

Refund-
Additional and
changed questions
in Questionnaire



Refund

07. Rule 89(4):- Refund of ITC in case of Zero-rated supply without payment of tax under bond/ LUT

CCP 14.07.12.00

Wye Ltd. provides the following details of September, 20XX for computation of refund claim under rule 89(4) of the CGST Rules, 2017. Compute the eligible claim under the said rule assuming that other conditions are fulfilled.

Particulars	Amount (₹)
Opening balance of ITC	5,00,000
ITC availed during the period, which includes the claim for refund made of ₹5,00,000 eligible under rule 89(4A)/89(4B) of the CGST Rules, 2017	25,00,000
Zero rated supply of goods made during the period without payment of tax under bond/LUT, which include the supply of ₹1,00,00,000 for which refund claim is made under rule 89(4A)/89(4B) of the CGST Rules, 2017	6,00,00,000
Supply of goods other than zero rated supply	3,00,00,000

[CA Final Exam May 19 New]

Answer :-

Legal Provision:-

As per **Rule 89(4)** of CGST Rules, 2017, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:-

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

where,

⇒ **"Net ITC"** means ITC availed on inputs and input services during the relevant period ~~other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.~~

⇒ **"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 or
- the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, **whichever is less,**
- ~~- other than the turnover of supplies in respect of which refund is claimed under rules 89(4A) or 89(4B) or both.~~

⇒ **"Adjusted Total turnover"** means the sum total of the value of:-

- The turnover in a State or a UT as per sec 2(112) excluding the turnover of services and
- The turnover of ZRS of services as per clause (D) above & non-zero-rated supply of services, **excluding –**

- the value of exempt supplies other than zero-rated supplies ~~and~~
- ~~the turnover of supplies for which refund is claimed under rule 89(4A) or (4B) or both, if any,~~ during the relevant period.

⇒ For the purpose of **rule 89(4)**, the value of goods exported out of India shall be the lower of:-

- 1) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export or
- 2) the value declared in tax invoice or bill of supply.

Discussion & Conclusion:-

- ⇒ Accordingly, turnover of zero-rated supply of goods = ₹6,00,00,000
- ⇒ Net ITC = ₹25,00,000
- ⇒ Adjusted Total Turnover = ₹9,00,00,000 i.e. [₹6,00,00,000 + ₹3,00,00,000].
- ⇒ Thus, **maximum refund amount under rule 89(4) = ₹25,00,000 × ₹6,00,00,000 / ₹9,00,00,000 = ₹16,66,667.**

Assumption:-

1. It is assumed that value declared in shipping bill and tax invoice is same as not separately given in question.
2. Since the value of like goods domestically supplied is absent in the question, it is assumed that the actual value of goods exported is lower than the like goods domestically supplied.

CCP 14.07.12.01

Bhagwan Manufacturers & Exporters Company (BMEC) is registered under GST in the State of Rajasthan and supplies various goods in domestic as well as in international markets. It is engaged in both manufacturing and trading of goods. It exports goods without payment of tax under bond or letter of undertaking in accordance with the provisions of section 16(3) of the IGST Act, 2017.

BMEC provides the following information in relation to various supplies made by it during October 20XX tax period:

S.no.	Particulars	Amount (₹)
1.	Taxable value of goods 'Star' supplied within India	14,00,000
2.	Taxable value of goods 'Sun' exported without payment of tax under letter of undertaking. (However, taxable value of such goods when supplied domestically by BMEC in similar quantities is ₹6,00,000).	10,00,000
3.	Taxable value of goods 'Moon' exported without payment of tax under bond. (However, taxable value of such goods when supplied domestically by BMEC in similar quantities is ₹1,50,000)	2,00,000

The input tax credit (ITC) availed for the above tax period is as follows:

S.no.	Particulars	Amount (₹)
1.	Input tax credit availed on capital goods	1,00,000
2.	Input tax credit availed on inputs	3,00,000
3.	Input tax credit availed on inputs services	1,50,000

