

GST refund on cancellation of orders

Recovery of excess GST paid: Goods returned / rejected

Introduction

- ▶ Consequent to the lockdown declared in the country, businesses are facing various challenges, and availability of cash and liquidity ranks as the prime concern amongst them. As businesses move to conserve cash, order cancellations are bound to be rampant, especially in the case of services. The legal ramifications of order cancellations aside, this document looks at a few situations where orders were cancelled after GST was remitted.
- ▶ As part of the various relief measures being announced by the Government, the Central Board of Indirect Tax and Customs has issued a circular relating to allowability of refund of GST already remitted by suppliers. It may be noted that these provisions are not new and are merely clarificatory in nature.

GST on goods which are returned or rejected by customers

- ▶ If goods are rejected or returned by customers on which GST has already been remitted, then the supplier needs to issue a credit note drawing reference to the invoice raised. If the goods are worth more than Rs. 50,000, then an E-Way bill also needs to be generated.
- ▶ While filing the monthly GST returns, the details of the credit note issued should be submitted and the excess GST paid can be claimed as a reduction from the GST liability of that particular month. In the event that the GST liability of that month is not sufficient to cover the excess GST paid, the supplier can file a refund application in Form GST RFD 01 for refund of the excess tax so paid.

Documentation

Goods returned / rejected by customer, but GST paid

Issue credit note

File E-Way bill for return of goods

GST returns

Excess GST remitted to be claimed

Subsequent month's return

Sufficient GST liabilities in subsequent returns

Insufficient GST liabilities to set off excess GST paid

Set off excess GST paid against liabilities in subsequent return

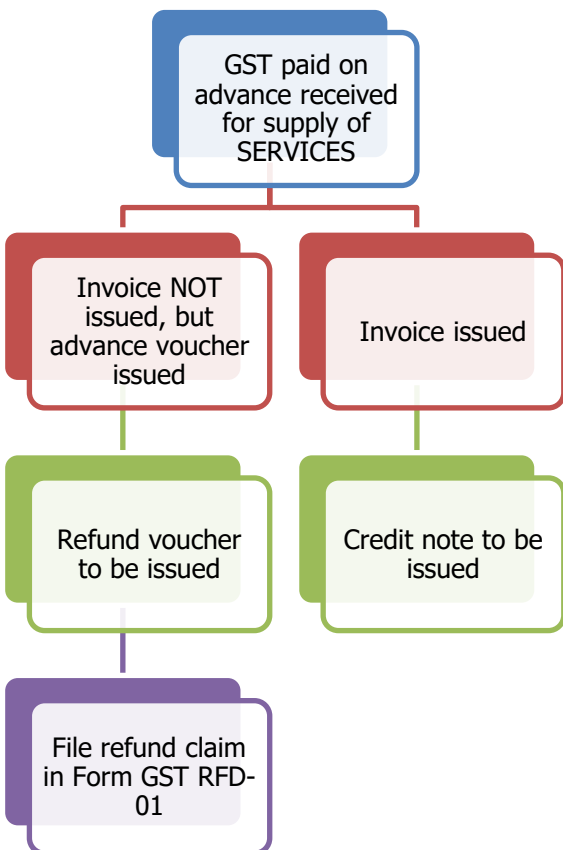
File refund claim in Form GST RFD-01

Recovery of excess GST paid: Service contracts cancelled

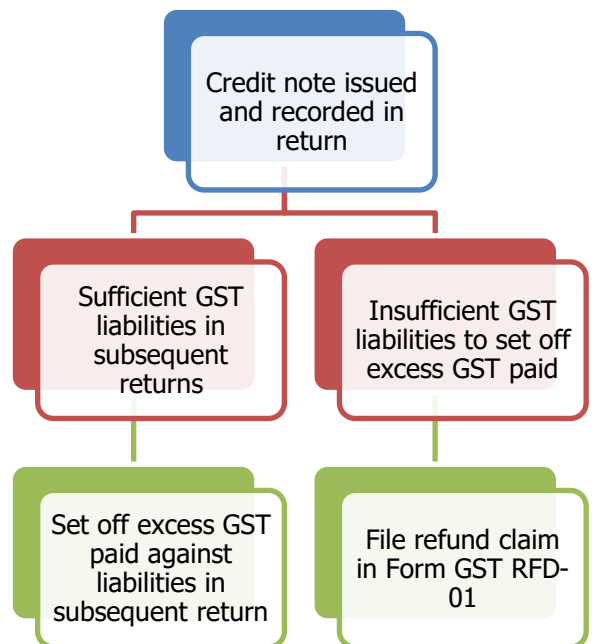
GST paid on advance received against service contract which was subsequently cancelled by the customer

- ▶ Consider a situation where a resort providing accommodation service had received an advance in an earlier month for accommodation services to be provided in the month of April 2020. As the service cannot be supplied, the contract would get cancelled and the amount has to be refunded to the customer. The refund made to the customer will include the GST amount earlier paid to the Government.
- ▶ For the resort (service provider) to get the adjustment for GST, it has to issue a refund voucher and make a claim for a refund by filing Form GST RFD 01. Service providers who had received advances and issued invoices, will have to issue credit notes and include it in the next return filed. In many cases, if there is no outward supply for month of April 2020 (due to the lockdown), chances are that service providers would get to adjust this excess GST paid post the lockdown once operations are resumed and thereby affecting their liquidity.

Documentation



GST returns



Notice to the reader

In relation to this publication you may contact:

George Joseph, Managing Partner
Cell : +91 97464 00575
Email: gj@gja.co.in

P. Rajagopal, Partner
Cell : +91 93886 09990
Email: pr@gja.co.in

Umesh Bhat, Partner
Cell : +91 98472 74567
Email: umeshbhat@gja.co.in

Reuben Joseph, Partner
Cell : +91 98952 09307
Email: reuben.joseph@gja.co.in

N. Vijayakumar, Principal (IDT)
Cell: +91 94463 62533
Email: vjkumar@gja.co.in

Allen Joseph, Partner
Cell : +91 90483 06882
Email – allen.joseph@gja.co.in

Raphael Sharon, Partner
Cell : +91 99462 03087
Email: raphael.sharon@gja.co.in

Shaji Varghese, Partner
Cell : +91 98470 44030
Email: shaji.varghese@gja.co.in

C M Cheriyan, Partner
Cell : +91 90376 66896
Email: cherian.cm@gja.co.in

Swathi Bhojak, Consultant (Co. Law)
Cell : +91 90370 20811
Email: swathi.bhojak@gja.co.in

Godwin Thomas, Manager, Risk Advisory
Cell : +91 94968 36346
Email: godwin.thomas@gja.co.in

37/2038, 1st Floor, Muttathil Lane
Kadavanthra,
Cochin – 682 020, Kerala

G. Joseph & Associates (GJA) is a firm of Chartered Accountants registered under the Institute of Chartered Accountants of India. "GJA News" is a publication by GJA, meant only for internal distribution and distribution among select clientele of GJA. The contents in the document are the views of GJA alone and the reader should not consider the same as a decision making input or an aid in investment / financial planning decisions. Further, this document, any extracts from the same or any views presented herein are not meant for public circulation. GJA reserves the right to modify the contents.

