Module 9 · GST refunds P19 · topic 9

SM pp. 753–802 (exercise 803–804). Exam sums are **SM illustrations with new numbers**: J23 Q6(b) = Illus. 9 (exports + DTA watches, 4 marks); D23 Q8(b) = Illus. 8 (SEZ unit services, 7 marks). MCQs D25 (time limit, rule 89(4) formula), MQP (inverted duty excludes input services and capital goods). Provisional refund changed from 01-10-2025 (Supp J26 p.39–44). Expected ~1.2 marks — but a 4–7 mark sum when it comes.

WHEN IS UNUTILISED ITC REFUNDED · S.54(3)

- Only two cases: (i) **zero-rated supplies without payment of tax** (LUT / bond); (ii) **inverted duty** — rate on inputs higher than on output, output not nil-rated / exempt, goods not notified. No ITC refund if drawback of central tax or IGST refund is claimed on the same supplies. The export-duty bar was omitted w.e.f. 1-11-2024. [SM 754]
- **Inverted duty — not for**: **capital goods**, **input services** (MQP MCQ → both); accumulation from a **rate cut** on the same goods; ITC beyond **GSTR-2B**; imitation zari thread and construction of complexes for sale (from 20th October 2023). Input goods include stores, spares, packing material. [SM 755–757]

ZERO-RATED SUPPLY · TWO OPTIONS (S.16(3) IGST)

- (i) Supply under **bond / LUT** without IGST → refund of unutilised ITC (rule 89(4)); (ii) pay IGST → refund of the IGST — for goods the **shipping bill is deemed the refund application** (rule 96). [SM 758, SM 767]
- **LUT** (RFD-11): valid for the financial year; not for persons prosecuted for evasion over **₹250 lakh** — they give a bond with a bank guarantee of **15%**. [SM 773]
- **Rule 96A**: pay the tax with interest if goods are not exported within **fifteen days after the expiry of three months** of the invoice, or service payment not received within **fifteen days after the expiry of one year** (Commissioner may extend). [SM 800]

TIME LIMIT · RELEVANT DATE (S.54(1), EXPL. 2)

- Apply within **2 Years** of the relevant date. Period from filing to the deficiency memo is excluded. [SM 763–764]

Case	Relevant date
Goods exported by sea / air · land · post	ship / aircraft leaves India · passes the frontier · post office despatches
Deemed exports	date the return for them is furnished
Services exported	receipt of payment (service completed first) / invoice (advance received)
Inverted duty ITC	**due date of the return u/s 39** for that period
Provisional tax · judgment · others	adjustment after final assessment · communication · date of payment

[SM 764]

FORMULAS

RULE 89(5) INVERTED DUTY (N. 14/2022, FROM 05.07.2022)

Max refund = [Inverted turnover × Net ITC ÷ Adjusted total turnover] − [Tax payable on the inverted supply × Net ITC ÷ ITC on inputs and input services]. **Net ITC = ITC on inputs only**. [SM 754–755]

RULE 89(4) ZERO-RATED (D25 MCQ → (A))

Refund = (Zero-rated turnover of goods + services) × Net ITC ÷ Adjusted total turnover. Net ITC = inputs + input services. Export goods value = lower of invoice value and **1.5 times** the value of like goods sold domestically; same cap inside ATT; exported goods at the lower of FOB and invoice (from 5th July, 2022). Services turnover = payments received in the period (+ advances for supplies completed). [SM 758–760]

- Portal grants the **least of three**: formula amount; ECL balance at the end of the tax period after GSTR-3B; ECL balance at filing. Debit IGST first, then CGST and SGST equally. [SM 762, SM 799]

