



# RANI CHANNAMMA UNIVERSITY

B.Com – 6<sup>th</sup> Semester

Goods and Service Tax – II

## UNIT – 4: PAYMENT PROCESS IN GST AND RETURNS OF GST

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit (ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

### **Electronic Ledgers (E-Ledgers):**

Electronic Ledgers are statements of cash and input tax credit in respect of each registered taxpayers. Every tax payer required to be maintained 3 types of ledgers prescribed by the Government. They are:

1. Electronic Cash Ledger
  2. Electronic Credit Ledger
  3. Electronic Tax Liability Ledger
1. **Electronic Cash Ledger:** Electronic cash ledger is a ledger that is maintained by every taxpayer on common portal of GST and contains deposits that a taxpayer has made and any tax payment made through cash.  
Electronic cash ledger is an account of the taxpayer maintained by GST system reflecting the cash deposits and payment of taxes and other dues made by taxpayer.
  2. **Electronic Credit Ledger:** The taxes paid by the dealer on the inputs will be recorded in the electronic credit ledger. The credit for input tax credit is credited to the electronic credit ledger of the taxpayer.  
Electronic credit ledger is maintained in GST portal. All the approved claims for input tax credit are credited to the electronic credit ledger under the appropriate head of CGST, SGST, IGST, UGST and GST cess.
  3. **Electronic Tax Liability Ledger:** Electronic tax liability ledger shows the total tax liability of a registered dealer for a particular month. This total tax liability can be accessed on the GST portal. The total tax liability includes:
    - a. Amount of tax payable.
    - b. Interest, penalty and late fees.
    - c. Any other amount payable as determined in a proceeding by an assessing authority.
    - d. Tax Deducted at Source (TDS).
    - e. Tax Collected at Source (TCS).
    - f. Tax payable under reverse charge.

### **Features of GST payment process:**

The following are the main features of GST payment process:

1. Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan.

2. Facilitation for the taxpayer by providing hassle free, anytime, anywhere mode of payment of tax.
3. Convenience of making payment online.
4. Logical tax collection data in electronic format.
5. Faster remittance of tax revenue to the Government Account.
6. Paperless transactions.
7. Speedy Accounting and reporting.
8. Electronic reconciliation of all receipts.
9. Simplified procedure for banks.
10. Warehousing of Digital Challan.

**Methods or Modes of Payment under GST:**

1. Internet banking through authorized banks (Debit card or Credit card).
2. Payment through NEFT (National Electronic Fund Transfer) or RTGS (Real Time Gross Settlement) from any bank.
3. Over The Counter Payment (OTC) through authorized banks for deposits up to ten thousand rupees per challan per tax period by cash, cheque or demand draft.

**What are CPIN, CIN, BRN, E-FPB and UNI?**

**CPIN** stands for Common portal Identification Number. It is created for every Challan successfully generated by the taxpayer. It is a 14-digit unique number to identify the challan. CPIN remains valid for a period of 15 days.

**CIN** or Challan Identification Number is generated by the banks, once payment in lieu of a generated Challan is successful. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code. CIN is generated by the authorized banks/Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

**BRN** or Bank Reference Number is the transaction number given by the bank for a payment against a Challan

**E-FPB** stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India transaction.

**UNI stands for Unique Identification Number****What is Common Portal?**

Common portal means the common goods and services tax electronic portal referred to in section 146 of the GST Act.

All returns are to be filled and payments to be made through this common portal.

**What is Return?**

Return is a statement of information furnished by the taxpayer to tax administrators at regular intervals.

