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Newsflash : Clarification on GST refunds

Introduction

The Central Board of Indirect taxes and Customs (CBIC), has issued refund related clarifications vide Circular No. 135/05/2020- GST dated 31st March 2020. Following are the highlights of the said circular :

I. Bunching of refund claims across Financial Year

A registered person, presently, may file a refund claim for a tax period or by clubbing successive tax periods. The period for which refund claim has been filed, however, cannot spread across different financial years. The said restriction has been removed now and accordingly this clubbing can be done for periods which may be falling under different financial years.

II. Refund of accumulated input tax credit (ITC) on account of reduction in GST rate

It is hereby clarified that refund of accumulated ITC under Section 54 (3) (ii) of the CGST Act [‘inverted duty structure’] would not be applicable in cases where the input and the output supplies are the same.

This can be explained through an illustration. An applicant trading in goods has purchased, say goods “X” attracting 18% GST. However, subsequently, the rate of GST on “X” has been reduced to, say 12%. Note that here input and output is the same product and thus any accumulated credit (say 4%) on account of difference in 18% (input) and 12% (output) would not be eligible for refund.

III. Change in manner of refund of tax paid on supplies other than zero rated supplies.

Certain refunds (*) of tax paid on supplies other than zero rated supplies will now be admissible proportionately in the respective original mode of payment i.e. in cases of refund, where the tax to be refunded has been paid by debiting both electronic cash and credit ledgers (other than the refund of tax paid on zero-rated supplies or deemed export), the refund to be paid in cash and credit shall be calculated in the same proportion in which the cash and credit ledger has been debited for discharging the total tax liability for the relevant period for which application for refund has been filed. Such amount, shall be accordingly paid by issuance of order in FORM GST RFD-06 for amount refundable in cash and FORM GST PMT-03 to re-credit the amount attributable to credit as ITC in the electronic credit ledger.

Note:

(*) Refund, for the purpose of this clarification, means refund on account of following:

- Refund of excess payment of tax;
- Refund of tax paid or intra-state supply which is subsequently held to be inter-state supply and vice versa;
- Refund on account of assessment/ provisional assessment/ appeal/ any other order;
- Refund on account of “any other” ground or reason.



IV. Guidelines for refunds of Input Tax Credit under Section 54(3)

It has been decided that 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.

V. New requirement to mention HSN/SAC in Annexure 'B' [Refund application]

It has been recommended that a column relating to HSN/SAC Code should be added in the statement of invoices relating to inward supply as provided in Annexure-B [Part of refund application].

For further information please contact:

RSM Astute Consulting Pvt. Ltd.

13th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400021.

T: (91-22) 6108 5555 / 6121 4444

F: (91-22) 6108 5556 / 2287 5771

E: emails@rsmindia.in

W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, and Jaipur.



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This newsflash is general in nature. In this newsflash, we have summarized the clarifications pertaining to GST refunds issued by CBIC vide Circular No. 135/05/2020- GST dated 31 March 2020. 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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