



REFUND IN GST

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GST

- GST is all about a smooth flow of funds and compliances till the end.
- To facilitate such a smooth flow process.
- It used to take months and sometimes years to get refunds from the Government.



Benefits of GST

Invoice based tracking system

Verifying the transactions on an individual basis

Systematic checking of transactions



Refund Under GST

any amount returned by the government that was: -

- paid by the registered taxpayer either in excess or.
- was not liable to be taxed.

Event When Refund Arises



Exports (including deemed exports) - claim of rebate.

DEEMED EXPORT-

- › transactions under which supply of goods do not leave the country
- › payment for such supplies is received in Indian Rupees
- › goods are manufactured or produced in India
- › Supplies made to export oriented units.
- › Such supplies made on payment of tax
- › Supplies cannot be made under bond/ LUT-Letter of Undertaking
- › 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.

Event When Refund Arises (contd...)



Excessive payment of tax due to mistake.

AACCUMULATION OF CREDIT

- ✓ Accumulation of Input Tax Credit happens when the tax paid on inputs is more than the output tax liability.
- ✓ Such accumulation will have to be carried over to the next financial year
- ✓ Refund of unutilised ITC-
 - a) if such credit accumulation is on account of zero rated supplies or

Event When Refund Arises (contd...)

b). on account of inverted duty structure

- ✓ The term '**Inverted Tax Structure**' refers to a situation where the **GST** rate on inputs purchased (or inward supplies) is more than the **GST** rate on finished goods (or outward supplies).

Event When Refund Arises (contd...)

A refund may arise after an assessment.

Where an appeal is for a respondent, then the amount made as a deposit towards holding such appeal shall be refunded to the appellant

Refund after investigation or findings by an adjudicating officer.



Event When Refund Arises (contd...)

Refund can be provided to foreign embassies or bodies of United Nations when the purchases are made by them.

GST paid by foreign or international tourists are subjected to refund.



Claim Refund

The Government will not just give away the pending amount as a refund.

The taxpayers have to make an application &

Follow the correct procedure for fetching the refund amounts in their bank accounts.



Refund Application Process

Refund application form - **Form RFD-01**

to be certified by a Chartered Accountant

within a period of 2 years from the “relevant date.”

■ ■
Relevant Date- different scenarios

When the goods are exported through air or sea, then relevant date shall be the date on which such ship or aircraft leaves India.

When the goods are carried by a land vehicle, then relevant date shall be the date when the goods cross the land frontier of the country

When goods are sent through post, then relevant date shall be the date of despatch of goods from the Post Office.

■ ■
Relevant Date- different scenarios (contd...)

When the supply includes services, and when the same is completed before receipt of payment, then relevant date shall be the payment receipt date.

Similarly, when the services are performed after receipt of an advance, then relevant date shall be the invoice date.

Where refund claim is made for excess input tax credit left unutilised, then relevant date shall be the end of the financial year for which such refund claim is being made.

■ ■
Relevant Date- different scenarios (contd...)

Where the goods are supplied for deemed exports, i.e. supply to SEZ or 100% EOU, the relevant date shall be the return filing date related to such deemed exports was filed.

Where refund arises due to an order passed in favour of the appellant, then relevant date shall be the date of such order.

**EOU-Export Oriented Unit*

■ ■
Relevant Date- different scenarios (contd...)

Where tax was paid following a provisional assessment and refund now arises, then relevant date shall be date at which such tax was adjusted.

When the person claiming refund is not the supplier, then relevant date shall be the date at which the goods are received by such person.

For all other cases, relevant date shall be the date of payment of tax.



Note- Advance Authorization Scheme

Duty free import

An export obligation is usually set as a condition for issuing Advance Authorization.

Inputs that are physically incorporated in the product to be exported

Fuel, oil, catalysts which are consumed to obtain the export product.

■ ■
Note- Advance Authorization Scheme (contd...)

an importer under Advance authorization scheme need not pay basic customs duty on imports.

