

From	Karvy Data Management Services Ltd.
Date	June 01, 2018
Subject	Clarification on issues related to refund under GST regime
Category	Circular
Reference	Circular No. 45/19/2018 -GST dated 30th May, 2018
Series	Karvy/GST/73

Circular No. 17/17/2017-GST dated 15.11.2017, 24/24/2017-GST dated 21.12.2017 and 37/11/2018-GST dated 15.03.2018 were issued by CBIC narrating the procedure for filing of refund application under GST regime.

Further, representations were made by the trade and industry before the GST Council on certain refund related issues under the GST regime. In order to ensure uniformity in the implementation of the provisions of the law across the field formations, CBIC issued circular no. 45/19/2018 dated 30th May 2018 to provide clarification on such issues. Below mentioned is the gist of clarification issued by CBIC in Circular No. 45/19/2018 dated 30th May 2018:

Sl. No.	Query Category	Query Specific	Relevant Provision in GST law related to the query	Clarification
1	Claim for refund filed by an Input Service Distributor, a person paying tax under section 10 or a non-resident taxable person	Can an ISD, a composite dealer and a non-resident taxable person file claim for refund under GST as the circular no. 24/24/2017-GST dt. 21.12.17 mandates filing of Form GSTR-1 for a tax period for which refund is being claimed and filing of Form GSTR-3B for the last tax period before the one in which the refund application is being filed?	<p>Every registered person, other than an ISD or a non-resident taxable person or a composite dealer or a person registered u/s 51 (TDS) or a person registered u/s 52 (TCS) shall furnish details of outward supplies in Form GSTR-1 - Sec. 37(1) of CGST Act 2017 read with Rule 59 of CGST Rules 2017</p> <p>A composition taxpayer is required to furnish the return in Form GSTR-4 - Sec. 39(2) of CGST Act 2017 read with Rule 62 of CGST Rules 2017</p> <p>An ISD is required to furnish the return in Form GSTR-6 - Sec. 39(4) of CGST Act 2017 read with Rule 65 of CGST Rules 2017</p> <p>A non-resident taxable person is required to furnish the return in Form GSTR-5 - Sec. 39(5) of CGST Act 2017 read with Rule 63 of CGST Rules 2017</p>	<p>ISD: Refund of balance in Electronic Cash Ledger can be claimed as refund. The filing of return in Form GSTR-6 will be sufficient for claiming such refund. Filing of Form GSTR-1 and return in Form GSTR-3B is not mandatory.</p> <p>Composite Dealer: Refund of balance in Electronic Cash Ledger can be claimed as refund. The filing of return in Form GSTR-4 will be sufficient for claiming such refund. Filing of Form GSTR-1 and return in Form GSTR-3B is not mandatory.</p> <p>Non-resident taxable person: Refund of balance in Electronic Cash Ledger or in Electronic Credit Ledger can be claimed as refund. The filing of return in Form GSTR-5 will be sufficient for claiming such refund. Filing of Form GSTR-1 and return in Form GSTR-3B is not mandatory.</p>

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2	Application for refund of integrated tax paid on export of services and supplies made to a Special Economic Zone developer or a Special Economic Zone unit	<p>Error committed by registered taxpayers in declaring the transactions: (i) export of services with payment of IGST; and (ii) zero rated supplies made to SEZ Unit with payment of IGST in the Table under column 3.1(a) instead of showing them in column 3.1(b) in Form GSTR-3B for a tax period</p> <p>Relevant details have been correctly disclosed for the said tax period in Table 6A or 6B of Form GSTR-1 by such registered taxpayers and have duly discharged their tax liabilities</p> <p>Such registered person are unable to file the refund application in Form GST RFD-01A for refund of IGST paid on the GST portal because of an in-built validation check in the system which restricts the refund amount claimed (IGST/Cess) to the amount of (IGST/Cess) mentioned under column 3.1(b) of Form GSTR-3B (zero rated supplies) filed for the corresponding tax period</p>	<p>For a registered taxpayer claiming refund of IGST paid on account of export of goods or services or on account of zero rated supplies to SEZ Unit / Developer for a tax period should disclose zero rated transactions in the Table under column 3.1(b) in Form GSTR-3B and parallel disclosure in Table 6A in Form GSTR-1 is mandatory for such tax period</p>	<p>→ Registered persons shall be allowed to file refund application of IGST paid on account of export of goods or services or on account of zero rated supplies to SEZ Unit / Developer for the tax periods commencing from 01.07.17 - 31.03.18 subject to the condition that the amount of refund of IGST/Cess claimed shall not be more than the aggregate amount of IGST/Cess mentioned in the Table under columns 3.1(a), 3.1(b) and 3.1(c) of Form GSTR-3B filed for the corresponding tax period</p>

