

REFUND PROCESS IN GST REGIME



REPORT OF THE JOINT COMMITTEE ON BUSINESS PROCESSES FOR GST ON REFUND PROCESSES

Situations where refund would arise:



- ❧ Excess payment due to mistake and inadvertence,
- ❧ Export (including deemed export),
- ❧ Finalization of Provisional Assessment,
- ❧ Refund of pre deposit in case of Appeal or Investigation,
- ❧ Refund for Tax payment on transactions by UN bodies, CSD Canteens, Para-military forces canteens, etc.
- ❧ Refund from Manufacturing / Generation/ Production/ Creation of Tax- free supplies or Non-GST Supplies,
- ❧ Refund of Carry Forward Input Tax Credit
- ❧ Refund on account of year end or volume based incentives.
- ❧ Tax refunds for International Tourists

EXCESS PAYMENT OF TAX DUE TO MISTAKE OR INADVERTENTCE



- ❧ The situations where the tax payer has made excess payment of tax either by mistake or by inadvertence resulting in more payment of tax than due to the Government.
- ❧ Such excess payment may be on account of:-
 - ❧ wrong mention of nature of tax (CGST / SGST / IGST),
 - ❧ wrong mention of GSTIN, or
 - ❧ wrong mention (deposit) of tax amount.
- ❧ In first two situations i.e. in case of wrong mention of nature of tax (CGST / SGST / IGST) or in case of wrong mention of GSTIN, the tax administration is required to verify the correctness of the taxpayer's claim and therefore the taxpayer may file a refund application which should be decided within a period to be prescribed by the GST Law.
- ❧ In the first and third situation, the refund of excess amount of tax, at the option of the taxpayer, would either be automatically carried forward for adjustment against future tax liabilities or be refunded

EXPORT (INCLUDING DEEMED EXPORT) OF GOODS / SERVICES



- ❧ Two options may be made available to the exporter in the proposed GST regime:
 - ❧ Obtaining duty paid inputs and claiming refund of the same at the time of export of the finished goods without payment of duty.
 - ❧ Obtaining duty paid inputs, availing the input tax credit thereon and exporting finished goods after payment of duty (after utilizing such input tax credit) and thereafter claiming the rebate of the duty paid on exported goods.

EXPORT (INCLUDING DEEMED EXPORT) OF GOODS / SERVICES



- ❧ The following process is proposed for making this system as simple as possible:
 - ❧ Verification: The IEC details of taxpayer will be captured at the time of issuance of GSTIN and the same will be verified online with DGFT.
 - ❧ Application: The refund of ITC / rebate of GST paid on exported goods may be granted on submission of application to this effect by the taxpayer.
 - ❧ Since the trigger point for refund is export of goods, therefore the event of export will be verified online

EXPORT (INCLUDING DEEMED EXPORT) OF GOODS / SERVICES



- ❧ Linkage between ICEGATE of Customs administration and the proposed GSTN of GST administration may be established so that online verification of the exports can be carried out.
- ❧ Invoice wise sale / purchase details by the taxpayers' (filed with the monthly returns) can be linked with the Customs data (for export cases) available with ICEGATE.

❧ DEEMED EXPORT OF GOODS OR SERVICES:

- ❧ Supplier of domestically produced duty paid goods when supplied to EOUs / SEZs / Projects under International Competitive Bidding (ICB) / Mega Power Plants / World Bank Funded Projects can seek refund of terminal excise duty as also drawback of the duty paid on the inputs used in manufacture of such goods.

EXPORT (INCLUDING DEEMED EXPORT) OF GOODS / SERVICES



☞ GENERAL:

- ☞ No Partial refund. Entire refund claim may be sanctioned within the time limit laid down in the GST Law.
- ☞ No Refund of ITC paid on inputs for manufacturing of Goods on which Custom Export Duty is leviable

Finalization of Provisional Assessment



- ❧ The following process is recommended:
 - ❧ The taxpayer may file a simple refund application along with a Chartered Accountant's Certificate certifying the fact of non-passing of the GST burden by the taxpayer
 - ❧ GST Law may provide for certain predefined period during which refund may not be granted which can be regarded as the mandatory waiting period for the outcome of the appeal / application for stay.
 - ❧ GST Law Drafting Committee may also consider for providing powers to jurisdictional authority at sufficiently senior level for withholding the refund in exceptional cases on the condition that interest at appropriate rate has to be paid

Pre deposit in case of Appeal or Investigation



- ❧ The refund of such amount may be handled as per the procedure given below:
 - ❧ A separate mechanism for the accounting .
 - ❧ Amount of tax paid during investigation, etc. become non leviable once the investigation is finalized and / or an adjudication order in favour of the taxpayer is issued.
 - ❧ As soon as the investigation, etc. is over which
 - ❧ does not lead to issuance of a show cause notice , or
 - ❧ where after investigation, show cause notice is issued but the adjudication order is in favour of the taxpayerthe taxpayer shall be immediately eligible to claim refund of the amount that is found to have been paid in excess during investigation, etc.