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that include:

- a) Purchases
- b) Sales
- c) Output GST (On sales)
- d) Input tax credit (GST paid on purchases)

**Different Types of Returns applicable under GST:**

<b>Return form</b>	<b>Who should file the return and what should be filed?</b>	<b>Due date for filing returns</b>
GSTR-1	Registered taxable supplier should file details of outward supplies of taxable goods and services as affected.	10th of the subsequent month.
GSTR-2	Registered taxable recipient should file details of inward supplies of taxable goods and services claiming input tax credit.	15th of the subsequent month.
GSTR-3	Registered taxable person should file monthly return on the basis of finalization of details of outward supplies and inward supplies plus the payment of amount of tax.	20th of the subsequent month.
GSTR-4	Composition supplier should file quarterly return.	18th of the month succeeding quarter.
GSTR-5	Return for non-resident taxable person.	20th of the subsequent month.
GSTR-6	Return for input service distributor.	13th of the subsequent month.
GSTR-7	Return for authorities carrying out tax deduction at source.	10th of the subsequent month.
GSTR-8	E-commerce operator or tax collector should file details of supplies affected and the amount of tax collected.	10th of the subsequent month.
GSTR-9	Registered taxable person should file annual return.	31 December of the next fiscal year.
GSTR-10	Taxable person whose registration has been cancelled or surrendered should file final return.	Within 3 months of date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Person having UIN claiming refund should file details of inward supplies.	28th of the month, following the month for which the statement was filed.

GST return can be filed using different forms depending on the type of transaction and registration of the taxpayer. Return forms for normal taxpayers are:

**GSTR-1 Return for outward supplies (Section 37):**

GSTR-1 return form has to be filed by a registered taxable supplier with details of the outward supplies of goods and services. This form is filled by the supplier.

GSTR-1 is to be filled by all taxpayers including casual tax payer except the following persons:

- i. Input Service Distributor (ISD)
- ii. Non-Resident taxable person
- iii. Composite Tax payer
- iv. Person Deducting Tax at Source (TDS)
- v. Person Collecting Tax at Source (TCS)
- vi. A supplier of online Information and Database Access or Retrieval (OIDAR) Services

While filing the GSTR-1 invoices has to be uploaded depending upon supply is made to registered person (B2B supply) or unregistered person (B2C supply).

**B2B Supply:** B2B supply means business to business transactions, where the recipient is also a registered person, hence he can take ITC.

**B2C Supply:** B2B supply means business to consumer transaction, where recipient is a consumer or unregistered person, hence he cannot take ITC.

**Contents of GSTR-1:**

1. GSTIN: Goods and Services Taxpayer Identification Number.
2. Name of the registered person.
3. Aggregate Turnover in the previous Year
4. Taxable outward supplies made to registered persons: All B2B supplies should be mentioned in this section.
5. Taxable outward inter-State supplies to un-registered persons (B2C) where the invoice value is more than Rs 2.5 lakh.
6. Zero-rated supplies and deemed exports.
7. Taxable outward supplies to consumer (B2C) where invoice value is less than 2.5 lakh.
8. Nil-rated, exempt and non-GST outward supplies.
9. Amendments to taxable outward supply details furnished in returns for earlier tax periods in points 4, 5 and 6.
10. Amendments to taxable outward supplies to unregistered persons furnished on returns for earlier tax periods.
11. Consolidated Statement of Advances Received or adjusted in the current tax period, plus amendments from earlier tax periods.
12. HSN-wise summary of outward supplies: This section requires a registered dealer to provide HSN wise summary of goods sold.
13. Documents issued during the tax period: This head will include details of all invoices issues in a tax period, any kind of revised invoice, debit notes, credit notes, etc.

**GSTR-1 has to be filed by 10th of the following month.**

**GSTR-2 Return for inward supplies (Section 38):**

GSTR-2 return form has to be filed by a registered taxable recipient with details of the inward supplies of goods and services.

GSTR-2 is to be filled by all taxpayers including casual tax payer except the following persons:

- i. Input Service Distributor (ISD)
- ii. Non-Resident taxable person
- iii. Composite Tax payer
- iv. Person Deducting Tax at Source (TDS)
- v. Person Collecting Tax at Source (TCS)
- vi. A supplier of online Information and Database Access or Retrieval (OIDAR) Services