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3	Refund of unutilized input tax credit of compensation cess availed on inputs in cases where the final product is not subject to the levy of compensation cess	<p>Whether an exporter is eligible to claim refund of unutilized input tax credit of compensation cess paid on inputs, where the final product is not leviable to compensation cess.</p> <p>Example: Cess is levied on coal, which is an input for the manufacture of aluminium products, whereas cess is not levied on aluminium products</p>	<p>As per Sec. 16(2) of IGST Act 2017, a registered person may avail input tax credit for making zero rated supplies subject to the blocked credit provision in Sec. 17(5) of CGST Act 2017</p> <p>Further, vide Sec. 11(2) of Compensation Cess Act 2017, ITC provision as mentioned in Sec. 16 of IGST Act 2017 is made applicable to inter-state supplies of all goods and services</p> <p>Export of goods or services and supplies made to SEZ Unit/Developer shall be treated as zero rated supplies under the Cess Act</p>	<p>→ Sec. 17(5) of CGST Act 2017 dealing with the input tax credit provisions does not restrict the availment of ITC of compensation cess on coal (example cited in the query)</p> <p>→ It is clarified that a registered person making zero rated supply of aluminium products under bond or LUT may claim refund of unutilized credit including that of compensation cess paid on coal</p> <p>→ Such registered persons may also make zero-rated supply of aluminium products on payment of integrated tax but they cannot utilize the credit of the compensation cess paid on coal for payment of integrated tax as in view of the proviso to section 11(2) of the Cess Act allows the utilization of the input tax credit of cess, only for the payment of cess on the outward supplies</p> <p>→ Accordingly, such registered person cannot claim refund of unutilised compensation cess in case of zero-rated supply of goods on payment of integrated tax but does not attract payment of compensation cess</p>
4	Execution of Bond or Letter of Undertaking (LUT) in the case of zero rated supply of exempted or non-GST goods and refund claimed by the exporter of exempted or non-GST goods	<p>Whether bond or Letter of Undertaking (LUT) is required in the case of zero rated supply of exempted or non-GST goods and whether refund can be claimed by the exporter of exempted or non-GST goods?</p>	<p>Input Tax Credit may be availed for making zero rated supplies, notwithstanding that such supply is an exempt supply - Sec. 16(2) of IGST Act 2017</p> <p>Exempt supply includes non-taxable supply - Sec. 2(47) of CGST Act 2017</p> <p>A registered person making zero rated supply shall be eligible to claim refund when he either makes supply of goods or services or both under bond or LUT or makes such supply on payment of integrated tax</p>	<p>→ In case of zero rated supply of exempted or non-GST goods, the requirement for furnishing a bond or LUT cannot be insisted upon. In respect of refund claims on account of export of non-GST and exempted goods without payment of integrated tax; LUT/bond is not required</p> <p>→ Such registered persons exporting non-GST goods shall comply with the requirements prescribed under the existing law (i.e. Central Excise Act, 1944 or the VAT law of the respective State) or under the Customs Act, 1962, if any</p> <p>→ The exporter of such exempt and non-GST goods would be eligible for refund of unutilized input tax credit of central tax, state tax, union territory tax, integrated tax and compensation cess</p>

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5	Scope of the restriction imposed by Rule 96(10) of the CGST Rules 2017	What is the scope of the restriction imposed by rule 96(10) of the CGST Rules, regarding non-availment of the benefit of notification Nos. 48/2017-Central Tax dated the 18.10.2017, 40/2017-Central Tax (Rate) dated 23.10.2017, 41/2017-Integrated Tax (Rate) dated 23.10.2017, 78/2017-Customs dated 13.10.2017 or 79/2017-Customs dated 13.10.2017?	Sub-rule (10) of Rule 96 of the CGST Rules 2017 seeks to prevent an exporter, who is receiving goods from suppliers availing the benefit of certain specified notifications Nos. 48/2017-Central Tax dated the 18.10.2017, 40/2017-Central Tax (Rate) dated 23.10.2017, 41/2017-Integrated Tax (Rate) dated 23.10.2017, 78/2017-Customs dated 13.10.2017 or 79/2017-Customs dated 13.10.2017	<p>→ Sub-rule (10) of Rule 96 of the CGST Rules 2017 seeks to prevent an exporter, who is receiving goods from suppliers availing the benefit of certain specified notifications under which they supply goods without payment of tax or at reduced rate of tax, from exporting goods under payment of integrated tax</p> <p>→ This is to ensure that the exporter does not utilise the input tax credit availed on other domestic supplies received for making the payment of integrated tax on export of goods</p> <p>→ The said restriction is not applicable to an exporter who has procured goods from suppliers who have not availed the benefits of the specified notifications for making their outward supplies</p> <p>→ The said restriction is also not applicable to an exporter who has procured goods from suppliers who have, in turn, received goods from registered persons availing the benefits of these notifications since the exporter did not directly procure these goods without payment of tax or at reduced rate of tax</p> <p>→ Where a manufacturer might have imported capital goods by availing the benefit of Notification No. 78/2017-Customs dated 13.10.2017 or 79/2017-Customs dated 13.10.2017. Thereafter, goods manufactured from such capital goods may be supplied to an exporter. It is hereby clarified that this restriction does not apply to such inward supplies of an exporter.</p>

Link to access circular no. 45/19/2018 -GST dated 30th May, 2018:

http://www.cbic.gov.in/resources//htdocs-cbec/gst/Circular_No.45.pdf

For viewing the latest GST knowledge sharing documents by KARVY, click on this link: <https://www.karvygst.com/gst-knowledge>

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, Chennai, Pune and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com

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