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Newsflash : Clarifications on extended Goods and Services Tax Timelines due to COVID-19

The Central Board of Indirect taxes and Customs (CBIC) has provided clarifications with respect to extension of due dates for various compliances under GST law. The highlights of the same is are hereunder:

I. Letter of Undertaking (LUT) of F.Y. 2019-20 has expired on 31 March 2020. Whether a registered person can still make a zero-rated supply on such LUT and claim refund accordingly or does he have to make such supplies on payment of IGST and claim refund of such IGST?

Clarification:

In terms of Notification No. 35/2020-Central Tax dated 3 April 2020, time limit for filing of LUT for the year 2020-21 shall stand extended to 30 June 2020 and the taxpayer can continue to make the supply without payment of tax under LUT provided that the FORM GST RFD-11 for 2020-21 is furnished on or before 30 June 2020. Taxpayers may quote the reference no of the LUT for the year 2019-20 in the relevant documents.

II. As per section 54 (1) of the CGST Act, 2017 a person is required to make an application before expiry of two years from the relevant date. If in a particular case, date for making an application for refund expires on 31 March 2020, can such person make an application for refund before 29 June 2020?

Clarification:

As per notification No. 35/2020-Central Tax dated 3 April 2020, where the timeline for any compliance required as per Section 54(1) of the Central Goods and Services Tax Act, 2017 falls during the period from 20 March 2020 to 29 June 2020, the same has been extended till 30 June 2020. Accordingly, the due date for filing an application for refund falling during the said period has also been extended till 30 June 2020.

III. An advance is received by a supplier for a Service contract which subsequently got cancelled. The supplier has issued the invoice before supply of service and paid the GST thereon. Whether he can claim refund of tax paid or is he required to adjust this tax liability in his returns?

Clarification:

In case GST is paid by the supplier on advances received for a future event which got cancelled subsequently and for which invoice is issued before supply of service, the supplier is required to issue a "credit note" in terms of section 34 of the CGST Act. He shall declare the details of such credit notes in the return for the month during which such credit note has been issued. The tax liability shall be adjusted in the return subject to conditions of section 34 of the CGST Act, 2017. There is no need to file a separate refund claim.

However, in cases where there is no output liability against which a credit note can be adjusted, registered persons may proceed to file a claim under "Excess payment of tax, if any, through FORM GST RFD-01.

IV. An advance is received by a supplier for a Service contract which got cancelled subsequently. The supplier has issued receipt voucher and paid the GST on such advance received. Whether he can claim refund of tax paid on advance or he is required to adjust his tax liability in his returns?

Clarification:

In case GST is paid by the supplier on advances received for an event which got cancelled subsequently and for which no invoice has been issued in terms of section 31 (2) of the CGST Act, 2017 he is required to issue a “refund voucher” in terms of section 31 (3) (e) of the CGST Act, 2017 read with Rule 51 of the CGST Rules.

The taxpayer can apply for refund of GST paid on such advances by filing FORM GST RFD-01 under the category “Refund of excess payment of tax”.

[Source: Circular No.137/07/2020-GST dated 13th April 2020]

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This newsflash is general in nature. In this newsflash, we have summarized and provided clarifications about the extended GST tax timelines due to COVID-19. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the said notification and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

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