BMEC also provided following additional information:

i)	All the above inputs, input services and capital goods are used in manufacturing process and all the conditions for availing input tax credit have been complied with.
ii)	The balance in the electronic credit ledger of BMEC at the time of filing the refund application is ₹ 1,50,000.
iii)	The balance in the electronic credit ledger of BMEC at the end of the October 20XX tax period for which the refund claim is being filed after GSTR-3B for the said period has been filed is ₹3,25,000

You are required to compute the amount refundable to Bhagwan Manufacturers & Exporters Company against accumulated unutilized input tax credit for October 20XX tax period according to the

provisions of GST law by giving necessary explanations for treatment of various items. [CA Final May 24 Exam]

Answer:

Legal provision: As per **Rule 89(4)** of CGST Rules, 2017, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:-

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Where:

- ☞ **Net ITC** means ITC availed on inputs and input services during the relevant period ~~other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.~~
 - ☞ **"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 or
 - the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, **whichever is less,**
 - ~~- other than the turnover of supplies in respect of which refund is claimed under rules 89(4A) or 89(4B) or both.~~
 - ☞ **"Adjusted Total turnover"** means the sum total of the value of:-
 - a) The turnover in a State or a UT as per sec 2(112) excluding the turnover of services and
 - b) The turnover of ZRS of services as per clause (D) above & non-zero-rated supply of services, **excluding –**
 - i) the value of exempt supplies other than zero-rated supplies ~~and~~
 - ii) ~~the turnover of supplies for which refund is claimed under rule 89(4A) or (4B) or both, if any,~~ during the relevant period.
 - ☞ For the purpose of **rule 89(4), the value of goods exported out of India shall be the lower of:-**
 - 1) The Free on Board (FOB) value declared in the Shipping Bill or Bill of Export or
 - 2) The value declared in tax invoice or bill of supply.
- Discussion & Conclusion:**
- ☞ **Net ITC:** ₹1,50,000 + ₹3,00,000 = ₹4,50,000
 - ☞ **T/o of Zero-Rated Supply of goods:**
 - Turnover of goods 'Sun' = Lower of (i) ₹6,00,000 × 1.5 or (ii) ₹10,00,000, i.e. ₹9,00,000
 - Turnover of goods 'Moon' = Lower of (i) ₹1,50,000 × 1.5 or (ii) ₹2,00,000, i.e. ₹2,00,000
 - ☞ **Adjusted T/o:** ₹9,00,000 + ₹2,00,000 + ₹14,00,000 = ₹25,00,000
 - Thus, Refund = (₹11,00,000 × ₹4,50,000) / ₹25,00,000**
= ₹ 1,98,000
 - ☞ Refundable amount is the **least** of the following:
 - a) Refund as per rule 89(4) of the CGST Rules, 2017 [₹1,98,000]
 - b) Balance in ECL at the time of filing refund application, [₹1,50,000] and
 - c) Balance in ECL at the end of October 20XX for which refund is being filed after the return in Form GSTR-3B for the said period has been filed [₹3,25,000]
 - ☞ Thus, the refundable amount is **₹1,50,000.**
 - ☞ ITC is on capital goods is not **eligible** for refund.

Synotex Pvt. Ltd. manufactures taxable goods, 'Q' and exempt goods 'S'. Product 'S' is sold in international markets without payment of tax under letter of undertaking.

The company is registered under GST in the State of Maharashtra.

The company provides following information in relation to various supplies made by it during a tax period:-

- a) Product 'S' has been exported to UK for £12,000.
- b) Product 'Q' has been supplied to Betty Enterprises within India for ₹20,00,000.

Note:- The above amounts are exclusive of taxes, wherever applicable.

The company provides the following information in relation to tax paid on inward supplies received during the said tax period:-

- a) GST of ₹5,00,000 has been paid on inputs.
- b) GST of ₹2,40,000 has been paid on capital goods.
- c) GST of ₹2,00,000 has paid on input services.
- d) All the above inputs, input services and capital goods are used in the manufacturing process.

