

REFUND TO EXPORTER/SUPPLIER TO SEZ UNDER GST

Introduction:

The export of goods and services always receive special attention and treatment in any taxation. It is the endeavor of the Government to ensure that taxes are not exported along with export of goods and services. Under GST, export is treated as zero-rated supply.

Zero rated supply means any of the following supplies of goods or services or both, namely:

1. Export of goods or services or both; or
2. Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

Thus, export of goods/services and supplies to SEZ developer or an SEZ unit are considered as zero-rated supply.

Entitlement to Input Tax credit:

As per IGST Act, credit of input tax credit shall be allowed even when no tax is paid at the time of clearance for export of goods and services and supply of goods and services to SEZ. It is further provided that credit of input tax shall also be allowed even such export supply is of exempt goods or services.

Options to exporter or supplier to SEZ:

Option 1: Supply is made on payment of IGST and refund of such tax is claimed, popularly known as rebate.

Option 2: Supply is made under bond or Letter of Undertaking **without payment of IGST** and refund of unutilized input tax credit can be claimed.

As per Rule 89 of CGST Rules the quantum of refund of input tax credit shall be determined as per the following formula:

Refund Amount =	(Turnover of zero-rated supply of goods+ Turnover of zero-rated supply of services)	X Net ITC
	Adjusted Turnover	

Where,-

(A) "Refund amount" means the maximum refund that is admissible;

(B) "Net ITC" means input tax credit availed on inputs and input services during the relevant period;

(C) "Turnover of zero-rated supply of goods" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking;

(D) "Turnover of zero-rated supply of services" means the value of zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for zero-rated supply of services and zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period;

(E) "Adjusted Total turnover" means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;

Refund Procedure:

Central Board of Excise and Customs GST Policy wing has issued circular explaining the procedure to claim refund relating to zero rated supplies. (Circular No. 17/17/2017-GST dated 15/11/2017). The said circular states that due to the non-availability of the refund module on the common portal, it has been decided by the competent authority, on the recommendations of the Council, that the applications/documents/forms pertaining to refund claims on account of zero-rated supplies shall be filed and processed manually till further orders.

Following conditions and procedure are laid down for the manual filing and processing of the refund claims.

Refund under option -1: Supply is made on payment of IGST and refund of such tax is claimed.

Exporter of Goods:

- Shipping bill filed by exporter is deemed to be an application for refund provided export manifest or export report is filed and the applicant has filed valid GSTR-3 or GSTR-3B.
- On receipt of valid GSTR-3 or GSTR-3B, customs systems shall process refund claim and refund shall be paid electronically to the bank account of applicant.
- In case of withholding of refund or further sanction, order under RFD-07 or RFD-06 shall be issued manually until GSTN portal is operational for refunds

Exporter of Services and supply to SEZ or Unit in SEZ

- Refund claim shall be filed in RFD- 01A manually by the supplier before jurisdictional proper officer with requisite documentary evidences within the time limit as provided under CGST Act.

Refund under option -2: Supply is made under bond or Letter of Undertaking **without payment of IGST** and refund of unutilized input tax credit can be claimed.

- Refund of accumulated ITC on inputs or input services used in making zero rated supplies shall be filed electronically in RFD-01A at GSTN portal and such amount shall be debited from electronic credit ledger.
- Print out of RFD-01 shall be submitted manually alongwith proof of ARN (For debit in electronic credit ledger) to jurisdictional proper officer with requisite documentary evidences within the time limit as provided under CGST Act.
- Refund claims shall be filed with jurisdictional tax authority assigned to tax payers as per administrative order issued by Chief Commissioner of Central tax and Commissioner of State tax. In case no such order is issued in the State, registered person may apply for refund before Central tax authority or State tax authority until administrative mechanism is implemented. However, in such cases, the applicant has to submit an undertaking that refund claim has been filed to only one of the authorities. It may be noted that refund application may be filed with and processed by any one of the tax authorities. However, payment of sanctioned refund amount of CGST, IGST and Cess shall be made by Central tax authority whereas payment of sanctioned refund amount of SGST / UTGST shall be made by State/UT tax authority.
- For smooth processing of refunds, all communications like acknowledgement, deficiency memo, provisional refund order, payment advice, refund sanction/rejection order, order for complete adjustment/withholding of sanctioned order, notice for rejection of application for refund and reply to show cause notice

shall be done manually within specified timelines until refund module becomes operational at GSTN portal.

- After sanction of provisional refund, final order shall be issued within 60 days from the date of receipt of complete application form. Proper officer shall credit the amount in GST RFD-05.
- In case of rejection of refund claim, the rejected amount should be re-credited to electronic credit ledger vide order under GST PMT-03.