Pre deposit in case of Appeal or Investigation



- ❧ The model GST Law may provide for a time limit after which only the refund can be sanctioned either by cash or by adjustment order at the option of the tax payer by the jurisdictional officers.
- ❧ Refund may be withheld only if the department has obtained a stay order on the operation of the adjudication order, failing which, refund has to be allowed.

Tax payment on transactions by UN bodies, CSD Canteens, Para-military forces canteens, etc.



- ❧ The following process for grant of refund is recommended:
 - ❧ Refund on purchases by UN Bodies may be granted from only one office each of both the tax administrations within one State.
 - ❧ UN Bodies will be assigned a unique identification number (ID)) and will file their purchase statements (without purchase invoices) along with their claim for refund
 - ❧ While making supplies to such bodies, the suppliers must indicate the Unique ID on the invoices.
 - ❧ Form of application for refund which may be used by such bodies is enclosed as [Annexure-VII](#) to this document.
 - ❧ Same process to apply for CSD canteen/CPMF canteen etc. No exemption in Tax but refund of Tax to be made.

REFUND OF CARRY FORWARD INPUT TAX CREDIT



- ❧ The ITC may accumulate on account of the following reasons :
 - ❧ Inverted Duty Structure i.e. GST on output supplies is less than the GST on the input supplies;
 - ❧ Stock accumulation;
 - ❧ Capital goods; and
 - ❧ Partial Reverse charge mechanism for certain services.
- ❧ GST Law may provide that refund of carried forward ITC may not be allowed and such amount would be carried forward to the next tax period (s).
- ❧ In cases of inverted duty structure, cash refund may be granted after due audit and should be sanctioned only after the input tax credit has been matched from the purchase and sales statements filed along with monthly returns.

REFUND ON ACCOUNT OF YEAR END OR VOLUME BASED INCENTIVES PROVIDED BY THE SUPPLIER THROUGH CREDIT NOTES



- ☞ In such cases, the eligibility for ITC at the buyer's end and the output liability at the supplier's end will get simultaneously reduced / adjusted on the basis of credit notes issued by the supplier and the corresponding debit notes issued by the buyers.
- ☞ Refund would be granted after due validation including matching of credit and debit notes

TAX REFUND FOR INTERNATIONAL TOURISTS



- ❧ Refund of GST will be available at designated airports and ports only and the refund of the GST paid on retail purchase by the foreign tourists during their stay in India is allowed.
- ❧ A part of the eligible amount of refund will be deducted as handling fee for services rendered.

Time period of filing refund

- It is recommended that a period of one year from the relevant date may be allowed for filing of refund application.
- The following dates are recommended as relevant dates for different type of refund cases:

S.No	Situation of Refund	Relevant date
1.	On account of excess payment of GST due to mistake or inadvertence.	Date of payment of GST

Time period of filing refund

S.No	Situation of Refund	Relevant date
2.	On account of Export of Goods	Date on which proper officer under the Custom Act gives an order for export known as "LET EXPORT ORDER".
3.	On account of Export of Services	Date of BRC
4.	On account of finalization of provisional assessment	Date of the finalization order

Time period of filing refund

S.No	Situation of Refund	Relevant date
5.	In pursuance of an appellate authority's order in favour of the taxpayer.	Date of communication of the appellate authority's order
6.	On account of payment of GST during investigation, etc. when no/less liability arose at the time of finalization of investigation proceedings or issuance of adjudication order.	Date of communication of adjudication order or order relating to completion of investigation

Time period of filing refund

S.No	Situation of Refund	Relevant date
7.	On account of accumulated credit of GST in case of a liability to pay service tax in partial reverse charge cases.	Date of providing of service (normally the date of invoice)
8.	For refund arising out of payment of GST on petroleum products, etc. to Embassies or UN bodies or to CSD canteens, etc. on the basis of applications filed by such persons.	Date of payment of GST
9.	On account of refund of accumulated ITC due to inverted duty structure.	Last day of the financial year

Documents to be filed for refund

- ❧ **Documents** evidencing tax payments required to be enclosed with the refund application should be minimal but adequate:
 - ❧ All payments of tax will be in electronic mode and all B2B invoices will be uploaded on the portal. Therefore following evidences may not be called for:
 - ❧ Copy of proof of deposit of tax i.e. challan etc/ copy of return evidencing payment of duty.
 - ❧ Copy of invoices.
 - ❧ Documents evidencing export (online verification with ICEGATE).
 - ❧ A Chartered Accountant's Certificate may be called for evidencing that the tax burden has not been passed on to the buyer. Under Principle of "unjust enrichment".