Following additional information is also provided:-

- 1) Value of product 'S' exported to UK in Indian rupees is value of taxable invoice ₹12,00,000, Value in shipping bill is ₹12,75,000. However, value of such product when supplied domestically by the company in similar quantities is ₹10,00,000.
- 2) Betty Enterprises is a 100% export-oriented undertaking. It has claimed the ITC on goods supplied to it by Synotex Pvt. Ltd.
- 3) The balance in the electronic credit ledger of Synotex Pvt. Ltd. at the end of the tax period for which the refund claim is being filed after GSTR-3B for the said period has been filed is ₹5,80,000.
- 4) The balance in the electronic credit ledger of Synotex Pvt. Ltd. at the time of filing the refund application is ₹3,00,000.

Compute the amount refundable to Synotex Pvt. Ltd. for the tax period. [CA final RTP Nov 2020]

Answer :-

A. Export of Product 'S':-

Legal Provision:-

- ⇒ As per **section 16(1)(a)** of IGST Act, 2017, export of goods is a zero-rated supply.
- ⇒ As per **Section 16(2)** of IGST Act, 2017, subject to the provisions of section 17(5) of CGST Act, 2017, input tax credit (ITC) may be availed for making zero-rated supplies even if such supply may be an exempt supply.
- ⇒ As per **section 54(3)** of CGST Act, 2017, a registered person may claim refund of any unutilised ITC at the end of any tax period in the case of zero-rated supply made without payment of tax.
- ⇒ As per **rule 89(4)** of CGST Rules, 2017, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of ITC shall be granted as per the following formula:-

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Discussion:-

- ⇒ In given case, Synotex Pvt. Ltd. **will be eligible to claim ITC** for export of exempt product 'S' under **section 16(2)** of IGST Act and will thus, **be able to claim refund of unutilised ITC** under **section 54(3)** of CGST Act.

⇒ Accordingly, the amount refundable to Synotex Pvt. Ltd. for the tax period under rule 89(4) of CGST Rules is as under:-

- Net ITC means ITC availed on inputs and input services during the relevant period.

Thus, Net ITC = ₹7,00,000 i.e. (₹5,00,000 + ₹2,00,000).

- Turnover of Zero-rated supply of goods (a or b, whichever is less) = ₹12,00,000

a) Value of Zero-rated supply of goods under Bond/ LUT = ₹12,00,000 (refer note 1)

Note 1:- The value of goods exported out of India shall be taken as the lower of:-

☞ FOB value declared in shipping bill = ₹12,75,000 or

☞ Value declared in tax invoice = ₹12,00,000.

b) 1.5 times the value of like goods domestically supplied in India (by the same supplier) i.e. (₹10,00,000 x 1.5) = ₹15,00,000.

- Adjusted total Turnover = ₹32,00,000 i.e. (₹20,00,000 + ₹12,00,000).

- Refund amount under Rule 89(4) = ₹7,00,000 x ₹12,00,000 / ₹32,00,000 = ₹2,62,500

⇒ Further, as per CBIC Circular, the amount refundable to the applicant is least of the following amounts:-

a) Maximum refund amount as per the formula in rule 89(4) of CGST Rules i.e. ₹2,62,500.

b) Balance in the electronic credit ledger at the end of the tax period for which the refund claim is being filed after GSTR-3B for the said period has been filed i.e. ₹5,80,000.

c) Balance in the electronic credit ledger at the time of filing the refund application i.e. ₹3,00,000.

⇒ Thus, the amount refundable to Synotex Pvt. Ltd. of unutilized ITC is ₹2,62,500.

B. Supply of product 'R' to Betty Enterprises, a 100% EOU:-

Legal Provision:-

⇒ Supplies to EOU is notified as **deemed export** and for such supplies, the application of refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that supplier may claim refund (rule 89 of CGST Rules)

Discussion & Conclusion:-

⇒ Therefore, since in given case, Betty Enterprises (recipient) is claiming ITC, **Synotex Pvt. Ltd. (supplier of deemed exports) cannot claim refund of ITC.**

Therefore, the amount refundable to Synotex Pvt. Ltd. is ₹2,62,500.

