

The following are certain clarifications on refund related issues provided through Circular No 147/03/2021 dated 12th March 2021:

Defination of Adjusted Total turnover to be read with Rule 89 (4)(C)

➤ Zero rated supply under GST includes export of goods and services and supplies to SEZ developer / unit for authorized operations.

➤ The formula for the claim of refund of accumulated ITC on account of zero rated supply of goods/ services 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

➤ Through Notification No. 16/2020-Central tax dated 23.03.2020, definition of turnover of zero rated supply of goods was restricted to be lower of :

- 1.5 times the value of goods domestically supplied or similarly placed supplier or
- the actual value of goods supplied.

➤ There was a confusion prevailing as to what should be the value of zero rated supply of goods be taken in adjusted total turnover (i.e. the denominator). The circular clarified that the **value of zero rated supply in adjusted total turnover** should be the **same as the value of turnover of zero rated supply of goods as amended** for refund purpose.

➤ Illustration

Suppose a supplier is manufacturing only one type of goods and is supplying the same goods in both domestic market and overseas. During the relevant period of refund, the details of his inward supply and outward supply details are shown in the table below:

Net Admissible ITC = Rs. 270

Outward Supply	Value per unit	No of units supplied	Turnover	Turnover as per amended definition
Local (Quantity 5)	200	5	1000	1000
Export (Quantity 5)	350	5	1750	1500 (1.5*5*200)
Total			2750	2500

Turnover of Zero-rated supply of goods (as per amended definition) = Rs. 1500

Adjusted Total Turnover= Rs. 1000 + Rs. 1500 = Rs. 2500 [and not Rs. 1000 + Rs. 1750]

Net ITC = Rs. 270

Refund Amount = Rs. (1500*270)/2500 = Rs. 162

Thus, the admissible refund amount in the instant case is Rs. 162.

SKA Comments: Where the value of goods in relation to zero rated supplies is greater than the 150% of the value of domestic supplies, the now clarified definition of adjusted total turnover should result in increase of the refund amount as per the formula prescribed under the law.

Clarification in respect of wrongly disclosed zero rated supply in GSTR-3B.

- Where a refund application is to be filed in RFD-01 on account of zero rated supplies with payment, there was a system validation check which ensured that the amount of refund claim is restricted to the amount shown in table 3.1(b)- Outward taxable supplies zero rated of GSTR-3B.
- However, inadvertently zero rated supplies have been shown in table 3.1(a)- Outward taxable supplies (other than zero rated, nil rated and exempted) by some taxpayers. The refund of such taxpayers were getting blocked due to system validation check which prevented the value of refund claim from being greater than amount indicated in table 3.1 (b) of GSTR-3B.
- In this regard, it has been clarified that for the tax periods commencing from **01.07.2017 to 31.03.2021**, taxpayers shall be allowed to file the refund application in RFD-01 subject to the condition that the **amount of refund claimed shall not be more than the aggregate amount of tax paid** mentioned in the Table under columns:
 - 3.1(a)- Outward taxable supplies (other than zero rated, nil rated and exempted)
 - 3.1(b)- Outward taxable supplies (zero rated) and
 - 3.1(c)- Other outward supplies (Nil rated, of GSTR-3B filed for the corresponding tax period.

SKA Comments: A number of return filers have made the error of disclosing zero rated supplies under 'Taxable supplies' or 'Exempted supplies'. These persons were not able to file the refund claims earlier due to the validation check on the portal. They have an option of taking advantage of this clarification and get their refund claims admitted under the GST law.

Clarification in respect of refund claim by recipient of deemed export supply

- Proviso 3 of Rule 89(1) of CGST Rules, 2017 allowed for refund of tax paid in case deemed export supply to the recipient or the supplier of deemed export supplies. The said proviso is reproduced as under:
“Provided also that in respect of supplies regarded as deemed exports, the application may be filed by, -
 - (a) the recipient of deemed export supplies; or*
 - (b) the supplier of deemed export supplies in cases where the recipient does not avail of input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund”*
- Thus, it can be seen from the above proviso that there is no restriction placed on the recipient to avail ITC where receipt claims refund of ITC.
- However, Circular 125/44/2019-GST dated 18/11/2019 placed a condition that the recipient of deemed export supplies for obtaining the refund of tax paid on such supplies shall submit an undertaking that he has not availed ITC on invoices for which refund has been claimed. However, while filing claim for refund, the system requires debit of the amount so claimed from the electronic credit ledger of the recipient.
- Thus this circular clarified **that recipient can avail ITC when the claim of refund is to be filed by the recipient of deemed export supply.**

SKA Comments: There was a great deal of confusion whether refund would be allowable to the recipient of deemed export supplies if they are availing the Input tax credit. This was due to the lack of coherence between the Circular and the law. Now, it has been clarified that such recipients of deemed export supplies can avail the ITC and are required to debit the electronic credit ledger while filing the refund claim.

This publication contains information for general guidance only. It is not intended to address the circumstances of any particular individual or entity. Although the best of endeavour has been made to provide the provisions in a simpler and accurate form, there is no substitute to detailed research with regard to the specific situation of a particular individual or entity. S. Khaitan & Associates or any of its officials do not accept any responsibility for loss incurred by any person for acting or refraining to act as a result of any matter in this publication



OFFICE : MOOKERJEE HOUSE,
17, BRABOURNE ROAD, 2ND FLOOR,
KOLKATA - 700001

PHONE NO : 03340687062, +919831912725

EMAIL ID : office@cakhaitan.com
shubham@cakhaitan.com

WEBSITE : www.cakhaitan.com