

# GST Refund

***[Chapter XI]***

**Edition 9**

- Refund of Tax [S. 54]
- Refund in certain cases [S. 55]
- Interest on delayed refunds [S. 56]
- Consumer welfare fund [S. 57]
- Utilization of Fund [S. 58]
- Related FAQs

Rules	Contents
Rule 1	Application for refund of tax, interest, penalty, fees or any other amount
Rule 2	Acknowledgement
Rule 3	Grant of provisional refund
Rule 4	Order sanctioning refund
Rule 5	Credit of the amount of rejected refund claim
Rule 6	Order sanctioning interest on delayed refunds
Rule 7	Refund of tax to certain persons
Rule 8	Consumer Welfare Fund



Forms	Contents
GST RFD-1	Application for refund
GST RFD-2	Acknowledgement
GST RFD-3	Communication of deficiencies in application by proper officer
GST RFD-4	Order of sanctioning refund on provisional basis
GST RFD-5	Payment advice to credit amount to bank account of applicant
GST RFD-6	Order sanctioning refund on final basis
GST RFD-7	Order giving details of adjustment against outstanding demand Notice to show cause if refund is not admissible
GST RFD-8	Notice to show cause if refund is not admissible
GST RFD-9	Reply of notice by applicant
GST RFD-10	Quarterly application of refund in case of Specialized agency





- a) Refund amount shall be payable to the applicant, if it relates to:
- i. Refund of tax paid on zero rated supplies of goods and services or both or on inputs/ input services used in making of zero rated supplies
  - ii. Refund of unutilized ITC under S. 54(3) in case, ITC relates to:
    - Zero rated supplies without payment of tax;
    - Inverted duty structure
  - iii. In case where exports are subject to export duty or supplier avails duty drawback, then, no refund for ITC shall be allowable
  - iv. Refund of tax paid on supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued
  - v. Refund of tax wrongfully collected and paid to Central or State government [S. 77]
  - vi. Tax, interest or any other amount whose incidence has not been passed onto any other person
  - vii. Tax or interest borne by specified class of applicants
  - viii. Refund of taxes paid on notified supplies made by the Specialized Agencies viz. United Nations Organization etc. as may be notified by the Government.
- b) In any other case, refund amount shall be credited to the Consumer Welfare Fund as per S.57 and S.58 read with Rule 8.



### a) Application for claim of refund shall be made:

#### (i) By any person claiming refund

- **Period of limitation** - Before expiry of 2 years from relevant date
- **Prescribed Form** - GST RFD-01 to be accompanied by the prescribed documentary evidence in case amount claimed exceeds Rs.200,000

#### (ii) By notified Specialized Agencies (S.55)

- **Period of limitation** - Before expiry of 6 months from last day of quarter in which supply was received.
- **Prescribed Form** – FORM GST RFD – 10 to be filed once in every quarter along with FORM GSTR-11 (prepared on basis of FORM GSTR -1). Acknowledgment to be generated in FORM GST RFD -02.
- Provided that where the claim for refund of integrated tax is on account of export of goods, the acknowledgment shall be issued within a period of three days of filing of such claim.
- Where any deficiencies are noticed, the proper officer shall communicate the deficiencies to the applicant in FORM GST RFD-03 through the Common Portal electronically, requiring him to file a fresh refund application after rectification of such deficiencies.
- **Compliance with prescribed conditions:**
  - a. the inward supplies of goods or services or both were received from a registered person against a tax invoice and the price of the supply covered under a single tax invoice exceeds Rs. 5,000, excluding tax paid, if any;
  - b. name and GSTIN or UIN of the applicant is mentioned on the tax invoice; and
  - c. such other restrictions or conditions as may be specified in the notification are satisfied.
- **International agreement to prevail in case of any inconsistency**

**b) Refund of balance in electronic cash ledger:** Any claim of refund relating to any balance in electronic cash ledger to be made through return furnished in GSTR-3, GSTR-4 and GSTR-7. Acknowledgment to be received in GST RFD-02 indicating date of filing of claim for refund.

### c) Manner of filing claim of refund in specified cases:

Specified case	Manner of filing refund claim
Export of goods	Application to be filed only after export manifest or an export report is delivered
Supplies to a Special Economic Zone ("SEZ") unit or a SEZ developer	Application to be filed by the supplier of goods after such goods have been admitted in full in SEZ for authorized operations, as endorsed by the specified officer of the Zone
Deemed exports	Application to be filed by recipient of deemed export supplies
Casual taxable person and non-resident taxable person	Amount after adjusting tax payable out of the advance tax deposited at the time of registration, to be claimed either in last return required to be furnished by him or only after furnishing of the said last return.