Author's Note for students knowledge:-

⇒ If in the question, the value of such product when supplied domestically by the company in similar quantities was ₹5,00,000 instead of ₹10,00,000, then the **Turnover of Zero-rated supply of goods (a or b, whichever is less) = ₹7,50,000**

a) Value of Zero-rated supply of goods under Bond/ LUT = ₹12,00,000 (refer note 1)

Note 1:- The value of goods exported out of India shall be taken as the lower of:-

- FOB value declared in shipping bill = ₹12,75,000 or

- Value declared in tax invoice ₹12,00,000 or

b) 1.5 times the value of like goods domestically supplied in India (by the same supplier) i.e. (₹5,00,000 x 1.5) = ₹7,50,000.

⇒ Accordingly, the **adjusted total turnover shall be ₹20,00,000 + ₹7,50,000 = ₹27,50,000.**

⇒ Accordingly, answer the question giving effect to this adjustment.

CCP.14.07.14.00

The following particulars are furnished by Delight Exporters, Karnataka, which is duly registered under the GST law. The entity has also filed bond/LUT in order to export goods without payment of any taxes. You are required to calculate the refund amount in respect of input tax credit on inputs and input services relating to goods exported in the relevant tax period.

S. no.	Particulars	Amount (₹)
1.	Turnover excluding supply of services, but includes exempt supplies of ₹ 8,00,000 and inward supplies of ₹ 2,00,000	76,00,000
2.	Zero-rated supply of goods under bond/LUT	12,00,000
3.	Export services under bond/LUT	48,00,000
4.	Non-zero-rated supply of services	10,00,000
5.	Payments received towards zero-rated supply, which includes ₹ 12,00,000 against which services are yet to be supplied.	48,00,000
6.	Advance received in the past, against which zero-rated supplies have been made in the current tax period	14,00,000
7.	ITC on inputs and input services during the tax period	12,00,000
8.	Turnover on which suppliers have claimed refund under rule 89(4A) and rule 89(4B)	
	—Goods	6,00,000
	—Services	6,00,000
9.	ITC relating to rule 89(4A) and rule 89(4B)	2,40,000

[CA Final Nov 19 Exam New]

Answer :-

Legal Provision:-

As per **Rule 89(4)** of CGST Rules, 2017, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:-

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Discussion & Conclusion:-

Accordingly, the amount of refund shall be computed as follows:-

Particulars	Amount (₹)
Net ITC on input and input services excluding ITC availed for which refund is claimed under rule 89(4A) and 89(4B)	12,00,000
Turnover of zero-rated supply of goods:- Turnover of zero-rated supply of goods excluding turnover of supplies in respect of which refund is claimed under 89(4A) and 89(4B) [Note 4 & 5]	12,00,000
Turnover of zero-rated supply of services:- [Aggregate of payments received during the relevant period and services where supply has been completed for which payment had been received in advance in any prior period reduced by advances received for which the supply of services has not been completed during the relevant period] [48,00,000 + 14,00,000 - 12,00,000] [Note 2]	50,00,000

Adjusted total turnover = Turnover in a State excluding turnover of services + Turnover of zero-rated supply of services determined as above + non-zero-rated supply of services – [Exempt supplies other than zero-rated supplies + Turnover of supplies in respect of which refund is claimed under 89(4A) and 89(4B)] [₹76,00,000 – ₹2,00,000 + ₹50,00,000 + ₹10,00,000 – ₹8,00,000 [Note 1 & 3]]	1,26,00,000
Refund of ITC for zero-rated supply of goods and zero-rated supply of services = [12,00,000 x (₹62,00,000 / ₹1,26,00,000)]	5,90,476 (Rounded off)

Notes:

