

A STEP BY STEP GUIDE ON GST REFUND

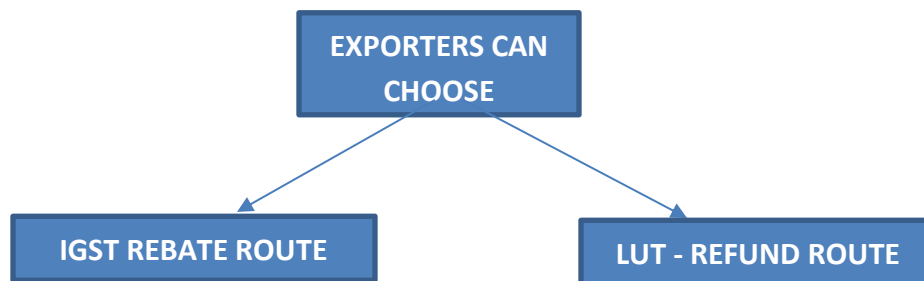
(December, 2017)

BACKGROUND:

With the dawn of October, exporters who had availed of Duty Drawback Scheme will now have to exercise one of the two options under the GST law for refund of input taxes. Notwithstanding the commitments in the Act to expeditiously grant refunds, the entire process of refund has been mired in confusion and plagued by several factors. Regular changes in refund procedures, failure in aligning portal functionality with the process laid down in the Rules and resultant delays in filing the applications for refund have left exporters running for cover. No wonder, some banks have seized this opportunity and have come forward to meet the gap in cash flow arising out of non receipt of refunds!

Mercifully, the GST Council has brought out certain adhoc measures to release the refund for exporters. Notifications and Circulars have also been issued detailing the scheme of refunds. This article aims in explaining the refund procedures and is takes into account the developments till 30 November 2017.

SECTION 1: REFUND FOR EXPORTERS OF LEATHER AND LEATHER PRODUCTS:



How to choose route? – Some guiding principles

Exporters need to understand that there are no restrictions laid down under GST law to alternate between the two routes. That is, an exporter is given a free hand to choose any route and this can be exercised on an invoice to invoice basis. Considering this flexibility, exporters may like to choose the Rebate route over Refund route in the following situations:

- 1) Refund of Transitional Credits: - The transitional provisions of GST law restricts refund of transitional credits transferred to the electronic credit ledger through Form TRANS – 1. This makes the IGST Rebate route preferable under which one can utilize such credits for payment of IGST on exports and claim it indirectly as IGST refund.
- 2) GST credits on capital goods: If the exporter procures capital goods during the GST regime giving rise to Capital Goods ITC, it may be advisable to go through the IGST paid route as GST credits on capital goods would not qualify for refund under LUT refund route.
- 3) Automated processing of refunds: Since there are no manual submissions of forms and no interfacing with jurisdictional GST authorities, IGST paid route is preferable from the point of view of time taken for processing and grant of refund.
- 4) Simple procedure: Claiming GST credits under rebate route is a much simpler exercise than the GST refund route.

ROUTE 1 - IGST REBATE ROUTE – Procedures and compliances

Exporters who wish to opt for IGST rebate route should follow the following steps:

- 1) Raise a commercial tax invoice as per requirements envisaged under rules (and for the purpose of Customs – shipping bill filing) charging IGST at appropriate rate on the invoice value of goods exported.
- 2) Declare on the face of the commercial invoice as “SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX”.
- 3) Instruct your Clearing House Agent (CHA) to choose the option “P” - Export on payment of Tax instead of “LUT” – Export without payment of tax; and send you a draft shipping bill before the same is filed with customs
- 4) Verify the draft shipping bill in the context of the following:
 - a) Whether Exports on payment route has be applied or not?
 - b) Whether Taxable value and IGST Tax amount reflected in the shipping bill matches with the commercial invoice submitted by you for customs?
 - c) Whether the bank account number give in the shipping bill matches with the bank account number declared during the time of GST registration?

- 5) At the end of the month, File form GSTR 3B declaring the exports value and its corresponding IGST liability under *column “(b) Outward taxable supplies (zero rated) of table 3.1)”* and offset the IGST liability using GST credits available in the electronic credit ledger.
- 6) On receipt of acknowledgment for valid filing of return in the common portal, proceed to file the export details under the temporary utility – “Table 6A of Form GSTR1”.
- 7) In filing the above export details under “Table 6A” utility, ensure the following:
 - a) All the export invoices totaling to the value of exports declared in its monthly return Form GSTR 3B are completely updated
 - b) The details of export invoices declared in Table 6A are exactly matching with its corresponding shipping bill filed
 - c) Where exports were done under LUT route as well as Rebate route, ensure that the value of Exports under IGST paid route is duly incorporated in Table 6A showing the IGST figure.
- 8) Once the above monthly return in Form GSTR 3B and “Table 6A” return is filed in the common portal, it is deemed that the exporter has duly filed the refund application with the department for the said period

Processing of refund and the need for precautions:

The Application filed in the above route is not processed manually by any of the designated officials under GST. It is completely automated through a separate system designated by the customs department which will match the information declared in the GSTN portal with the customs general manifesto and process the claim for refund of the exporter. If there are no mismatches between the one declared in GSTN portal and the customs records, an amount equivalent to integrated tax paid in respect of such exports shall be electronically credited to the bank account of the applicant.