**Contents of GSTR-2:**

1. GSTIN
  2. Name of the registered person
  3. Inward supplies received from a registered person other than the supplies attracting reverse charge
  4. Inward supplies on which tax is to be paid on reverse charge
  5. Inputs/Capital goods received from Overseas or from SEZ units on a Bill of Entry
  6. Amendments to details of inward supplies furnished in returns for earlier tax periods in points 3, 4 and 5 including debit notes or credit notes issued.
  7. Supplies received from composition taxable person and other exempt or nil rated or Non GST supplies received.
  8. ISD credit received
  9. TDS and TCS credit received
  10. Consolidated Statement of Advances paid or Advance adjusted on account of receipt of supply
  11. Input Tax Credit Reversal or Reclaim
  12. Addition and reduction of amount in output tax for mismatch and other reasons
  13. HSN summary of inward supplies
- GSTR-2 has to be filed by 15th of the following month.

**GSTR-3 Monthly returns (Section 39):**

GSTR-3 return form has to be filed by a registered taxpayer with details that are automatically populated by from GSTR-1 and GSTR-2 returns forms. The taxpayer has to verify and make modifications, if any. GSTR-3 return form will contain the following details:

- a) Details about Input Tax Credit, liability, and cash ledger.
- b) Details of tax paid under CGST, SGST, and IGST.
- c) Claim a refund of excess payment or request to carry forward the credit.

**GSTR-3 has to be filed by 20th of the following month.**

**GSTR-4 Return for compounding taxable person:**

GSTR-4 return form has to be filed by taxpayers who have opted for the Composition Scheme. Taxpayers with small business or a turnover of up to Rs.75 lakh can opt for the Composition Scheme wherein he or she have to pay tax at a fixed rate based on the type of business. Taxpayers under this scheme will not have input tax credit facility. GSTR-4 quarterly return form will contain the following details:

- a) The total value of consolidated supply made during the period of return.
- b) Details of tax paid.
- c) Invoice-level purchase information.

**GSTR-4 has to be filed by 18th of the following month.**

**GSTR-5 Return for Non-Resident foreign taxable person:**

GSTR-5 return form has to be filed by all registered non-resident taxpayers. This form will contain the following:

- a) Name and address of the taxpayer, GSTIN, and period of return.
- b) Details of outward supplies and inward supplies.
- c) Details of goods imported, any amendments in goods imported during the previous tax periods.
- d) Import of services, amendments in import of services
- e) Details of credit or debit notes, closing stock of goods, and refund claimed from cash ledger.

**GSTR-5 has to be filed by 20th of the following month.**

**GSTR-6 Return for Input Service Distributor:**

GSTR-6 return form has to be filed by all taxpayers who are registered as an Input Service Distributor. This form will contain the following:

- a) Name and address of the taxpayer, GSTIN, and period of return.
- b) Details of input credit distributed.
- c) Supplies received from registered persons.
- d) The amount of input credit availed under the current tax period.
- e) Details of inward supplies will be auto-populated from GSTR-1 and GSTR-5 return forms.
- f) Details of the receiver of input credit corresponding to his or her GSTIN.
- g) Details of credit or debit notes.
- h) Input tax credit received, input tax credit reverted, and input tax credit distributed as SGST, CGST, and IGST.

**GSTR-6 has to be filed by 13th of the following month.**

**GSTR-7 Return for authorities deducting tax at source:**

GSTR-7 return form has to be filed by all registered taxpayers who are required to deduct tax at source under the GST rule. This form will contain the following:

- a) Name and address of the taxpayer, GSTIN, and period of return.
- b) TDS details and amendments in invoice amount, TDS amount or contract details.
- c) TDS liability will be auto-populated. Details of fees for late filing of return and interest on delayed payment of TDS.
- d) Refund received from Electronic Cash Ledger will be auto-populated.

**GSTR-7 has to be filed by 10th of the following month.**

**GSTR-8 Details of supplies effected through e-commerce operator and the amount of tax collected:**

GSTR-8 return form has to be filed by all e-Commerce operators who are required to collect tax at source under the GST rule. This form will contain details of supplies effected and the amount of tax collected under Sub-section (1) of Section 43C of Model GST Law. Other details include:

- a) Name and address of the taxpayer, GSTIN, and period of return.
- b) Details of supplies made to registered taxable person and amendments, if any.
- c) Details of supplies made to unregistered persons.
- d) Details of Tax Collected at Source.
- e) TDS liability will be auto-populated. Details of fees for late filing of return and interest on delayed payment of TDS.