The above answer is based on following assumptions:-

1. Turnover at Sl. No. 1 [₹76 lakhs] includes the turnover of zero-rated supply of goods given at Sl. No. 2 [₹12 lakhs].
2. It is assumed that Sl. No. 6 of the table in the question belongs to zero rated supply of service and not for zero rated supply of goods.
3. The exempt supplies are logically assumed to be other than zero rated supplies.
4. The value declared in shipping bill and tax invoice is same as not separate given in the question.
5. Since the value of like goods domestically supplied is absent in the question, it is assumed that the actual value of goods exported is lower than the like goods domestically supplied.
6. ~~Turnover of zero-rated supply of goods given at Sl. No. 2 [₹12 lakhs] includes turnover of supplies of goods in respect of which refund has been claimed under rule 89(4A) and 89(4B) [₹6 lakhs].~~
7. ~~Turnover of zero-rated supply of services computed as per rule 89(4)(D) [₹50 lakhs] includes the turnover of supplies of services in respect of which the refund is claimed under rule 89(4A) and 89(4B) [₹6 Lakhs]~~

08. Rule 89(5):- Refund of ITC in case of Inverted Tax Structure

CCP.14.08.16.00

Super Engineering Works, a registered supplier in Haryana, is engaged in supply of taxable goods within the State. Given below are the details of turnover and applicable GST rates of the final products manufactured by Super Engineering Works as also the input tax credit (ITC) availed on inputs used in manufacture of each of the final products and GST rates applicable on the same, during a tax period:-

Product	Turnover* (₹)	O u t p u t GST Rates	I T C A v a i l e d (₹)		Input GST Rates
			Inputs	Input Services	
A	5,00,000	5%	54,000	20,000	18%
B	3,50,000	5%	54,000	20,000	18%
C	1,00,000	18%	10,000	5,000	18%

*excluding GST

Determine the maximum amount of refund of the unutilized input tax credit that Super Engineering Works is eligible to claim under section 54(3) of the CGST Act, 2017 provided that Product B is notified as a product, in respect of which no refund of unutilised input tax credit shall be allowed under said section. [CA Final RTP- Nov 2018] [CA final MTP Apr 19] [Study Mat]

Answer:-

Legal Provision:-

- ⇒ **Section 54(3)** of CGST Act, 2017 allows refund of unutilized input tax credit (ITC) at the end of any tax period to a registered person where the credit has accumulated on account of inverted duty structure i.e. rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods &/or services notified by Government on recommendations of Council.
- ⇒ Further, as per **rule 89(5)** of CGST Rules, 2017, in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula:-

$$\text{Maximum Refund Amount} = \left\{ \frac{\text{Turnover of inverted rated supply of Goods \& services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right\} - \left\{ \frac{\text{Tax payable on such inverted rated supply of goods \& Services}}{\text{ITC availed on Inputs \& Inputs services}} \times \left\{ \frac{\text{Net ITC}}{\text{ITC availed on Inputs \& Inputs services}} \right\} \right\}$$

Where,

- A. "**Net ITC**" means input tax credit availed (ITC) on **inputs** during the relevant period ~~other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.~~
- B. "**Adjusted Total turnover**" means the sum total of the value of:-
- The turnover in a State or a UT as per sec 2(112) excluding the turnover of services and
 - The turnover of ZRS of services as per clause (D) above & non-zero-rated supply of services, **excluding –**
 - the value of exempt supplies other than zero-rated supplies and
 - ~~the turnover of supplies for which refund is claimed under rule 89(4A) or (4B) or both, if any, during the relevant period.~~
- C. "**Relevant period**" means the period for which the claim has been filed.