He is liable to pay IGST on imports under Advance Authorization scheme which can be avail back as ITC if eligible based on export fulfilment.

■ ■
Note- Advance Authorization Scheme (contd...)

Advance Authorization allows exemption from payment of

- Basic Customs Duty
 - Safeguard Duty
 - Transitional Product Specific Safeguard Duty, and
 - Antidumping Duty.
-
- Advance Authorisation holder will have to pay IGST at the time of imports.
 - He can take input Tax Credit (ITC), and after export, claim refund of any unutilized input tax credit at the end of tax period.



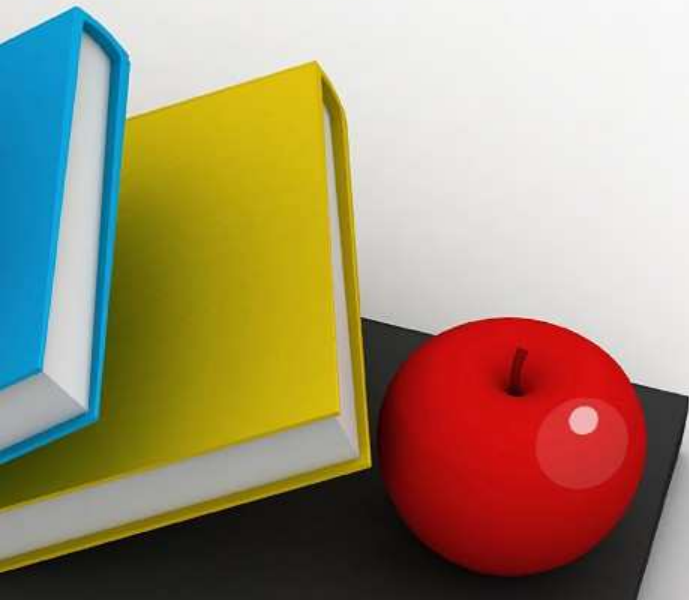
Aggregate Turnover in GST

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Aggregate Turnover

- Turnover-

Total volume of a business



Aggregate Turnover-CGST Act 2017

- the aggregate value of all taxable supplies

- exempt supplies

- exports of goods or services or both



Inclusion in calculating Aggregate Turnover

- Taxable supply
- Exempt supply
- Nil Rated supply
- Zero rated supply
- Non GST supply
- supply to distinct person



Supply

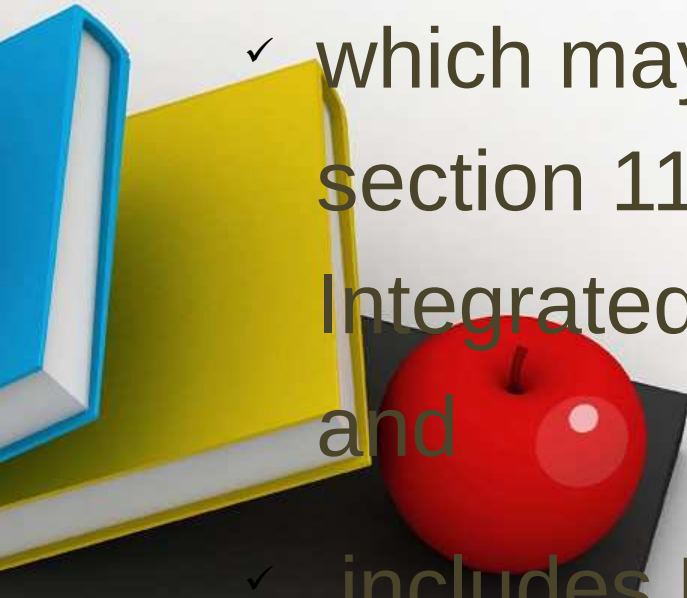
- **Taxable**

supply :-



Exempt Supply

- ✓ As per section 2(47) of the CGST Act, 2017
- ✓ supply of any goods or services or both
- ✓ which attracts nil rate of tax or
- ✓ which may be wholly exempt under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and
- ✓ includes Non-Taxable supply



Supply (cont..)