**GSTR-8 has to be filed by 10th of the following month.**

**GSTR-9 Annual Returns:**

GSTR-9 return form is filed by normal taxpayers with details of all income and expenditure for the year. This detail will be regrouped in accordance with the monthly returns. The taxpayer will have the opportunity to make modifications in the information provided if required.

**Contents of GSTR-9:**

1. GSTIN
2. Legal name of registered person
3. Date of statutory audit
4. Auditors
5. Details of expenditure
6. Details of income
7. Return reconciliation statement
8. Profit and Loss statement

**GSTR-9 has to be filed by 31st December of the following financial year along with the audited copies of the annual accounts.**

**GSTR-10 Final returns:**

GSTR-10 return form has to be filed by any taxpayer who opts for cancellation of GST registration. This form will contain the following:

- a) Application Reference Number (ARN).
- b) Date of cancellation of GST registration.
- c) Unique ID of cancellation order.
- d) Date of cancellation order.
- e) Details of closing stock including amount of tax payable on closing stock.

**GSTR-10 final return form has to be filed within 3 months of the date of cancellation or date of cancellation order, whichever is later.**

**GSTR- 11 Details of Inward supplies:**

GSTR-11 return form has to be filed by everyone who has been issued a Unique Identity Number (UIN) and claims a refund of the taxes paid on inward supplies. This form will contain the following details:

- a) Name of the government entity, UIN, and period of return.
- b) All inward purchases from GST registered supplier will be auto-populated.

**Based on the above mentioned details, the tax refund will be made. GSTR-11 form has to be filed on 28th of the month, following the month for which supply was received.**

## **UNIT – 5: REFUND UNDER GST**

### **Meaning of refund**

- If any excess tax has been paid or if there is any unutilized input tax Credit, a person can claim such tax back is called as refund of tax.
- Refund means any amount due to the taxpayer from the tax administration.
- For example: Mr. X's GST liability is Rs. 5,000, But due to mistake, Mr. X has made a GST payment of Rs. 50,000, Mr. X has made an excess GST payment of Rs 45,000. Now, Mr. can claim refund of Rs 45,000.
- According to Section 38 (2), refund includes refund of tax on goods or services exported out of India or on inputs or input Services or in goods or services are exported outside India, or refund of tax on the supply of goods as considered as deemed exports, Or refund of unutilized input tax credit .

Timely refund mechanism is Very important because even a slight delay in the refund process will impact on the working capital and cash flow of the manufacturers and exporters.

### **What Refund includes?**

As per Explanation - 1 given under Section 54, refund includes:

- I. Refund of tax paid on zero - rated supplies of goods or services or both or
- II. On inputs or input Services used in making such zero - rated supplies , or
- III. refund of tax on the supply of goods regarded as deemed exports , or
- IV. refund of unutilized input tax Credit as provided under sub - section(3)

### ***Situations in which the refunds will arise:***

As per Section 54 of the CGST Act, 2017, a claim for refund may arise in following situations:

1. Excess payment of tax due to mistake or inadvertence.
2. Export of goods or services under claim of rebate or refund.
3. Refund in case of finalization of Provisional Assessment.
4. Refund of pre - deposit for filing appeals.
5. Refund arises during investigations where no or lesser actual liabilities arise.
6. Refund due to year end or volume based discount by credit note.

#### ***1. The excess payment of tax due to mistake:***

It refers to the circumstances where the tax payer has made excess payment of tax either by mistake or inadvertence which results in tax paid more than actual due to Government. Since the tax that has been paid in excess, the excess amount can be refunded to the taxpayer. The excess payment may be made in following situations:

- a) Wrong mention of nature of tax that is the payment of IGST instead of CGST & SGST and vice versa.
- b) Wrong mention of GSTIN, or
- c) Wrong mention of tax amount.