Discussion:-

- ⇒ In given case, the rates of tax on inputs used in Products A and B (18% each) are higher than rates of tax on output supplies of Products A and B (5% each).
- ⇒ However, **Product B is notified** as a product for which no refund of unutilised ITC shall be allowed under section 54(3).
- ⇒ Therefore, **only Product A is eligible for refund under section 54(3).**

Calculation & Conclusion:-

In given case, the maximum refund amount which Super Engineering Works is eligible to claim shall be computed as follows:-

⇒ Tax payable on inverted rated supply of Product A = ₹5,00,000 × 5% = ₹25,000

⇒ Net ITC = ₹1,18,000 i.e. (₹54,000 + ₹54,000 + ₹10,000)

[Net ITC availed during the relevant period needs to be considered irrespective of whether the ITC pertains to inputs eligible for refund of inverted rated supply of goods or not]

⇒ ITC availed on inputs and input services = 1,63,000 i.e. (₹54,000 + ₹54,000 + ₹10,000 + ₹20,000 + ₹20,000 + ₹5,000)

⇒ Adjusted Total Turnover = ₹9,50,000 i.e. (₹5,00,000 + ₹3,50,000 + ₹1,00,000)

⇒ Turnover of inverted rated supply of Product A = ₹5,00,000

⇒ **Thus, Maximum refund amount for Super Engineering Works =**

$$= [5,00,000 \times 1,18,000 / 9,50,000] - [25,000 \times 1,18,000 / 1,63,000]$$
$$= ₹44,007 \text{ (rounded off)}$$

09. Combined Questions on Rule 89(4) and Rule 89(5):- Refund in case of zero rated supply without payment of tax and inverted duty structure

CCP.14.09.17.00

Kailash Global (P) Ltd. supplies various goods in domestic and international markets. It is engaged in both manufacturing and trading of goods. The company is registered under GST in the State of Karnataka. The company exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3)(a) of the IGST Act, 2017.

The company has made the following supplies during a tax period:-

S.no.	Particulars	Amount (₹)
(i)	Export of product 'A' to UK for \$ 10,000. Assessable value under customs in Indian rupees. [Export duty is levied on product 'A' at the time of exports. Further, value of like goods domestically supplied by the similarly placed supplier is ₹6,00,000]	7,00,000
(ii)	Domestic supplies of taxable product 'B'* during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @18%] * not notified as a product, in respect of which refund of unutilised ITC shall not be allowed under section 54(3) of CGST Act, 2017	10,00,000
(iii)	Supply of goods to Export Oriented Unit [excluding tax @ 18%] [ITC has been claimed by the recipient]	5,00,000
(iv)	Export of exempt supplies of goods:- Value declared in shipping bill Value declared in tax invoice (Value of like goods domestically supplied by similarly placed supplier is ₹ 5,00,000)	6,00,000 7,00,000

The ITC available for the above tax period is as follows:-

S.no	Particulars	Amount (₹)
(i)	On inputs (including ₹50,000 on export of exempt supplies)	3,50,000
(ii)	On capital goods	1,20,000
(iii)	On input services (including ₹18,000 on outdoor catering)	2,00,000

Determine the maximum amount of refund admissible to Kailash Global (P) Ltd. for the given tax period. [CA Final RTP May 19][Study Mat]

Answer :-

Computation of maximum amount of refund admissible to Kailash Global (P) Ltd.

Particulars	Amount (₹)
Exports of product 'A' to UK [Note 1]	Nil
Domestic supplies of taxable product 'B' during the period [Note 2]	92,105
Supply of goods to Export Oriented Unit [Note 3]	Nil
Export of exempt supplies [Note 4]	1,14,000
Total refund claim admissible	2,06,105

Notes:-

- Export of goods is a zero-rated supply as per section 16(1)(a) of IGST Act, 2017. Further, Kailash Global (P) Ltd. exports goods without payment of tax under letter of undertaking as per section 16(3)(a) of IGST Act, 2017.

Therefore, as per **section 54(3) of CGST Act, 2017**, a registered person may claim refund of any unutilised ITC in the case of zero-rated supply at the end of any tax period. However, **the refund of unutilised ITC is not allowed if the goods exported out of India are subjected to export duty.**

2. As per **section 54(3) of CGST Act, 2017**, refund of unutilised ITC is allowed in case of inverted duty structure, i.e. 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) except supplies of goods or services or both notified by Government.

