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Analysis by- R. Tulsian & Co.



GST 2.0 - Anticipated Implementation of New GST Tax Slabs & Sectoral Impact

Date: 25.08.2025

 +91 9830503550

 +91 6289107303

 ishan@rtulsian.com

 www.rtulsian.com

INDIA | QATAR | OMAN | USA | KSA | UAE | UK

ISHAN TULSIAN

Practicing Chartered Accountant, Registered Valuer & Enrolled Agent

[F.C.A, A.C.S, LL.B, Enrolled Agent (Federally Authorised Tax Practitioner), M.Sc. in Applied Finance (Singapore), DIIT(ICAI), DISA(ICAI), Registered Valuer SFA(IBBI), B.Com(H)]



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+91 6289107303



ishan@rtulsian.com



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GST 2.0 – Anticipated Implementation of New GST Tax Slabs & Sectoral Impact- Analysis by R Tulsian & Co. LLP:

Dear Valued Client,

The Goods and Services Tax (GST) Council, chaired by Hon'ble Finance Minister Smt. Nirmala Sitharaman, is set to introduce **GST 2.0 reforms**, rationalising tax rates into a simplified **two-slab structure of 5% and 18%**. The Council is scheduled to meet on **3-4 September 2025**, with notifications expected shortly thereafter, and the revised rates likely to take effect from 22 September 2025, coinciding with Navratri.

While these reforms are expected to simplify compliance and boost demand, they entail **critical legal, financial, and operational implications** for businesses across sectors.



1. Legal Position on Refund of Accumulated ITC

- As clarified by **CBIC Circular No. 135/05/2020-GST (31.03.2020)** and **Circular No. 173/05/2022-GST (06.07.2022)** read with **Section 54(3)(ii) of the CGST Act, 2017**, refund of accumulated ITC is **not available** where **the input and output supplies are the same goods and accumulation arises only because of a rate cut.**

KOLKATA

Head Office

7/1C Jatindra Mohan Avenue, 1st & 2nd Floors, Kolkata-700006

METIABRUZ

Branch

V-90/E S.A. Farooque Road, 2nd Floor, Bartala, Kolkata-700018

DOHA, QATAR

Global Entity

Office 505, Building 4, Zone 17, Street 930, Doha Transworld Tower 1

WYOMING, USA

Global Entity

30N Gould STE N, Sheridan WY 82801 Wyoming, USA

- Refunds are admissible only in cases where output supplies are taxed at concessional rates under a **notification**, while inputs continue to be taxed at higher rates at the same point in time

📌 2. Illustration – Practical Case Study

Example: Umbrella Sector

- **Pre-GST 2.0 Scenario (Before 22nd Sept 2025):**

Umbrellas attract 12% GST. A trader purchases stock worth ₹10 crore, paying **₹1.2 crore as Input Tax Credit (ITC)**.

- **Post-GST 2.0 Scenario (On and after 22nd Sept 2025):**

Under the proposed rate rationalisation, the GST rate on umbrellas reduces to **5%**. If the trader sells the stock at **₹11 crore** (assuming a 10% profit margin), the GST payable on outward supply will be only **₹55 lakh** (5% of ₹11 crore).

- **Impact of Rate Rationalisation:**

Against an accumulated ITC of **₹1.2 crore**, the trader is able to utilise only **₹55 lakh** towards the output tax liability. This leaves a balance of **₹65 lakh ITC unutilised and blocked**.

- **Refund Position (as per Circulars & Law):**

The CBIC has clarified in **Circular No. 135/05/2020-GST dated 31st March 2020** and **Circular No. 173/05/2022-GST dated 6th July 2022** that such accumulation **does not qualify for refund** under Section 54(3)(ii) of the CGST Act, since both the input and output are the **same goods**, merely taxed at different rates over time. Refund is allowed only where inputs and outputs are taxed differently at the same point in time (concessional notifications).