NIL Rated supply :-

- Supply of goods or services or both
- nil or 0% GST rate is applicable
- Schedules I of the GST act contains the goods which are nil-rated supply.
- Eg: fresh fruits, and vegetables, salt, natural honey, milk, human blood etc



Zero rated supply

- Section 16 of Integrated Goods and Service Tax Act

Meaning-

- 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



Non GST supply

- Non taxable supply
- Supply of goods or services or both which are outside the purview of GST Act.
- In other words, they are not taxable under the GST Act and may be chargeable to tax under any local sales tax law or any other act.



• Currently, the only goods falling

Distinct persons

- **Distinct persons** are persons that have the same legal identity (PAN)

but

- Have a **distinct** identity under **GST**

by virtue of being located in



ITC ON CAPITAL GOODS

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CAPITAL GOODS

- Goods defined as Fixed Assets as per
Income Tax Law
- Ex- Buildings, Machinery, Vehicles
- Used for production activity
- These goods not consumed when final

CAPITAL GOODS

- Not consumed in a single year of production
- Cannot be deducted as a business expense in the year of their purchase
- Depreciation done over the course of their useful lives

DEPRECIATION ON CAPITAL GOODS

- Amortization, Depletion
- Business recognizes part of the cost each year
- Various accounting techniques

GST PAID WHILE PURCHASING CAPITAL GOODS

- GST amount can be –

A. Capitalized

B. Expense

CAPITALIZE GST

- If GST is capitalized with the asset cost
- Claim depreciation on consolidated amount
- No ITC available