#### d) Time limits:

- **For generation of acknowledgment:** Within 15 days of filing of the application, proper officer to scrutinize the application for completeness and generate an acknowledgement in FORM GST RFD-02 clearly indicating the date of filing of the claim for refund. Any deficiencies to be communicates in FORM GST RaFD-03 requiring filing of a refund application after rectification of such deficiencies.
- **For processing application:** 60 days from date of receipt of application

#### e) Interest on delayed refunds [Payment advice to be issued in FORM GST RFD 05] (S.56)

- In case application is not processed within 60 days: 6% p.a. [after expiry of 60 days from date of application to grant of refund]
- In case refund arises from order passed by an Appellate Authority etc.: 9% p.a. [after expiry of 60 days from date of application to grant of refund]

**Application for refund to be accompanied by any of the following documents:**

- a) **Reference number** of the order and a copy of the order passed by the proper officer or an appellate authority or Appellate Tribunal or court resulting in such refund or reference number of the payment of the amount specified in S.107(6) and S.112(8) claimed as refund;
- b) In case of **export of goods**, a statement containing the number and date of shipping bills or bills of export and the number and date of relevant export invoices;
- c) In case of **export of services**, a statement containing the number and date of invoices and the relevant Bank Realization Certificates or Foreign Inward Remittance Certificates;
- d) In case of **supply of goods made to SEZ** unit or SEZ developer, a statement containing the number and date of invoices along with the evidence regarding endorsement;
- e) In case of **supply of goods made to SEZ** unit or SEZ developer, a statement containing the number and date of invoices, the evidence regarding endorsement and the details of payment, along with proof thereof, made by the recipient to the supplier for authorized operations as defined under the SEZ Act, 2005;
- f) In case of **deemed exports**, a statement containing the number and date of invoices along with such other evidence as may be notified in this behalf;
- g) In case of **refund of credit** accumulated owing to inverted duty structure, a statement in Annex 1 of FORM GST RFD-01 containing the number and date of invoices received and issued during a tax period in a case where claim pertains to refund of any unutilized ITC;
- h) In case of **finalization of provisional assessment**, reference number of the final assessment order and a copy of the said order;
- i) **a declaration** to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed does not exceed Rs.200,000;
- j) **a Certificate** in Annex 2 of FORM GST RFD-01 issued by a chartered accountant or a cost accountant to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds Rs.200,000.





In case of zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance S.16(3) of the IGST Act, refund of ITC shall be granted 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 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;
- 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, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;

F. "Relevant period" means the period for which the claim has been filed.

### Grant of Provisional Refund [S.54(6) read with Rule 3]

- Proper officer may, in the case of any claim for refund on account of zero-rated supply made by registered persons, refund on a provisional basis 90% of the total amount so claimed, excluding the amount of ITC provisionally accepted, and thereafter make an order for final settlement of the refund claim after due verification of documents furnished by the applicant.
- The provisional refund shall be granted subject to the following conditions:
  - a) the person claiming refund has, during any period of 5 years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under an existing law where the amount of tax evaded exceeds Rs. 250,000;
  - b) the GST compliance rating, where available, of the applicant is not less than 5 on a scale of 10;
  - c) no proceedings of any appeal, review or revision is pending on any of the issues which form the basis of the refund and if pending, the same has not been stayed by the appropriate authority or court.
- The proper officer, after scrutiny and on being *prima facie* satisfied that the amount claimed as refund is due to the applicant, shall make an order in FORM GST RFD 04 [Payment advice to be generated in FORM GST RFD-05], sanctioning the amount of refund due to the said applicant on a provisional basis within a period not exceeding 7 days from the date of acknowledgement.
- Refund to be electronically credited to any of the bank accounts of the applicant.



- a) **Order for payment of refund:** Proper officer to make order in GST RFD-06 [Payment advice in FORM GST RFD-05]
- b) **Adjustment of refund with tax demand:** Where refund is completely adjusted against any outstanding demand, order to be issued in FORM GST RFD-07.
- c) **Notice for inadmissible refund claim:** Where the proper officer is satisfied, for reasons to be recorded in writing, that the whole/ any part of refund claimed is not admissible, a notice shall be issued in FORM GST RFD-08 to the applicant. Reply of notice in FORM GST RFD-09 to be filed within 15 days of the receipt of such notice and after considering the reply, proper officer make an order in FORM GST RFD-06.

### Consumer Welfare Fund (S.57)

- The Government shall constitute a Fund, to be called the Consumer Welfare Fund and there shall be credited to the Fund,—
  - a) the amount not refunded to applicant
  - b) any income from investment of the amount credited to the Fund; and
  - c) such other monies received by it,
- The amount in Consumer Welfare Fund shall be utilized in the manner specified in Rule 8.

### Utilization of Fund [S. 58]

- Any amount, having been credited to the Fund, ordered or directed as payable to any claimant by orders of the proper officer, appellate authority or Appellate Tribunal or court, shall be paid from the Fund.
- Any utilization of amount from the Consumer Welfare Fund under sub-section (1) of section 58 shall be made by debiting the Consumer Welfare Fund account and crediting the account to which the amount is transferred for utilization.



