



Office of the Commissioner of the State Goods and Service tax Department
Government of Kerala, Thiruvananthapuram

No CT/24164/C1

Dtd 10/01/2018

Circular No 1/2018

Sub: Manual filing and processing of refund claims in respect of Zero-rated supplies.

- Ref:- (1) KSGST Act, 2017
(2) The Integrated Goods & Services Tax Act, 2017
(3) The Kerala Goods & Services Tax Rules, 2017
(4) Circular No.17/17/2017 dtd.15-11-2017 and 24-24-2017-
GST dtd.21-12-2017 issued by the Central Board of Excise and
Customs, New Delhi.
(5) Order of Distribution of cases No.1/2017 – GST / Kerala
dtd.18-12-2017
(6) Govt. Lr. No. B1/297/17/TD dtd. 10.01.2018

As per the provisions of the CGST/KSGST Act, registered person (besides other returns) is required to file return for every month in FORM GSTR-3B on or before 20th day of succeeding month. The FORM GSTR-3B contains the information of supply of goods and services, input tax credit available and availed under KSGST Act, CGST Act and IGST Act. In other words, the FORM-GSTR-3B is a single page self-assessment form containing details of outward and inward supply of goods and services or both.

Due to the non availability of the refund module on the common portal, the GST Council has recommended that the applications / documents / forms pertaining to refunds shall be processed manually until further orders. For this purpose manual refund form in Form No.RFD-01A has been incorporated in the CGST/KSGST Rules. Accordingly, the GST Policy Wing of the Central Board of Excise and Customs has issued Circular No.17/17/2017-GST dtd.15-11-2017 and Circular No.24/24/2017-GST dtd.21-12-2017 regarding the eligibilities, modalities, documentation and disposal of refund applications. Since refund of KSGST will also be involved, the following further supplemental instructions are issued for the disposal of refund application.

1. ELIGIBILITY TO CLAIM REFUND:

As per the provisions of section 54 of the KSGST Act, the supplier of goods and services or both is eligible to claim refund in following eventualities:

- a. (i) Zero rated supplies made without payment of tax on inputs or input services used in making such zero rated supply;
- (ii) Zero rated supplies of goods for services or both on payment of integrated tax and claim of refund of tax so paid.
[Section 16(3) of the IGST Act provides that following supplies shall be "Zero-rated"-
 - a. *export of goods or services or both; or*
 - b. *supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.]*
- b. refund of unutilized input tax credit where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies) of goods or services or both except those supplies which are notified by the Government on the recommendations of the Council (Section 54(3) of the CGST Act refers)
- c. refund of tax on the supply of goods regarded as deemed exports; and
- d. refund of balance in the electronic cash ledger.

Provisional refund shall be allowable only in cases where the claim of refund is on account of zero rated supply of goods or services or both by registered persons. For this purpose, Section 56(6) of CGST / KSGST Acts and Rule 91 of CGST / KSGST Rules and Sections 16(3) of IGST Act may be referred to.

2. FILING AND PROCESSING OF REFUND APPLICATIONS

As per reference cited 5th above, the assesseees in the State have been distributed among the Central and State Tax Authorities.

The refund application in Form No.RFD-01A under the CGST / KSGST Rules shall be filed electronically by the applicant in the common portal and printout of the form along with ARN receipt shall be submitted to the jurisdictional proper officer.

The applications for **refund of integrated tax paid in respect of export out of India**, it's processing and grant of said refund in the contingency covered in clause (a) above is explained in Circular No. 17/17/2017 dated 15th November 2017 issued by the Central Board of Excise and Customs cited at Ref. (4) above. Please refer Para 2.2 of the said Circular.

Whereas, **the refund of integrated tax paid** on zero-rated supply of goods by a Special Economic Zone developer or a Special Economic Zone unit and/or in case of zero-rated supply of services is explained in Para-2.3 and 2.4 of the Circular issued by the CBEC cited at Ref. (4) above.

The refund application in respect of the following contingencies shall be dealt as given below:

- (a) The refund applications in respect of the Export of Goods with payment of tax to be dealt by Custom Authorities
- (b) Export of Goods without payment of tax under LUT / Bond – to be dealt by Central / State Authorities to whom case is allotted.
- (c) Export of Services with payment of tax – to be dealt by Central / State Authorities to whom case is allotted.
- (d) Export of Services without payment of tax under LUT / Bond – to be dealt by Central / State Authorities to whom case is allotted.
- (e) Supplies of goods or services to SEZ Unit or SEZ Developer with payment of tax – to be dealt by Central / State Authorities to whom case is allotted.
- (f) Supplies of goods or services to SEZ Unit or SEZ Developer without payment of tax under LUT / Bond – to be dealt by Central / State Authorities to whom case is allotted.