Case of Wrong mention of nature of tax (CGST / SGST / IGST) or in case of wrong mention of GSTIN, the tax administration is required to verify the correctness of the taxpayer's claim and therefore the taxpayer should file a refund application which should be decided within specified period.

#### ***2. Export of goods or services:***



The major claim for refund may arise on account of exports. The exporters suffer due to heavy working capital blockages either due to payment of IGST making exports or of un-utilized ITC on inputs. The export of goods or by way services can be made in 3 ways:

- A. By obtaining inputs without payment of tax and exporting final product.
- B. By obtaining tax paid input and exporting final product without payment of tax payment of tax. At the time of export, input tax credit can be claimed.
- C. By obtaining tax paid inputs, availing the input tax credit thereon and exporting finished goods after of payment of tax by utilizing input tax credit. Later rebate of tax paid on exported goods can be claimed.

All exports of goods or services to SEZs have been categorized as Zero Rated Supplies in the IGST Act. "Zero rated supply" under Section 16 of the IGST Act, 2017, means any of the following supplies of goods or services or both, namely:

- I. Export of goods or services or both; or
- II. Supply of goods or services or both to a SEZ developer or a SEZ unit.

In case of zero rating of supplies, the supplier is entitled to claim input tax credit in respect of goods or services which are used for such supplies. Such zero rated suppliers can supply in two ways:

1. He can export the services goods or services without payment of tax by executing Bond/ letter of Undertaking (LUT) and claim refund of accumulated Input Tax Credit, or
2. He may export on payment of IGST and claim refund of thereof provisions of Section 54 of CGST Act, 2017.

Thus, GST paid on the inputs or on exported finished goods is refund the exporter. The exporter can claim refund on exported goods by following the process below:

- A) The Importer Exporter Code (IEC) details of taxpayer will be verified - Verifying the Correctness of the Exporter's particulars.
- B) The refund of ITC rebate of GST will be granted by the taxpayer,
- C) The event of export need to be verified to minimize cases of Erroneous /fraudulent claims.
- D) For export verification the following documents are required:
  - i) Shipping Bill.
  - ii) Transporter's Challan (in case of export by road)
  - iii) Export invoice;
  - iv) Packing list;
  - v) Bill of Lading! Airway Bill;
  - vi) Bank Realization Certificate (BRC).

In case of export of services, no shipping bill is required. Only invoice and bank realization certificate (BRC) are required. Therefore, in case of export of services, BSR will be required to grant the refund of GST on inputs (input services) /Rebate of GST paid on exported services.

Generally, up to 90% of the refund claimed by the taxpayer may be sanctioned automatically by the system. And the Remaining 10% of the refund will for completion of verification of documents / accounts done for the financial Year and to be completed within a period of three months. Be granted after completion of verify at the end of the Financial year and to be completed within a period of three months.

### **3. Refund in case of finalization of Provisional Assessment:**

- A. The GST returns of the taxpayer will be filed electronically. In the return itself, there is a field for indicating whether the tax being paid is provisional or final .
- B. In case the tax has been paid on provisional basis, a drop box to be made available indicating the reasons for which the tax has been made on a provisional basis, a drop box to be made available indicating the reasons for which the tax has been paid on a provisional basis.

- C. If the Assessing Officer agrees with the reason mentioned, the return may be kept provisional. Thereafter, the return to be taken up for finalization within 90 days.
- D. At the time of finalization of the return, a speaking order will be issued to mention the amount the taxpayer is required to pay or eligible for refund.
- E. The refund will be granted only if the incidence of tax paid by taxpayer has not been passed on to the consumer.
- F. The principle of unjust enrichment will be applicable for refund. Taxpayer is required to submit a self-certification or CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.

