

REFUND OF IGST OR ACCUMULATED ITC IN CASE OF EXPORTS

Legal provisions

The provisions regarding sanction of refund in case of exports are contained in Section 54 of the CGST Act, Rules 89 to 97A of the CGST Rules and Circular Nos. 17/2017 dated 15/11/2017, 18/2017 dated 16/11/2017 and 24/2017 dated 21/12/2017 issued by the CBEC.

Two options

Refund in relation to exports can be claimed by exercising any of or both the following two options

- Refund of IGST - in case of exports on payment of IGST (Rule 96)
- Refund of accumulated ITC - in case of exports without payment of duty under Bond/LUT (Rule 96A)

Simultaneous availment of these two options during any period is permissible under the law. In other words, an exporter can exercise both the options during a particular month if he has resorted to exports on payment of IGST as well as without payment of duty under bond/LUT during the relevant period.

Procedure

Although in the initial scheme of things it was planned that refunds shall be processed online, but due to delay in the operationalization of Refund module on the common portal manual processing of refunds has been allowed for the time being.

Refund of IGST (Rule 96)

The procedure for claiming refund of IGST paid on exports is briefly as under:

- No application required

- Shipping bill itself is the deemed application for refund
- Refund is deemed to have been filed:
 - Only when EGM (Export General Manifest) or Export Report is filed, and
 - Valid Return 3B is filed
- Table 6A of Form GSTR-1 to be filed
- Officer to check/match/validate the shipping bill details in ICEGATE portal with Table 6A on the common portal
- Officer also to check the payment of IGST in Return 3B
- Officer to sanction refund if the above particulars match
- Refund to be credited electronically in the bank account of the exporter

Refund of ITC (Rule 96A)

The procedure for claiming refund of accumulated ITC in respect of exports without payment of duty under bond/LUT is briefly as under:

- Online application in RFD-01A on the common portal
- Debit entry in the electronic credit ledger
- Generation of proof of debit (ARN - Acknowledgment Receipt Number)
- Print out of RFD-01A to be taken and ARN to be filled in
- Manual submission of RFD-01A to the jurisdictional officer
- All necessary documentary evidences to be enclosed
- Application accepted only if complete
- Acknowledgment (RFD-02) within 15 days of submission
- Deficiency memo (RFD-03) within 15 days of filing
- Only one deficiency memo allowed
- Rectified application treated as fresh application
 - to indicate the original ARN and debit entry no.

- If no resubmission within 30 days of deficiency memo - amount to be recredited
- Officer to validate the GSTIN details on common portal - to check whether 3B has been filed or not
- Processing for grant of provisional refund to be completed in 7 days
- Bifurcation of taxes i.e. CT, ST/UT, IGST, Cess to be shown
- Final processing order within 60 days
- Final processing includes detailed scrutiny of:
 - refund statement details with GSTR-1 (or Table 6A) on the common portal
 - Shipping bill and EGM details on ICEGATE
- No pre-audit required
- Manual refund order for each head i.e. CT, ST/UT, IGST, Cess
- Manual submission of refund order and bank account details in PFMS (Public Financial Management System) by DDO
- Signed copy of sanction order to PAO
- Credit of refund in bank account
- Payment under different heads by respective authorities
- Communication within 7 days to the counterpart tax authority (i.e. State/UT or Central as the case may be)
- Rejected portion of refund (if any) to be recredited in the credit ledger (GST PMT - 03 & GST RFD - 01B)

Formula for calculating Refund of ITC

Rule 89 (4) of CGST rules prescribes the formula for calculation of refund of ITC in case of exports under bond/LUT. The updated version as on date is as under:

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total 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 other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both;

(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, other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both;

(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 -

(a) the value of exempt supplies other than zero-rated supplies and

(b) the turnover of supplies in respect of which refund is claimed under sub rules (4A) or (4B) or both, if any, during the relevant period;

(F) “Relevant period” means the period for which the claim has been filed.

Deficiencies being pointed out/Documents being asked for refund of ITC

The deficiencies being pointed out by the GST authorities in the refund applications as gathered from some pending cases are broadly outlined below:

- 1) GST RFD-01A is not in desired Performa as per Notification No. 55/2017 dated 15/11/2017.
- 2) Proof of Debit (ARN - Acknowledgment Receipt Number) not provided.
- 3) Input Invoice has not been submitted
- 4) Proof of payment made in respect of input invoices has not been submitted
- 5) Reconciliation of Input invoices and Bank Statement
- 6) Reconciliation of Export Invoices and BRCs/FIRCs in Statement 3.
- 7) Copy of shipping bills and EGM in case goods are exported
- 8) Reconciliation of Invoices and Shipping Bills and EGM in Statement 3 in case of goods.
- 9) Undertaking that the refund claim for the relevant month has not been filed with State Authorities
- 10) Undertaking of no prosecution as specified in Circular and CGST Rules
- 11) Copy of GSTR 3B for the relevant month
- 12) Copy of GSTR 1 for the relevant period
- 13) Copy of table 6A of GSTR-1 regarding Outward Supplies Statement of the Supplier
- 14) Print out of the Electronic Ledger details specifying debit entry of refund claim for the relevant period
- 15) Statement 3A (rule 89(4)) as per Form RFD-01A not submitted
- 16) Copy of LUT Certificate

- 17) A declaration to refund back erroneous refund sanctioned on demand
- 18) A declaration that goods exported are not subjected to export duty
- 19) A declaration that no drawback of GST has been taken

Errors in case of Refund of IGST

The following most common errors have been observed in processing of refund claims of IGST by the Customs authorities

- SB001: Invalid shipping Details
- SB002: EGM not filed
- SB003: Invalid GSTN ID
- SB004: GSTR3 already filed
- SB005: Invalid Invoice number
- SB006: Gateway EGM not filed
- Validation of bank account by PFMS (Public Financial Management System)

Note:

1. Exporters should take care that while claiming refund of ITC in respect of exports without payment of duty they must submit the application complete in all respects along with necessary documents and undertakings so that their claims do not invite Deficiency Memo/Objections which have the impact of delaying the processing of refund claims. Likewise, exporters claiming refund of IGST should ensure that the shipping bill is filled up properly and the gateway EGM details are uploaded by the shipping line at the earliest so that the claims do not go into errors.
2. IGST refund route is not open to Merchant exporters and deemed exports. In such cases the exporters should follow the other route of claiming refund of accumulated ITC.