3. PREPARATION OF APPLICATION FOR REFUND:

- 3.1 The registered taxable person or a Special Economic Zone developer or a Special Economic Zone unit who has exported the goods or services or both out of India (Zero-rated supply) without payment of integrated tax i.e. on the strength of Bond or with submission of **Letter of Undertaking** (LUT) is required to file application in FORM GST RFD-01A (as notified in the KSGST Rules) and annex requisite documents for export of the goods and/or services as explained in Para-5 below.
- 3.2 **The FORM-GST RFD-01A** is to be filed manually. All the details in the said form is to be filled appropriately.
- 3.3 In order to fill the Statement-3A of the said form i.e. Table (3A) is made available on the common portal i.e. www.gst.gov.in. The applicant who is covered under aforesaid categories and who desires to seek refund shall access the common portal with the appropriate Log-in Id and password.
- 3.4 The process flow diagram is given below:
Login Id>password>Services>Refund> Refund applications> Select month from drop down>Create application>fill the application>take print>submit printout to the Proper Officer.
- 3.5 As explained above, the applicant after creating the application should fill the appropriate information in table (3A) under the heading> Computation of Refund to be claimed (3A).

3.6 For better understanding the TABLE-3A is given below:

	Turnover of zero rated supply of goods and services in Rs (1)	Net input tax credit (2)	Adjusted total turnover (3)	Refund amount ((1×2)÷3) (4)
Integrated tax				
Central tax				
State tax				
Cess				

3.7 As it appears from the above table the details of Turn-over of Zero-rated supply of goods and services is to be filed in column (1) above. The said Turn-over of Zero-rated supply may be taken from the column 3.1 (b) of the FORM-GSTR-3B. The figures of Net input tax credit (ITC) in column (2) of table above may be taken from the column 4(C) of the FORM-GSTR-3B, respectively.

3.8 Once the information as stated above is filled then the figures in column (3) above is required to be determined by using the formula given in rule 89(4) of the KSGST Rules which is as under:

Refund Amount= (Turn-over of Zero-rated supply of Goods+ Turn-over of Zero-rated supply of services) X Net ITC/Adjusted Total Turn-over.

Where,-

- (A) "Refund amount" means the maximum refund that is admissible;
- (B) "Net ITC" means input tax credit availed on inputs and input services during the relevant period;
- (C) "Turnover of zero-rated supply of goods" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking;
- (D) "Turnover of zero-rated supply of services" means the value of zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:- Zero-rated supply of services is the aggregate of the payments received during the relevant period for zero-rated supply of services and zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period;
- (E) "Adjusted Total turnover" means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;

(F) “Relevant period” means the period for which the claim has been filed.

3.9 After filling the appropriate figures in the table (3A), the amount of refund will get auto populated in the column (4) of the said TABLE. Further, there is another TABLE below where the amount of eligible refund will get auto calculated as also the amount of refund claim.

3.10 For better understanding the TABLE which auto calculates the eligible refund is given below:

	Value As per Statement (3A) in Rs.	Balance in Electronic Credit Ledger in Rs.	Tax Credit availed during the period in Rs.	Eligible Refund amount (Lowest of all)
Integrated tax				
Central tax				
State tax				
Cess				

3.11 The figures in the aforesaid TABLE gets populated automatically. The final amount eligible for refund is given in the column (4) above. Further, it also gives amount of refund claimed under KSGST, CGST, IGST and Cess Act.

3.12 In case of refund claim arising due to inverted duty structure, the following statements - Statement 1 and Statement 1A[**under KSGST rule 89(2)(h)**]of **FORM GST RFD-01A** have to be filled:-

3.13 Further, as per the provisions of rule 89(2)(g) of the KSGST Rules, the following statement 5B of **FORM GST RFD-01A** is required to be furnished for claiming refund on supplies declared as deemed exports:-

3.14 After duly filing the appropriate information the applicant is also required to select from drop-down the Bank Account Number given at the time of filing registration details.

3.15 In case, an applicant desires the refund amount in another preferred bank account which is not appearing in the drop down list then applicant is requested to add that bank account by filing amendment to registration record (non-core amendment) form. For this the applicant may go the >Registration>Non-core amendment> and add details including Bank Name, Branch Name, IFS Code. The facility given for choosing the Bank IFSC may be used so that no error is made while filling information about bank details. Once the Bank details are updated then the refund amount determined as per the provisions of the law will be disbursed and credited to the said preferred Bank account.

3.16 It may please be noted that,-

- 3.16.1 Once the applicant has filled all the details in the relevant tables attached to RFD-01A.
- 3.16.2 Please **correct any errors** occurred during preparation and do not forget to save the said FORM before proceeding to submit.
- 3.16.3 It may please be kept in mind that once "**Proceed**" button is clicked and form is submitted, **no modification will be allowed**. Therefore due care may please be taken before pressing the "Proceed" button.
- 3.16.4 The Electronic Credit ledger balance visible here is the current balance in the Electronic Credit ledger.
- 3.16.5 Application can be saved at any stage of completion for a maximum time period of 15 days. If the same is not submitted within 15 days from the date of form creation, the saved draft will be purged from the GST database. The applicant after 15 days may follow the same procedure for creation and submission of refund Application in FORM-RFD-01A.

