

## 5 Actions Industry should take to prepare for new changes in GST Refund

By -

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## Refunds on Payment of Duty : Cir 22/2020 dt 21<sup>st</sup> April

1. Numerous Shipping Bills having invoice mismatches between the GST returns data and the customs data are presented along with the Shipping Bills
2. Above mismatches have resulted in SB005 error. This error results in blocking of the IGST refund disbursement on payment of duty.
3. **The facility to rectify SB005 error correction for Shipping Bills with date upto 31.12.2019 has been extended**

## Action Required to Avail Benefit

1. All Customs offices have already come out with trade notices whereby they have circulated E-mail Ids to write to and submit Concordance Table.
2. Mails to such Ids with concordance table should be submitted immediately so that the stuck up refunds can be generated during this crucial lockdown period!



In the said rules, Rule 89 (4)(C), the following clause have been substituted, as follows :-

(C) "Turnover of zero-rated supply of goods" means -

- i. Value of Supply under LUT **or**
- ii. **1.5 times** the value of like goods domestically supplied by the same or
- iii. Similarly placed, supplier, as declared by the supplier,

Whichever is less

## Calculation as per New Rule

### Same case of Refund with New Formula –

Domestic Supply - Rs.50

Export - Rs.100

ITC - Rs.150

		75		
Refund	=	<hr/>	x 150	= 90
		(75+50)		

1. This condition is on 'like' goods. Hence if a supplier is selling 2 types of goods (HSN Code wise), then the export/SEZ Supply should be taken HSN Code wise.
2. The above will be on 'self declaration basis'.
3. Incase of 100% Export units, going by this formula, refunds will be NIL which is a precarious situation. It's an absurd situation and is expected to be suitably clarified/amended soon!
4. While in '3' above refunds on LUT will be NIL, there is **no restriction** for 'on payment of duty' refunds.
5. What is the meaning of supplies by "**Similarly placed, supplier**" is still a puzzle

### Safeguards -

1. **Until clarification comes in, Industry should check whether to suitably bundle refunds period-wise so that the ire of this Rule can be taken care of**

## **NEW RULE 96B - Repayment of Refund if collection not done in time**

**Recovery of refund of unutilised input tax credit or integrated tax paid on export of goods where export proceeds not realized within 9 month -**

(1) Where any refund on export of goods has been paid but the sale proceeds have not been realised, in full or in part, within time allowed as per FEMA including any extension of such period, the person shall pay back amt. of refund alongwith interest.

However if RBI has written off the amount, then there shall be no repayment.

(2) Incase of subsequent realization and production of evidence within a period of 3 months from the date of realisation, the amount so recovered shall be refunded to the extent of realisation of sale proceeds, provided the sale proceeds have been realised within such extended period as permitted by the Reserve Bank of India.



1. Realize the payment for exports within 9 months.
2. If not realized, apply to RBI for extension of time period for realization.
3. Even after repayment of refund amount, there is a chance to reclaim the amount repaid. However the same can be done only incase of time for recovery is further allowed by RBI and the amount of proceeds are recovered within this timeline.
4. Incase of no prospect of recovery, one may try for write off by RBI, as per management's decision

## Refund of ITC to the extent of GSTR 2A Balance

### Circular 135 – Para 5.2

The refund of accumulated ITC shall be restricted to the ITC as per those invoices, the details of which are uploaded by the supplier in **FORM GSTR-1** and are reflected in the **FORM GSTR-2A** of the applicant.

### Circular 135 – Para 6.3

A suitably modified statement format is attached for applicants to upload the details of invoices reflecting in their **FORM GSTR-2A**

## Issues & Safeguards

1. Ensure that major suppliers file their GSTR 1 in time. It is pertinent to note that the supplier's filing of GSTR 3B is not mandatory for the recipient to claim refunds as of now!
2. **Ask your major suppliers to file returns monthly.**
3. Weigh the option of filing refunds quarter-wise if there are major suppliers who file returns monthly
4. Do a GSTR2A Vs GSTR 3B Reconciliation **CONCURRENTLY**

## New Requirement to mention HSN/SAC in Annexure 'B'

Para 6.3 of Circular 135 states - The applicant is, in addition to details already prescribed, now required to mention HSN/SAC code which is mentioned on the inward invoices.

**Safeguard & Action Required** – HSN Code for ITC shall be recorded by Trade & Industry. It was already a requirement of GSTR-9 and now the same should be built in the ERP/accounting systems!