➤ Further, as per **rule 89(5) of CGST Rules, 2017**, in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula:-

$$\text{Maximum Refund Amount} = \left\{ \frac{\text{Turnover of inverted rated supply of Goods \& services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right\} - \left\{ \text{Tax payable on such inverted rated supply of goods \& Services} \right\} \times \left\{ \frac{\text{Net ITC}}{\text{ITC availed on Inputs \& Inputs services}} \right\}$$

Where,

- "**Net ITC**" means input tax credit availed (ITC) on **inputs** during the relevant period ~~other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.~~

- "**Adjusted Total turnover**" means the sum total of the value of:-

a) The turnover in a State or a UT as per sec 2(112) excluding the turnover of services and

b) The turnover of ZRS of services as per clause (D) above & non-zero-rated supply of services,

excluding –

i) the value of exempt supplies other than zero-rated supplies ~~and~~

ii) ~~the turnover of supplies for which refund is claimed under rule 89(4A) or (4B) or both, if any, during the relevant period.~~

➤ Here,

Tax payable on inverted rated supply of goods = ₹10,00,000 × 5% = ₹50,000,

Net ITC = ₹3,50,000,

Adjusted Total Turnover = ₹28,00,000 i.e. [₹7,00,000 + ₹10,00,000 + ₹5,00,000 + ₹6,00,000],

Turnover of inverted rated supply of goods = ₹10,00,000 and

ITC availed on inputs and input services = ₹3,50,000 + ₹1,82,000 = ₹5,32,000.

➤ **Thus, maximum refund amount under rule 89(5)**

= (₹3,50,000 × 10,00,000 / 28,00,000) – (₹50,000 × 3,50,000 / 5,32,000)

= ₹1,25,000 – ₹32,895

= ₹92,105

3. As per **Section 2(39) and Section 147**, supplies to EOU are notified as deemed exports. Refund for deemed exports can only be claimed by the supplier if the recipient does not avail ITC and provides an undertaking [Rule 89(1), Third Proviso]. Since the recipient in this case is claiming ITC, Kailash Global (P) Ltd. cannot claim a refund of ITC under 2nd proviso to Rule 89(1).

4. As per **section 16(2) of IGST Act, 2017**, subject to provisions of section 17(5) of CGST Act, ITC may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

Section 54(3) of CGST Act, 2017 allows refund of ITC in the case of zero-rated supply made without payment of tax.

➤ As per **Rule 89(4) of CGST Rules, 2017**, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:-

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

where,

a) "**Net ITC**" means ITC availed on inputs and input services during the relevant period ~~other than the ITC availed for which refund is claimed under rule 89(4A) or 89(4B) or both.~~

b) "**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 or
- the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less,
- ~~- other than the turnover of supplies in respect of which refund is claimed under rules 89(4A) or 89(4B) or both.~~

c) "**Adjusted total turnover**" means the same as explained in note (2) above.

⇒ For the **purpose of rule 89(4), the value of goods exported out of India shall be the lower of:-**

- a) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export or
- b) the value declared in tax invoice or bill of supply.

⇒ Here,

Turnover of zero-rated supply of goods is ₹6,00,000 which is lower of (a) or (b) below:-

- a) Value of goods exported out of India shall be ₹6,00,000 which is the lower of:-
 - FOB value declared in the Shipping Bill = ₹6,00,000 or
 - Value declared in tax invoice = ₹7,00,000 or

b) 1.5 times the value of like goods domestically supplied i.e. ₹5,00,000 * 1.5 = ₹7,50,000.

Net ITC = ₹ 5,32,000 i.e. (3,50,000 + 2,00,000 - 18,000) (ITC on outdoor catering disallowed under section 17(5) of CGST Act, 2017), and

Adjusted total turnover = ₹28,00,000 (as computed above in note 2)

⇒ Thus, **Maximum refund amount under rule 89(4) = ₹ 5,32,000 x ₹6,00,000 / ₹ 28,00,000 = ₹ 1,14,000.**