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IGST Refund for Exporters: A Practical Guide

A practical walkthrough of refunds on zero-rated supplies, covering:

a. Modes of export and how to claim the refund; and

b. Rule 89(4), late exports and a step-by-step checklist

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IGST Refund for Exporters: An Overview

Under India's Goods and Services Tax (GST) regime, exports are treated as 'zero-rated supplies', meaning exporters can claim refunds of the Integrated GST (IGST) paid on goods or services exported. This provision plays a critical role in boosting India's export competitiveness by ensuring that domestic taxes do not burden international trade. Exporters may supply goods or services in two main ways, each with its own refund route.

Export with Payment of IGST

► IGST is charged on export invoices.

► The exporter claims a refund of the IGST paid after shipping the goods.

How to claim (normal refund):

► Pay IGST at the time of export.

► File the shipping bill with Customs — the shipping bill itself is the refund application.

► File GST returns (GSTR-1 and GSTR-3B); these must match the invoice and shipping bill data.

► No separate application is needed unless there is a mismatch or error.

Export under Bond / LUT without Payment of IGST

► No tax is paid at the time of export.

► The exporter may later claim a refund of unutilised Input Tax Credit (ITC).

How to claim:

► File the LUT / Bond prior to the exports.

► Ensure export invoices are correctly reflected in GSTR-1.

► Apply for the refund through FORM GST RFD-01 on the GST portal.

► For export of services, a FIRC (Foreign Inward Remittance Certificate) or BRC (Bank Realisation Certificate) is mandatory.

Important: *the BRC/FIRC requirement applies only to export of services. For export of goods, no such proof is needed to process the refund — but under Rule 96B of the CGST Rules, if the export proceeds are not realised within the FEMA-prescribed period, the refund already granted must be repaid with interest.*

Key Points Every Exporter Must Know

Refund filing process	Refunds are to be filed electronically in FORM GST RFD-01 on the GST portal.
Time limit for filing	The refund application must be filed within 2 years from the relevant date under Section 54 of the CGST Act, 2017.
GSTR-2B as base for ITC	Refunds are now allowed only for ITC reflecting in GSTR-2B, not GSTR-2A.
Export value	With effect from 5 July 2022, the refund calculation must use the lower of the FOB value declared in the shipping bill or the invoice value. Earlier, refunds could be claimed on the invoice value.

Late Exports, Rule 89(4) and Your Refund Checklist

Late exports? You still get refunds. Where goods were exported after the 3-month deadline, or services after the 1-year deadline, exporters often had to pay IGST first and then claim a refund. The CBIC has clarified that, as long as the goods are eventually exported, refunds cannot be denied. However, no refund is available for interest paid on delayed exports.

Rule 89(4), CGST Rules, 2017 — refunds for zero-rated supplies are governed by the formula:

Refund = (Zero-rated Turnover × Net ITC) ÷ Adjusted Total Turnover

Particulars	Pre–05.07.2022	On / after 05.07.2022
Numerator (Zero-rated Turnover)	Invoice value	Lower of invoice value or FOB value
Denominator (Adjusted Total Turnover)	Sum of all invoiced supplies (domestic + export)	Sum of supplies using the amended Explanation (lower of invoice or FOB for exports) plus domestic supplies

Example: Say an exporter's zero-rated (export) turnover for the month is ₹50,00,000, total adjusted turnover is ₹80,00,000, and net ITC available is ₹6,00,000. Refund = (₹50,00,000 × ₹6,00,000) ÷ ₹80,00,000 = ₹3,75,000. In plain terms: exports make up 62.5% of turnover, so 62.5% of the ITC pool — ₹3.75 lakh — comes back as refund.

Your Step-by-Step Refund Checklist

► **Verify ITC in GSTR-2B** — download GSTR-2B for the relevant tax period and ensure all supplier invoices are captured; chase missing ones before filing.

► **Ensure shipping bills and invoices match** — refunds will be based on the lower value.

► **Do not panic over delays** — even if exports are late, refunds are still possible.

► **Calculate Adjusted Total Turnover** — include export values as defined under the Explanation to Rule 89(4) (with effect from 5 July 2022).

► **Choose the right refund category** — "Refund of Accumulated ITC". For IGST paid late, file under "Excess Payment of Tax"; if unavailable, choose "Any Other".

► **Follow up and document** — keep a copy of the filed RFD-01, the ARN and all supporting PDFs, so that everything is in one folder if queries arise.

Recent Reforms: What's New for Exporters (2025–26)

The refund landscape keeps moving. GST Council recommendations (September 2025) and Union Budget 2026 changes are reshaping how — and how fast — exporters get paid. Three changes stand out for day-to-day filing.

GST Council & Union Budget 2026 — the refund process is shifting in exporters' favor:

90% of Your Refund, Released Within approx. 7 Days of Filing

Particulars	Earlier	Now
Refund payout timing (exports)	Full amount released only after approx. 60-day verification	90% released provisionally within approx.7 days of ARN; balance after verification
Filing for services / SEZ / deemed-export refunds	Select a tax period, then upload invoices	Invoice-based filing only — no tax period selection (w.e.f. 8 May 2025)
Minimum refund threshold (exports paid with tax)	Claims below ₹1,000 not processed	₹1,000 floor removed for exports paid with IGST (Budget 2026, w.e.f. 1 April 2026)

What This Means for Your Filing

► **Track your ARN closely** — the 90% provisional refund should land within about 7 days of acknowledgment; flag anything that runs past that window.

► **Drop the tax-period field for services/SEZ/deemed-export claims** — filing has moved to invoice-based statements since 8 May 2025.

► **File small export refunds too** — the ₹1,000 minimum no longer applies to exports paid with IGST, effective 1 April 2026 (Budget 2026).

► **Keep GSTR-1, GSTR-3B and shipping bill data tightly reconciled** — provisional refunds are risk-scored by the system, and mismatches can bump a claim into full scrutiny.

► **Note the interest entitlement** — if the final refund sanction slips past 60 days, interest accrues at 6% p.a. (9% after an appeal) under Section 56; keep records to claim it.

► **Confirm operative dates before filing** — some Budget 2026 changes take effect only once formally notified by CBIC.

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