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- **Resultant Risk:**

- ⚠ This leads to an **effective 7% ITC blockage on pre-GST 2.0 inventory**, which cannot be refunded. The blocked credit represents a direct strain on the business's **working capital** and profitability.

- **Broader Relevance:**

This scenario is not limited to umbrellas. It equally applies to traders in sectors where rate cuts are anticipated – such as **solar modules, footwear, clothes, Agri-equipment, Packaged Food products and medical equipment**. Any business holding old inventory at higher GST rates faces the risk of stranded ITC once the rate rationalisation is implemented.



3. Proposed GST Changes Across Sectors

- **12% → 5% (Proposed Reductions):** Solar & renewable energy equipment, agricultural equipment, medical equipment, footwear, low-value apparel, umbrellas, packaged food products (nuts, grains, etc.).
- **28% → 18% (Proposed Reductions):** Cement, batteries, automobiles and auto parts, white goods (refrigerators, ACs, washing machines), beverages.
- **Exempt / Sensitive Sectors (status quo):** Liquor, oil & gas, agriculture, education, healthcare, charitable organisations – though no output GST, input costs and ITC reversals must be re-evaluated.

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30N Gould STE N,
Sheridan WY 82801
Wyoming, USA

4. Preparation for Inward Supplies

1. Exempt Sectors:

- Prepare a **comprehensive inward supplies list**.
- Ensure vendors pass on benefits of rate cuts, since ITC is blocked for exempt activities

2. Industries with Blocked Credits:

- Expenses such as mediclaim/life insurance (u/s 17(5), CGST Act) will carry reduce tax incidence post-rate cuts.
- Evaluate cost savings from blocked credit and reflect them in pricing strategy.

3. Traders:

- Ensure procurement happens at reduced rates post-implementation to avoid inverted duty structures and possible litigation.

4. ERP & Item Masters:

- Amend purchase registers item-wise and update ERP with new GST rates.

5. Inventory Management:

- Liquidate old stock before 22 September 2025 (Tentative date).
- Keep accumulated ITC balances at a minimum to avoid blockages.

6. Contractual Arrangements:

- Renegotiate supplier and buyer contracts.
- Insert **escalation/de-escalation clauses** via corrigenda to address tax rate variability.

5. Preparation for Output Supplies

1. Sales Register Updates:

- Amend sales item masters in ERP for new GST rates.

2. Pricing Models:

- Revisit outward supply pricing to reflect reduced GST liability.
- Align with anti-profiteering obligations.

3. Anti-Profiteering Calculations:

- Undertake computations using formats prescribed by DGAP (2017 standards).
- Maintain evidence for audits and DGAP investigations.

6. Anti-Profiteering Obligations under Section 171, CGST Act

- Statutory Mandate:** Section 171(1) requires that any reduction in GST rate or benefit of ITC must be passed on to recipients through commensurate price reduction.
- Authority & Enforcement:** The National Anti-Profiteering Authority (NAA), has powers to investigate and penalise non-compliance.
- Penalty:** Under Section 171(3A), profiteering attracts a penalty of **10% of the profiteered amount**, unless voluntarily deposited within 30 days of order.

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Practical Strategies for Businesses

1. Exempt Sector Enterprises:

- Quantify the benefit of reduced GST on inward supplies.
- Factor reduced input costs into outward pricing of exempt goods/services.
- Ensure minimisation of ITC reversal obligations under Rule 42 & 43 CGST Rules (common credit adjustments).

2. Taxable Outward Supply Businesses:

- Factor in reduced costs of inward supplies that are blocked credits u/s 17(5) (e.g., employee mediclaim, life insurance).
- Recalculate product pricing to pass benefits downstream and avoid profiteering disputes.

3. Documentation & Computations:

- Prepare detailed anti-profiteering working papers (as per DGAP 2017 formats).
- Maintain audit-ready files demonstrating how benefits were quantified and passed on.



