

INDIRECT TAX

Refund under inverted duty structure

UPDATE NO. 36 OF 2022



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CLARIFICATION ON ISSUE OF CLAIMING REFUND UNDER INVERTED DUTY STRUCTURE WHERE THE SUPPLIER IS SUPPLYING GOODS UNDER SOME CONCESSIONAL NOTIFICATION

Circular No. 173/05/2022 dated 6 July 2022

Earlier, paragraph 3.2 of Circular No.135/05/2020-GST, dated 31 March 2020 stated that the refund of accumulated ITC under clause (ii) of the first proviso to Section 54(3) of the CGST Act would not be applicable in cases where the input and the output supplies are the same.

Now, it has been clarified that where inputs and output goods are same but the output supplies are made under a concessional notification resulting in a lesser rate of tax on output supplies than on inputs, the credit accumulated on account of the same is admissible for refund under clause (ii) of the first proviso to Section 54(3) of the CGST Act.



L&S comments:

This clarification is line with the previous circular issued by the Board in context of supplies to merchant exporters made at concessional rate of 0.1%. The Board *vide* para 13.2 of Circular No. 37/11/2018-GST, dated 15 March 2018 *interalia* had clarified that supplier who supplies goods at the concessional rate is eligible for refund on account of inverted tax structure as per clause (ii) of the first proviso to Section 54(3) of the CGST Act.

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