S. No.	Nature of transaction	Relevant Date
1.	Export of goods, where refund of tax is available in respect of goods exported or inputs/ input services used in such goods	<ul style="list-style-type: none"> <li>• If exported by sea/ air: Date on which ship/ aircraft leaves India;</li> <li>• If exported by land: date on which goods pass the frontiers;</li> <li>• If exported by post: date of dispatch of goods by post office.</li> </ul>
2.	Deemed export of goods	Date on which return relating to such exports is furnished
3.	Services exported outside India, where refund of tax is available in respect of services exported or inputs/ input services used in such goods	<ul style="list-style-type: none"> <li>• Date of receipt of payment in convertible foreign exchange, where supply of services had been completed prior to receipt of such payment;</li> <li>• Date of issue of invoice, where payment for the services had been received in advance prior to date of issue of invoice.</li> </ul>
4.	Refund arising as consequence of order of an Appellate Authority, etc.	Date of communication of such order
5.	Unclaimed ITC under S. 54(3)	End of financial year in which claim for refund arises
6.	Provisional payment of tax	Date of adjustment of tax after final assessment
7.	In case of person, other than supplier	Date of receipt of goods or services or both by such person
8.	Any other case	Date of payment of tax

**Q 1. Can un-utilized ITC be given refund, in case goods Exported outside India are subjected to export duty?**

**Ans.** Refund of un utilized input tax credit is not allowed in cases where the goods exported out of India are subjected to export duty – as per the second proviso to Section 54(3) of CGST/SGST Act.

**Q 2. Will un-utilized ITC at the end of the financial year (after introduction of GST) be refunded?**

**Ans.** There is no such provision to allow refund of such unutilized ITC at the end of the financial year in the GST Law. It shall be carried forward to the next financial year.

**Q 3. Suppose a taxable person has paid IGST/CGST/SGST mistakenly as an Interstate/intrastate supply, but the nature of which is subsequently clarified. Can the CGST/SGST be adjusted against wrongly paid IGST or vice versa?**

**Ans.** The taxable person cannot adjust CGST/SGST or IGST with the wrongly paid IGST or CGST/SGST but he is entitled to refund of the tax so paid wrongly – Sec.77 of the CGST/SGST Act.

**Q 4. Whether purchases made by Embassies or UN are taxed or exempted?**

**Ans.** Supplies to the Embassies or UN bodies will be taxed, which later on can be claimed as refund by them in terms of Section 54(2) of the CGST/SGST Act. The claim has to be filed in the manner prescribed under CGST/SGST Refund rules, before expiry of six months from the last day of the month in which such supply was received.

[The United Nations Organization and Consulates or Embassies are required to take a Unique Identity Number [section 26(1) of the CGST/SGST Act] and purchases made by them will be reflected against their Unique Identity Number in the return of outward supplies of the supplier(s)]

**Q 5. What is the time limit for taking refund?**

**Ans.** A person claiming refund is required to file an application before the expiry of two years from the “relevant date” as given in the Explanation to section 54 of the CGST/SGST Act.

**Q 6. Can refund be withheld by the department?**

**Ans.** Yes, refund can be withheld in the following circumstances:

- i. If the person has failed to furnish any return till he files such return;
- ii. If the registered taxable person is required to pay any tax, interest or penalty which has not been stayed by the appellate authority/Tribunal/ court, till he pays such tax interest or penalty;
- iii. The proper officer can also deduct unpaid taxes, interest, penalty, late fee, if any, from the refundable amount [Section 54(10) (d) of the CGST/SGST Act]
- iv. The Commissioner can withhold any refund, if the order of refund is under appeal and he is of the opinion that grant of such refund will adversely affect revenue in the said appeal on account of malfeasance or fraud committed – Sec.54 (11) of the CGST/SGST Act.

**Q 7. Where the refund is withheld under Section 54(11) of the CGST/SGST Act, will the taxable person be given interest?**

**Ans.** If as a result of appeal or further proceeding the taxable person becomes entitled to refund, then he shall also be entitled to interest at the rate notified [section 54(12) of the CGST/SGST Act].

**Q 8. Is there any minimum threshold for refund?**

**Ans.** No refund shall be granted if the amount is less than Rs.1000/-. [Sec.54 (14) of the CGST/SGST Act]

**Q 9. How will the refunds arising out of existing law be paid?**

**Ans.** The refund arising out of existing law will be paid as per the provisions of the existing law and will be made in cash and will not be available as ITC.

**Q 10. Can the refund claim be rejected without assigning any reasons?**

**Ans.** No. When the proper officer is satisfied that the claim is not admissible he shall issue a notice in Form GST RFD-08 to the applicant requiring him to furnish a reply in GST RFD -09 within fifteen days and after consideration of the applicant’s reply, he can accept or reject the refund claim and pass an order in Form GST RFD-06 only.



## About Us

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