7. Recommended Action Points

- **Liquidate stock** purchased at higher rates before 22 September 2025(Tentative Date).
- **Update ERP** purchase/sales registers with new rates.
- **Renegotiate contracts** with suppliers & buyers to incorporate rate adjustments.
- **Undertake anti-profiteering computations** and keep documentation audit-ready.
- **Evaluate cost savings** from blocked credits and exempt sector ITC reversals.
- **Plan liquidity** factoring in blocked ITC impact.

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8. Strategic Outlook

Unless the GST Council provides a mechanism for refund of ITC due to rate cuts, most industries will rush to **liquidate inventory before 22 September 2025**. Businesses must simultaneously ensure compliance with **Section 171 obligations** by transparently passing on tax benefits to recipient.

Conclusion

GST 2.0 promises simplification and demand stimulation but brings **transition risks** – blocked ITC, pricing adjustments, contract renegotiation, and strict anti-profiteering compliance. Businesses must proactively **strategise inventory, ERP, contracts, and anti- profiteering measures** to ensure smooth transition and regulatory compliance.

Enclosed herewith is the **probable list of goods and services issued by CNBC that may be subject to rate rationalisation under GST 2.0**, together with the copies of **relevant Circulars highlighting** that refund of accumulated ITC shall not be admissible where the input and output supplies pertain to the same goods and the accumulation arises solely on account of a rate reduction.

We will issue further updates following the GST Council's September 3–4 deliberations.

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30N Gould STE N,
Sheridan WY 82801
Wyoming, USA




PROPOSED GST CHANGES: TRAVEL & HOSPITALITY



| | CURRENT GST RATE | PROPOSED RATE |
|--|------------------|---------------|
|  Business class travel | 12% | 5% ▼ |
|  Economy class travel | 5% | 5% |
|  Hotel stay below ₹7,500/night | 12% | 5% |
|  Hotel stay above ₹7,500/night | 18% | 18% |





PROPOSED GST CHANGES: HEALTHCARE & PHARMA








| | CURRENT GST RATE | PROPOSED | PROPOSED RATE |
|--|------------------|----------|---------------|
|  Health Insurance premia | | 18% | 5% or NIL |
|  Life Insurance premia | | 18% | 5% or NIL |
|  Medical Equipment (general healthcare items) | | 12% | 5% |

PROPOSED GST CHANGES: AUTOMOBILES

Comparison of Current GST Rates vs Centre's Proposal (2024)

| | | CURRENT GST RATE | PROPOSED RATE |
|--|------------------------------|-------------------------------------|---------------|
|  | Petrol/diesel cars (≤1200cc) | 28% + 1-3% cess | 18% |
|  | Larger cars / SUVs | 28% + higher cess (Total 43–50%) | 40% |
|  | Two-wheelers (≤350cc) | 28% | 18% |
|  | Auto components | 18–28% | 18% |






PROPOSED GST CHANGES: FMCG

| | | CURRENT GST RATE | PROPOSED RATE |
|---|----------------------|------------------|---------------|
|  | Footwear below ₹1000 | 12% | 5% |
|  | Footwear above ₹1000 | 18% | 18% |
|  | Clothes below ₹1000 | 5% | 5% |
|  | Clothes above ₹1000 | 12% | 5% |
|  | Ghee | 12% | 5% |

PROPOSED GST CHANGES: REAL ESTATE & CONSTRUCTION

| CURRENT GST RATE | | PROPOSED RATE |
|---|------------------|---------------|
|  | Cement | 28% ↓ 18% |
|  | Tractor | 12% ↓ 5% |
|  | Water sprinklers | 12% ↓ 5% |

PROPOSED GST CHANGES: TELECOM & IT

| | CURRENT GST RATE | PROPOSED RATE |
|--|------------------|---------------|
|  Mobile / WiFi / Telephone bill | 18% | 18% |
|  Laptop | 18% | 18% |
|  Mobile Phone | 18% | 18% |
|  Computer | 18% | 18% |
|  Tablet | 18% | 18% |

Govt Sources

CBEC-20/01/06/2019-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
GST Policy Wing

New Delhi, Dated the 31st March, 2020

To,

The Principal Chief Commissioners/Chief Commissioners/Principal Commissioners/
Commissioners of Central Tax (All)
The Principal Director Generals/ Director Generals (All)

Madam/Sir,

Subject: Clarification on refund related issues – Reg.