Documents to be filed for refund

EXPORT OF GOODS:

Shipping Bill	Not needed..	To be verified online
Export Invoice	Not needed..	To be verified online
Packing List	Not needed..	To be verified online
Mate Receipt	Needed to be filed online with refund application	
Bill of Lading	Needed to be filed online with refund application	
BRC	To be filed within one year of Export or in a period as prescribed by RBI. To be submitted with application in case of advance payment.	

Documents to be filed for refund

❧ EXPORT OF SERVICES:

❧ Invoice

❧ Bank Realization Certificate (BRC). No refund without filing of BRC. Cut-off date for filing of refund to be linked to receipt of BRC

❧ No custom documents that can substantiate the occurrence of event of export as no shipping bill is required to be filed.

Procedure:



It is recommended that the State Tax authorities shall deal with the SGST refund and Central Tax authorities shall deal with refund of CGST and IGST.

- ☞ Applicant may be given the option of filing refund application either through the GSTN portal or through the respective State / Central Tax portal.

[Refund Claim Form under ----- Goods & Services Tax.docx](#)

[Refund Claim Form for embassies, international and public organisations.docx](#)

- ☞ On filing of the electronic application, a receipt/ acknowledgement number may be generated and communicated to the applicant via SMS and email for future reference.
- ☞ It is recommended that the preliminary scrutiny may be carried out within 30 common working days.

Procedure:



❧ **Online refund:** The amount of refund can be transferred to the applicant electronically through NEFT /RTGS/ECS.

[Refund order under ----- Goods & Services Tax Act.docx](#)
[Reduction Adjustment Summary.docx](#)

❧ **Process of review:** Every refund that is sanctioned would need to go through a higher authority in order to ensure the correctness of the decision of refund sanctioning authority.

❧ **Pre-audit:** Besides this, for refund amounts exceeding a pre-determined amount a provision for pre-audit of refund application.

Procedure:



- **Show Cause Notice:** If the refund is not found to be legal or correct for any reason, then the jurisdictional authority should issue Show Cause Notice (SCN) to the applicant.
- **Consumer Welfare Fund:** In case, the refund application is found to be in order but does not satisfy the test of unjust enrichment, the refund amount, after sanction, would be credited to the Consumer Welfare Fund.
- **Minimum Limit:** It is recommended that an amount in the range of Rs. 500-1000/- may be fixed below which refund shall not be granted.

Procedure:



Other important points:

- Return itself may be treated as a refund application in specified cases.
- On filing of the electronic application, a receipt/ acknowledgement number to be generated & communicated to the applicant via SMS and email for future reference
- Refund application to be displayed on taxpayer's online dashboard/ledger

Procedure:



- ❧ Refund application found to be complete in all respect - to be communicated to applicant via SMS and e-Mail
 - ❧ Date of such communication to be considered as the relevant date for interest liability

- ❧ Proof of satisfying the principle of “unjust enrichment”
 - ❧ Self certification by taxpayers

 - ❧ CA certificate for taxpayers beyond a threshold limit

Interest:



- ❧ **Time limit:** The GST Law may provide for a prescribed time limit of 90 days from the date of the system generated acknowledgment of refund application after which interest clause will start automatically.
- ❧ Issue of incomplete application (and related time limit) may be dealt by provisions in GST law.
- ❧ **Rate of interest:** The Committee recommends that the rate of interest in case of refund may be around 6%
- ❧ The GST Law may also provide that the interest will accrue from the last date when refund should have been sanctioned even when the refund is ordered to be paid by the order of the appellate authority in the appeal filed by the applicant against order of rejection passed by the refund sanctioning authority.

Adjustment & Recovery



✧ **Adjustment:** The GST Law may provide for adjusting the refund claim against any amount of un-stayed confirmed demand lying beyond the appeal period.

[Reduction Adjustment Summary.docx](#)

Summary



- ❧ Refund cases to be kept at a minimum
- ❧ Total online process
- ❧ Online verification to the extent possible
- ❧ Communication through sms and e-mail
- ❧ Dealer can check status of application on portal
- ❧ Time limit for refund to be fixed in the Act
- ❧ Dealer Facilitation prime objective

Thank You

