ➤ In case, application is not filed afresh within 30 days of the communication of deficiency memo, the proper officer shall pass an order in Form GST PMT-03 and re-credit the amount claimed as refund in the electronic credit ledger through Form GST RFD-01B.
6.	<ul style="list-style-type: none"> ➤ The proper officer shall issue an acknowledgement within 15 days of the filing of refund application manually in Form GST RFD-02. ➤ Such date shall be considered as the date for ensuring whether the refund application has been sanctioned within the stipulated time period
7.	<ul style="list-style-type: none"> ➤ The amount of Provisional refund shall be granted by the proper officer in Form GST RFD-04 within 7 days of the issue of acknowledgement. It shall be granted separately for each head of Central Tax, State Tax, Union Territory Tax, Integrated tax and Cess. ➤ Amount of Provisional Refund shall be calculated taking into account total Input Tax Credit (without making any reduction for credit being provisionally accepted) ➤ Before sanctioning any refund a declaration shall be obtained by the applicant that he has not contravened the provisions of Rule 91(1) of CGST Rules, 2017. ➤ Payment advice shall be issued in Form GST RFD-05 and refund shall be made directly in the bank account mentioned by the applicant in the registration.
8.	<p>Thereafter, The officer shall do detailed scrutiny of the refund application along with submitted documents for ascertaining the final claim. The detailed scrutiny involves the following:</p> <ul style="list-style-type: none"> ➤ The officer shall validate refund statement details with details in Form GSTR 1 (or Table 6A of Form GSTR-1) available on the common portal. ➤ The shipping bill details shall be checked by officer through the website www.icegate.gov.in ➤ The officer shall verify Form GSTR-3 or Form GSTR-3B filed by the applicant and it needs to be verified that the refund amount claimed shall be less than the tax paid on account of zero rated supplies as per Form GSTR-3 or Form GSTR-3B, as the case may be.
9.	<ul style="list-style-type: none"> ➤ After ascertaining what amount shall be sanctioned finally and assessing if any adjustments against any outstanding liability is required, the officer will pass the order in Form GST RFD-07(Part B). ➤ Any adjustments against the outstanding liability will be made in Form GST RFD-07(Part A)
10.	<ul style="list-style-type: none"> ➤ If the sanction-able amount is less than the applied amount, notice has to be issued to the applicant in Form GST RFD-08. ➤ The applicant has to reply within 15 days of receipt of the notice in Form GST RFD-09. ➤ Principles of natural justice to be followed before making the final decision. ➤ Final Order for refund shall be made in Form GST RFD-06 manually.

11.	<ul style="list-style-type: none"> ➤ Refund, if any, will be paid by an order with payment advice in Form GST RFD-05. ➤ The proper officer shall issue the refund order manually for each head-Central tax, State tax etc. ➤ Amount paid provisionally will be adjusted accordingly. ➤ The amount of credit rejected has to be re-credited to the credit ledger by an order in Form GST PMT-03 and shall be intimated on the common portal in Form GST RFD-01B.
12.	<ul style="list-style-type: none"> ➤ Amount of Interest, if any, will be paid by an order with payment advice in Form GST RFD-05.

Summary of the relevant forms used in the refund processing:

Sl. No.	Form	Details
1.	Form GST RFD-01A	Application for Refund
2.	Form GST RFD-02	Acknowledgement
3.	Form GST RFD-03	Deficiency Memo
4.	Form GST RFD-04	Provisional Refund Order
5.	Form GST RFD-05	Payment Advice
6.	Form GST RFD-06	Refund Sanction/ Rejection order
7.	Form GST RFD-07	Order for complete adjustment/ withholding of sanctioned refund
8.	Form GST RFD-08	Notice for rejection of application for refund
9.	Form GST RFD-09	Reply to Show cause notice

Some important points related to processing of refund:

The authority to which the application shall be filed manually:

- The refund application for various taxes, that is, Central Tax, State Tax, Union Territory Tax can be filed with any one of the tax authorities of Central Government or State Government.
- But the payment of the sanctioned refund amount shall be made only by the respective tax authority of the Centre or State Government.

The condition given in Rule 91(1) of CGST Rules, 2017 which needs to be fulfilled before allowing provisional refund:

The provisional refund shall be granted subject to the condition that:

- The person claiming refund has not been prosecuted for any offence
- under the Act or under an existing law
- during any period of **five years** immediately preceding the tax period to which the refund claim relates,
- where the amount of tax evaded exceeds 250 lakh rupees.

Documentary Evidences:

The documentary evidences that needs to be accompanied with the refund application are:

- BIRC/FIRC details in case of services
- Shipping Bill and EGM in case of goods

We have attached copy of **Notification No. 55/2017-Central Tax & Circular No. 17/17/2017-GST dated 15th Nov 2017** along with this knowledge sharing article for your reference.

About KARVY DATA MANAGEMENT SERVICES LTD.

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com.

You may also reach out to us @ gstcompliance@karvy.com should you have any query on the content of this article.

Below are the co-ordinates of our representatives from GST Team across India:

Hyderabad: Mr. Vamsi Krishna Pothukuchi (8378976769) & Mr. Dipak Tiwary (9823741187)

Mumbai: Mr. Avdhesh Heda (9130561253)

Bangalore: Mr. Vamsi Krishna Pothukuchi (8378976769)

New Delhi: Ms. Priyanka Mathur (9953563996)

Kolkata: Ms. Ishika Agrawal (8820253344) & Mr. Vijay Kumar Gupta (9339355647)

Disclaimer: The interpretation of notification is for general information purpose only. Karvy Data Management Services Limited shall not accept any liability for any decision taken based on the advice. You should carefully study the situation and consult tax advisors before taking any decision.