4. SUBMISSION OF STATEMENTS OF APPLICATION (RFD-01A) AT GSTN PROTAL.

4.1 Once the aforesaid steps are followed and application is saved then the message as "Saved successfully" will appear at the top left hand side of the Tables. Then the applicant should check the Box for declaration to the effect that the information submitted is true and correct. After doing so the "PROCEED" button will get activated. Press the said button. You will be taken to the next window, where, after checking the Box for declaration the applicant is required to submit the said application with the Digital Signature Certificate (DSC).

4.2 After successful submission of the tables receipt will be generated. Take the printout of the same and submit to the appropriate authority as explained below.

5. The application complete in all respect (along with the requisite documents as explained in Para-5) i.e. ARN receipt printout taken from the GSTN portal shall be submitted to the appropriate Official in the office of the concerned proper officer i.e., Assistant Commissioner / State Tax Officer.

6. DOCUMENTS TO BE ATTACHED TO THE REFUND APPLICATION:

6.1 The applicant shall enclose with the refund application the Statement of export of goods and services or both as given in the rule 89(2) of the KSGST Rules.

- 6.2 The statement No. 3 and 5 shall be enclosed by the exporter of goods and services or both who has made export without payment of integrated tax. Whereas the Special Economic Zone Developer or the unit in SEZ shall submit the statement No. 2 and 4 given in rule 89(2).
- 6.3 For refund of accumulated ITC due to inverted duty structure, statement in Form No.1 and 1A under Rule 89(5) and 89(2)(h) respectively, should be attached.
- 6.4 With regard to deemed exports, the documentary evidences as in notification SRO.No.738/2017 dtd.15-11-2017 shall be attached.
- 6.5 Applicant shall along with the application submit the declaration to the effect that the taxable person claiming refund has, during the period of five years immediately preceding the tax period to which the claim of refund relates, not been prosecuted for any offence under the existing law where the amount of tax evaded exceeds Rs. 2.5 Cr.

7. RECEIPT OF REFUND APPLICATION:

- 7.1 As explained above, the application will be received by the concerned proper officer i.e., Assistant Commissioner / State Tax Officer.
- 7.2 It is informed that the applicant shall submit the application in FORM-RFD-01A in duplicate so that the suitable receipt of the application is given.
- 7.3 After receipt of the application, it will be verified that the application is in order and requisite Annexures are attached. After it is found that the application is in order and all the requisite details given above are enclosed then a receipt will be given by putting appropriate stamp and date of receipt of the application.

8. ACKNOWLEDGEMENT FOR REFUND OF APPLICATION:

- 8.1 After receipt of the application, the concerned Proper Officer shall verify the correctness and completeness of the application as well as the requisite documents are attached.
- 8.2 Once the completeness in all respect is ascertained an acknowledgment in FORM-RFD-02 as given in Rule 90(1) and 90(2) of the KSGST Rules, shall be issued within 15 days from the date of submission.
- 8.3 In case the application so submitted is found deficient in certain aspects then the concerned officer shall issue deficiency memo in FORM-RFD-03 within 15 days from the date of receipt of the application.
- 8.4 In other words, the concerned officer after due verification is required to issue either FORM-RFD-02 or FORM-RFD-03 not later than 15 days from the

date of receipt of application. All the supervisory authorities are hereby directed that to monitor that these timelines are strictly followed.

9. ISSUANCE OF DEFECT MEMO IN CASE OF REFUND OF APPLICATION IS DEFICIENT:

- 9.1 As explained above the in case application for refund is deficient then the Deficiency Memo should be issued. It should be complete in all respects and only one Deficiency Memo shall be given. Submission of application after Deficiency Memo shall be treated as a fresh application. Resubmission of the application, after rectifying the deficiencies pointed out in the Deficiency memo, shall be made by using the ARN and debit entry number generated originally.
- 9.2 If the application is not filed afresh within thirty days of the date of receipt of communication of the deficiency memo, the concerned Nodal officer shall pass an order in FORM GST PMT-03 and re-credit the amount claimed as refund through FORM GST RFD-01B.
10. In case the refund application is found in order then the officer shall pass refund order and applicant shall receive the refund in the Bank account available in the registration record with common portal or other desired Bank Account for which the amendment i.e. non-core amendment is done for inclusion of such account.
11. Needless to state that any refund amount which the applicant is not entitled or has claimed the input tax credit wrongly or inappropriately then it shall be recovered along with the interest or may face prosecution for the serious breach of the provisions of the KSGST Act and the relevant provisions of other criminal laws including Indian Penal code.
12. As per provisions of sub-section (10) of Section 54 of the KSGST Act, where any refund is due as per the provisions of sub-sections (3) of Section 54 to a registered tax payer who has defaulted in filing the returns, who is required to take any amount of tax, interest, fee or, as the case may be, the penalty, that remained unpaid (which is not stayed by the appellate authority), then the concerned proper officer is required to:
- Withhold the payment of refund due until such return has been furnished or the said payment is made;
 - Deduct from the refund amount the said outstanding liability which is not stayed by the appellate authority;
13. The Circular is clarificatory in nature and cannot be used for the interpretation of provisions of the law. The contents of the Circular may be brought to the notice of the trade.

SD/-
COMMISSIONER