The exporter has to take due care in following the above procedures since no manual intervention is employed in processing the refund application. In this regard, please find below an extract of Press release give out by CBEC on 29th of November 2017 on processing of refund:

“With regard to IGST paid on goods exported out of India, majority of refund claims for exports made in July, 2017 where due have been sanctioned. Refund claims of IGST paid for exports made in August, September and October 2017 are being sanctioned seamlessly

wherever returns have been accurately filed. **The prerequisites for sanction of refund of IGST paid are filing of GSTR 3 B and table 6A of GSTR 1 on the GSTN portal and Shipping Bill on Customs EDI system by the exporter.** It is essential that exporters should ensure that there is no discrepancy in the information furnished in Table 6A of GSTR 1 and the Shipping Bill. It has been observed that certain common errors such as incorrect Shipping Bill number in GSTR1, mis-match of invoice number and IGST amount paid, wrong bank account etc. are being committed by exporters while filing their returns. These errors are the sole reason for delay in grant of refunds, or rejection thereof. While information has been made available to Exporters on the ICEGATE portal if they are registered, they may also contact jurisdictional Customs authorities to check the errors they have committed in furnishing information in GST returns and Shipping Bill, and rectify them at the earliest.

As the Customs system is designed to automatically grant refunds without involvement of any officer by matching information that is furnished on GSTN portal and Customs system, the onus is on the exporters to fill in all the details accurately. Exporters may therefore take due precaution to ensure that no errors creep in while filing Table 6A of GSTR 1 of August 2017 and onwards. The facility for filing GSTR 1 for August 2017 would also be ready by 4th December 2017. In case of wrong entries made in July, Table 9 of GSTR 1 of August month would allow amendments to GSTR 1 of July 2017.”

ROUTE 2 - ITC REFUND ROUTE – Procedures and compliances

Exporters who wish to opt for ITC Refund route should follow the following steps in order:

- 1) Raise a commercial tax invoice as per requirements envisaged under rules (and for the purpose of Customs – shipping bill filing) without charging any tax by mentioning your LUT certificate number.
- 2) Declare on the face of the commercial invoice as “SUPPLY MEANT FOR EXPORT UNDER LETTER OF UNDERTAKING”
- 3) Instruct your Clearing House Agent (CHA) to choose the option “LUT” - Export without payment of Tax against “LUT”
- 4) At the end of the month, File form GSTR 3B declaring the exports value under column “(b) Outward taxable supplies (zero rated) of table 3.1)”

- 5) On receipt of acknowledgment for valid filing of return in the common portal, proceed to file the application for refund of unutilized input tax credit in Form GST RFD- 01A on the common portal.
- 6) Once the above form is filed online, the amount claimed as refund under the application, shall get debited from the amount in the electronic credit ledger and a proof of debit (ARN -Acknowledgement Receipt Number) shall be generated in the common portal.
- 7) Take print out of the FORM GST RFD- 01A and acknowledgment copy containing the ARN from the common portal.
- 8) Submit the above application (with proof of ARN) manually to the jurisdictional officer. This form needs to be accompanied with the statement containing details of shipping bill and their relevant export invoice.

How to find our Jurisdictional officer for submission of refund form?

Though this seems to be an irrelevant question at this stage as most of the exporters would have now come to know their jurisdictional officers during their application of LUT or bond, for those who have still not come on board, they may refer Notification released by their state in this regard or if not released, Notification 02/2017 Central Tax dated 19th June 2017.

SECTION 2 - REFUND OF IGST PAID FOR SUPPLIES TO SEZ AND EXPORT OF SERVICES:

Take Printout of FORM GST RFD- 01A and file it manually, after incorporating necessary details, with the jurisdictional GST officer (only at one place - Centre or State) along with relevant documentary evidences, wherever applicable.

SECTION 3 - REFUND OF UNUTILISED ITC FOR SUPPLIES MADE TO SEZ AND EXPORT OF SERVICES:

Follow the same procedures that are mentioned under ITC REFUND ROUTE section.

SECTION 4 - REFUND FOR SUPPLY OF GOODS MADE TO MERCHANT EXPORTER:

As per the notificaton 40/2017 – Central Tax (Rate) & 41/2017 – Integrated Tax (Rate) issued in the month October 2017, supply of goods made by taxable person to Merchant Exporters (*the ultimate exporter in the chain*) is taxable at a concessional rate of 0.1% IGST (CGST 0.05% and SGST 0.05%) subject to conditions.

This inevitably gives rise to situations where the ITC of the supplier is accumulated – a typical inverted tax structure where input taxes are more than the output taxes. The concessional-rate itself arises due to grant of exemption from taxes above the stated rates, thereby giving the notification a colour of an exemption notification. As readers may be aware, no ITC can be claimed in respect of an exempted output. Therefore given this situation, it is understood that suppliers to Merchant Exporters have expressed reservations on using this Notification. The author is of the view that the notification only exempts a part of the tax rate and does not exempt any portion of taxable value. Hence there should be no restriction on the supplier to avail credit and apply for refund through manual application – Form RFD 01A. In any case, a clarification by way of a Circular would be welcome.