PROCESS, PROVISIONAL REFUND, INTEREST

- **Provisional refund** (s.54(6), rule 91): **90%** of a zero-rated claim within **7 days** of acknowledgement, balance after verification. **From 01-10-2025**: RFD-04 issued on the **system's risk evaluation**; officer may refuse only with written reasons; also used for IDS refunds as an interim measure; not once granted adjusted or withheld. [SM 782, Supp J26 p.39–43]
- No provisional refund (N. 14/2025-CT, from 1st day of October, 2025): persons not **Aadhaar-authenticated** (rule 10B); suppliers of notified goods (areca nuts, pan masala …). [Supp J26 p.44]
- Final order within **60 days** of receipt of a complete application; **interest 6%** u/s 56 from the day after those 60 days. No refund below **one thousand rupees** (s.54(14)). [SM 766, SM 779, SM 791]
- **Unjust enrichment**: does not apply to ECL-balance refunds; refunds otherwise not due to the applicant go to the Consumer Welfare Fund. ECL balance is refunded in a separate form, not via GSTR-3B (from 01-10-2022). [SM 765–766]
- Claims may club successive periods, even across financial years. [SM 766–767]

PROBLEMS BOX · REFUND SUMS (RECOMPUTED BY SCRIPT m09_patterns.py)

WORKED PATTERN · SM ILLUS. 9 (= J23 Q6(b) TEMPLATE)

Export 1000 × ₹1,100 = 11,00,000 v 1.5 × 8,00,000 = 12,00,000 → lower	11,00,000
GST on DTA ₹8 lakh × 18%	1,44,000
ITC for DTA: ₹10 lakh × 8 / 19	4,21,053
Net GST payable · credit carried forward	Nil · 2,77,053
Refund: 10,00,000 × 11 / 19	**5,78,947**

[SM 798]

J23 Q6(b) ABC LTD. (OUR WORKING)

Export 12,00,000 (1.5 × 9,00,000 = 13,50,000 is higher) · DTA GST 1,62,000 − ITC 14 L × 9/21 = 6,00,000 → nil payable, 4,38,000 carried forward · **refund 14 L × 12/21 = 8,00,000**.

WORKED PATTERN · RULE 89(5) (SM EXAMPLE, JAN 2023)

Inverted TO ₹5,50,000 @5%, total ₹6,00,000; ITC inputs ₹50,000, input services ₹15,000, capital goods ₹25,000 (ignored): [5,50,000 × 50,000 / 6,00,000] − [27,500 × 50,000 / 65,000] = ₹45,833 − ₹21,153 = **₹24,680**. [SM 755 (chart)]

WORKED PATTERN · SM ILLUS. 8 SEZ UNIT (= D23 Q8(b) TEMPLATE)

Services	ITC	Refund
5,00,000 exclusively SEZ (exempt)	Nil	Nil
8,00,000 SEZ + DTA: (₹8L × 18%) × 100L/160L	54,000	90,000
3,00,000 DTA only	54,000	Nil
Total	**1,08,000**	**90,000**

[SM 796] ITC column = credit kept for DTA after the refund share.

D23 Q8(b) CDA LTD. (OUR WORKING)

Common 9,00,000 × 18% = 1,62,000 → refund × 90/150 = **97,200**, ITC kept 64,800 · DTA-only 7,00,000 × 18% = 1,26,000 · exclusive-SEZ 8,00,000 exempt → nil · **ITC 1,90,800, refund 97,200**.

MCQ ANSWERS (OUR WORKING)

D25 Q1(vi) Naman Toys, April 2021 inverted duty: relevant date = return due date 20-5-2021 → **20th May, 2023 (B)** (⚠ ignores the Covid-period exclusion). D25 Q1(viii) → (A). MQP Q1(viii) → (d) input services and capital goods. Least-of-three (SM Illus. 11): 5 L / 4 L / 6 L → 4 L.

PRACTISE THESE

J23 Q6(b) · D23 Q8(b) · D25 Q1(vi), (viii) · MQP Q1(viii) · SM Illus. 2–11 (SM 782–799) · SM M9 MCQs 1–11 (SM 803–804) · **ICMAI Practice Workbook Ch9 illus. 1–5, 7–14** (SEZ services, inverted duty, rule 94 interest, IGST refund on exports, rule 89(4) maxima, ledger-balance cases) · MCQ bank Q60–Q63, Q130–Q132.

MEMORY HOOK

"Two doors for ITC: zero-rated and inverted. Inverted counts inputs only; zero-rated caps exports at 1.5× home price. Two years, 90% in a week, all in 60 days or 6%, nothing under a thousand."