#### ***4. Refund of pre -deposit for filing appeals:***

- Taxpayer may file a simple refund application along with a CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.
- Refund may not to be kept in suspension only on the ground of filing appeal by the respondent unless the jurisdictional authority has obtained a stay of the order (in favour of the taxpayer) from higher appellate authority.
- GST Law may provide for certain predefined cooling period during which refund may not be granted which can be regarded as the mandatory waiting period for the outcome of the appeal / application for stay GST.
- Law Drafting Committee may also consider for providing jurisdictional authority at sufficiently senior level for with in exceptional cases. In such case interest has to be paid.
- The refund may be on account of CGST, SGST or IGST as be.

#### ***5. Refund arises during investigations where no or lesser actual liability arises:***

- Refund arises during investigations requires utmost attention as such amount of tax paid during investigation, etc. become non leviable once the investigation is finalized and / or an adjudication order in favor of the taxpayer is issued. Therefore this process should be simple.
- As soon as the investigation is over which does not lead to issuance of a show cause notice or where after investigation, show cause notice is issued but the adjudication order is in favor of the taxpayer, the taxpayer should be immediately eligible to claim refund of the amount which is paid in excess during investigation.
- Taxpayer may file a simple refund application along with a CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.
- Refund can be sanctioned only after lapse of time available for filing an appeal by tax authorities.
- Refund may be withheld only if the department has obtained a stay order on the operation of the adjudication order.

#### ***6 Refund due to year end or volume based discount by credit note:***

- Section 34 of the CGST Act, 2017 provides for issuance of credit notes by the supplier for post supply discounts or if goods are returned back within a stipulated time.
- When such credit notes are issued, the output liability of the supplier will be reduced. Hence, the taxes paid on earlier supply will be higher than what is actually payable.
- In such cases, the excess tax paid by the supplier needs to be refunded.

- The refund will be sanctioned on submission of an application along with a Certificate of Chartered Accountant certifying the fact of non-passing of the GST burden by the taxpayer.
- The eligibility for ITC of the buyer and the output liability of the supplier will be reduced simultaneously. For that the supplier will issue credit notes and the corresponding debit notes will be issued by the buyers.
- In case of mismatch between credit and debit notes, the reduction of Output tax liability of the supplier will be reversed.

***Documents required for the refund as per Rule-89 (2):***

1. Copy of challan and copy of return evidencing payment of duty.
2. In case refund is on account of export of goods: A statement Documents required for refund as per Rule-89 be and the date of the relevant export invoices.
3. In case refund is on account of export of services: A statement the containing the number and date of invoices and date of shipping bills or bills of export and the relevant bank Realization certificates or Foreign Inward Remittance Certificates. case may be.
4. In case supply of goods made to a SEZ unit or a SEZ developer : statement containing the number and date of invoices along evidence regarding the endorsement in the case of the supply made to a SEZ unit or a SEZ developer.
5. In case supply of goods or services made to a SEZ unit or a SEZ developer: A declaration to the effect that the SEZ unit or the SEZ developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both.
6. In a case where the claim pertains to refund of any unutilized input tax credit where the credit has accumulated on account of the rate of tax on the inputs being higher than the rate of tax on output supplies, other than nil rated or fully exempt supplies: A statement containing the number and tie date of the invoices received and issued during a tax period.
7. If the claim is for refund of accumulated ITC: Only a statement containing invoice details as prescribed in the Refund rules.
8. In case of claim of refund on account of any order or judgment of appellate authority or court: The reference number of the order giving rise to refund.
9. For crossing the bar of unjust enrichment, if the refund claim is less than Rs.2 Lakhs : then a self-declaration by the applicant to the effect that the incidence of tax has not been passed to any other person will suffice to process the refund claim. For refund claims exceeding Rs. 2 Lakhs, a certificate from a Chartered Accountant/Cost Accountant need to be submitted 9

***Time Limit for Filling GST Refund Request:***

- Any person claiming the refund of the GST tax, or the interest paid should make an application within a period of 2 years from the relevant date using the Form GST RFD-01 electronically.
- If the claim is in order, the refund has to be sanctioned within a period of 60 days from the date of receipt of the application.
- Interest on the delayed refund (beyond 60 days, arising from order of authority / court ) is paid at 6 % per annum.

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