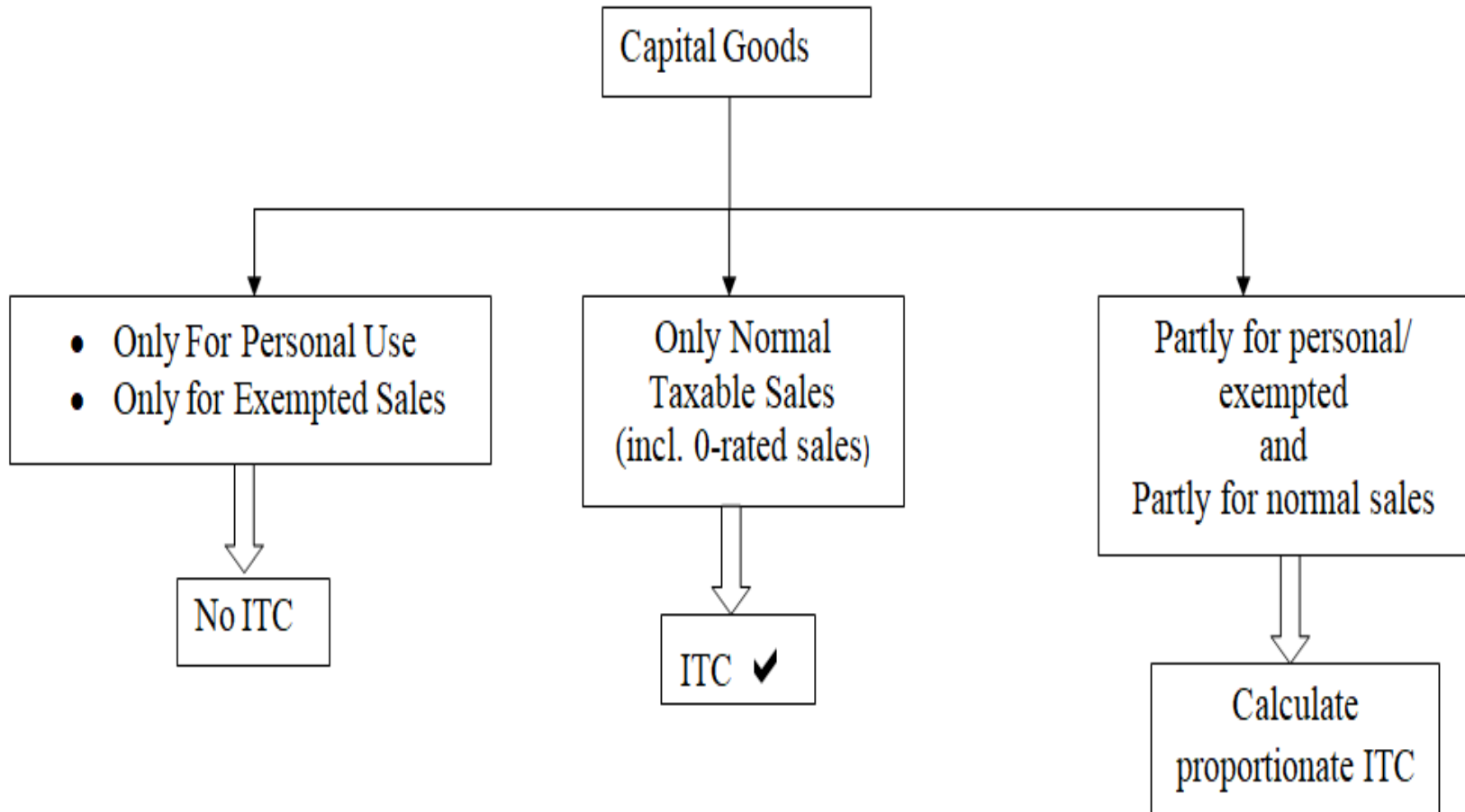
GST AS EXPENSE

- Capitalize the purchase amount only
- GST component not capitalized here
- Input tax claimed on GST

RULE-43

- Capital goods defined under Rule-43
- **Divided in 3 parts**
 - A. Capital Goods used only for Personal Use or for Exempted Sales
 - B. Capital Goods used for normal sales

TYPES OF ITC ON CAPITAL GOODS (RULE-43)



A. Capital Goods used only for Personal Use or for Exempted Sales

• No ITC is available

• This will be indicated in FORM GSTR-2

&

• Shall **not** be credited to the electronic credit ledger.

A. Capital Goods used only for Personal Use or for Exempted Sales

- **Example 1: Personal Purchases**

Ms. Anita has purchased a fridge. Since this is not required for her business, i.e., a purely personal purchase, she will not be able to claim any ITC on the GST paid for the fridge.

- Example, XYZ has purchased machinery to manufacture shoes.
B. Capital Goods used for normal sales
- Since, shoes are normal taxable supplies
- GST paid while purchasing machinery will be (completely) available as ITC.
- This shall be indicated in FORM GSTR-2

- The ITC paid for the capital goods will be credited to electronic credit ledger for the whole useful life of such capital asset. **C. Common credit for partly personal/exempted and partly normal sales**
- Useful life of such capital asset will be taken as 5 years from the date of purchase
- Now the total amount of input tax credited to electronic credit ledger for the whole useful life will be distributed over the

C. Common credit for partly personal/ exempted and partly normal sales

- If you pay GST on a monthly basis then you will use the following formula

$$\text{Input Tax Credit for 1 month} = \frac{\text{Input Tax Credited to Electronic Credit Ledger}}{60 (5 \text{ years} * 12 \text{ months})}$$

C. Common credit for partly personal/ exempted and partly normal sales

- If your turnover is less than 1.5 crore, then you will pay GST on a quarterly basis.
- ITC will be calculated using the following formula

$$\text{Input Tax Credit for 1 quarter} = \frac{\text{Input Tax Credited to Electronic Credit Ledger}}{20 \text{ (5 years * 4 quarters)}}$$

Points of Discussion

- GSTN
- Electronic Ledger
- Filing Return- Physical Filing