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## Refund process under GST for suppliers to SEZ

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### Introduction:

In our previous news letter, we have discussed on the procedure for supplying to SEZ. As a continuation, we are discussing the process for claiming refund, for supplies made to SEZ.

### Supplies to SEZ:

1.As per section 16 of IGST,

- Supplies to SEZ will be treated as **zero rated supplies**.
- Any person making zero rated supply (i.e. any exporter) shall be eligible to claim refund under either of the following options, namely: —
  - (a) Supply **without payment** of integrated tax and claim refund of unutilised input tax credit under bond or LUT.
  - (b) Supply **with payment** of integrated tax and claim refund of such tax paid on goods or services or both supplied.

2.In order to claim refund under the both the above said scenarios, supplier of goods/services to SEZ is required to take a declaration whether these goods/services shall be used for authorised operations(as defined in Special Economic Zone Act) or not, which needs to be endorsed by specified officer of the SEZ.

### Time limit & Procedure for claiming refund:

3.A registered person who is making supplies to SEZ shall claim refund for above said scenarios by making an application in **FORM-GST-RFD-01**.

4.Time limit for application: Started from end of any tax period till the expiry of two years from the relevant date.

5.Relevant date means:

- a. In the case of refund of unutilized input tax credit the end of the financial year in which such claim for refund arises.
- b. In any other case, the date of payment of tax.

6.On Collective reading of section 54(3) and explanation for Relevant date, a person can go for refund for period after filing returns till the expiry of **2 years from the end of the financial year**.

7.Type of application: Supplier has to make an application in Form GST RFD-01 through GST Portal. However, till the online portal is enabled, the manual application can be submitted to the jurisdictional officer.

8.Supplier has to submit the following documentary evidences as Annexure-1 for **Form-GST-RFD-01** :

### If supply was made on payment of duty:

- A statement containing details of invoice(as specified in statement 4 of Annexure-1) where invoice should satisfy all the Invoice rules as specified in CGST Rules along with

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declaration evidencing those goods/services used for authorised operations by an SEZ and it should be endorsed by specified officer. And also the details of payment of taxes.

- A declaration needs to be taken form SEZ specifying that, SEZ has not availed ITC on the invoices raised against them by the supplier.

### If supply was made without payment of duty:

- A statement containing number details of invoice (as specified in statement 5 of Annexure-1) received by supplier, and also issued by supplier to SEZ during the tax period.

9. If refund amount exceeds Rs. 2lakhs, supplier has to submit a certificate from chartered accountant or a cost accountant specifying *that the incidence of tax amount claimed as refund has not been passed on to any other person* as Annexure-2 in Form GST RFD-01.

10. Refund of ITC on account of supplies without payment of duty shall be granted as per the following formula –

$$\text{Refund Amount} = (\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$$

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" =

Payments received during the relevant tax period

+ Zero rated supplies completed in relevant tax period for which payment has received in prior periods

– Advances received during relevant tax period for which Zero-rated supplies has not completed during relevant tax 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;

Adjusted Turnover in a state =

The aggregate value of all Taxable supplies

+ SEZ supplies/Export of goods or services or both

- Central tax, State tax, Union territory tax, integrated tax and cess;

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

11. Supplier has to debit the electronic credit ledger for an amount equal to refund so claimed on account of supplies without payment of duty.

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12. Within 15days of filing the application, proper officer scrutinizes the completeness of the application and issues an acknowledgment in FORM GST RFD-02 through common portal intimating the date of filing for claim of refund.

### Refund under provisional basis:

13. The officer may refund the 90% of amount claimed as refund, on satisfaction of condition that the person claiming the refund shall not be prosecuted under any offence of evading tax amount of more than Rs. 250/- under this act or existing IDT laws during any 5 years immediately preceding the tax period to which the claim of refund relates to.

14. On satisfaction of above condition the proper officer make an order in FORM GST RFD-04 sanctioning the **provisional refund within 7days** from the date acknowledgment (mentioned in point 11).

15. The proper officer shall issue a payment advice in FORM GST RFD-05 for the provisional amount sanctioned and the same shall be credited to bank as mentioned in GST registration and as specified in application for refund.

16. The final order for the refund of balance amount shall be passed after due verification of all the documents.

### Provisional refund amount calculation:

Without payment of duty: Provisional Refund amount =  $90\% \times (\text{Claim of refund} - \text{ITC provisionally accepted})$

On payment of duty: Refund amount = 90% of claim of refund

For the balance amount the proper officer after examining the application he shall make an order in FORM GST RFD-06 sanctioning the amount of refund.

*(Disclaimer: This is only a note on the general statutory provision of Goods and Service Tax Law as applicable, this has been issued without in-depth examination of facts or records of any entity, which cannot be considered as legal opinion issued by Hiregange & Associates)*

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