Various representations have been received seeking clarification on some of the issues relating to GST refunds. In order to clarify these issues and to ensure uniformity in the implementation of the provisions of law in this regard across the field formations, the Board, in exercise of its powers conferred by section 168 (1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “CGST Act”), hereby clarifies the issues detailed hereunder:

2. Bunching of refund claims across Financial Years

2.1 It may be recalled that the restriction on clubbing of tax periods across different financial years was put in vide para 11.2 of the Circular No. 37/11/2018-GST dated 15.03.2018. The said circular was rescinded being subsumed in the Master Circular on Refunds No. 125/44/2019-GST dated 18.11.2019 and the said restriction on the clubbing of tax periods across financial years for claiming refund thus has been continued vide Paragraph 8 of the Circular No. 125/44/2019-GST dated 18.11.2019, which is reproduced as under:

“8. The applicant, at his option, may file a refund claim for a tax period or by clubbing successive tax periods. The period for which refund claim has been filed, however, cannot spread across different financial years. Registered persons having aggregate turnover of up to Rs. 1.5 crore in the preceding financial year or the current financial year opting to file FORM GSTR-1 on quarterly basis, can only apply for refund on a quarterly basis or clubbing successive quarters as aforesaid. However, refund claims under categories listed at (a), (c) and (e) in para 3 above must be filed by the applicant chronologically. This means that an applicant, after submitting a refund application under any of these categories for a certain period, shall not be subsequently allowed to file a refund claim under the same category for any previous period. This principle / limitation, however, shall not apply in cases where a fresh application is being filed pursuant to a deficiency memo having been issued earlier.”

2.2 Hon'ble Delhi High Court in Order dated 21.01.2020, in the case of M/s Pitambra Books Pvt Ltd., vide para 13 of the said order has stayed the rigour of paragraph 8 of Circular No. 125/44/2019-GST dated 18.11.2019 and has also directed the Government to either open the online portal so as to enable the petitioner to file the tax refund electronically, or to accept the same manually within 4 weeks from the Order. Hon'ble Delhi High Court vide para 12 of the aforesaid Order has observed that the Circulars can supplant but not supplement the law. Circulars might mitigate rigours of law by granting administrative relief beyond relevant provisions of the statute, however, Central Government is not empowered to withdraw benefits or impose stricter conditions than postulated by the law.

2.3 Further, same issue has been raised in various other representations also, especially those received from the merchant exporters wherein merchant exporters have received the supplies of goods in the last quarter of a Financial Year and have made exports in the next Financial Year i.e. from April onwards. The restriction imposed vide para 8 of the master refund circular prohibits the refund of ITC accrued in such cases as well.

2.4 On perusal of the provisions under sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 and sub-section (3) of section 54 of the CGST Act, there appears no bar in claiming refund by clubbing different months across successive Financial Years.

2.5 The issue has been examined and it has been decided to remove the restriction on clubbing of tax periods across Financial Years. Accordingly, circular No. 125/44/2019-GST dated 18.11.2019 stands modified to that extent i.e. the restriction on bunching of refund claims across financial years shall not apply.

3. Refund of accumulated input tax credit (ITC) on account of reduction in GST Rate

3.1 It has been brought to the notice of the Board that some of the applicants are seeking refund of unutilized ITC on account of inverted duty structure where the inversion is due to change in the GST rate on the same goods. This can be explained through an illustration. An applicant trading in goods has purchased, say goods "X" attracting 18% GST. However, subsequently, the rate of GST on "X" has been reduced to, say 12%. It is being claimed that accumulation of ITC in such a case is also covered as accumulation on account of inverted duty structure and such applicants have sought refund of accumulated ITC under clause (ii) of sub-section (3) of section 54 of the CGST Act.

3.2 It may be noted that refund of accumulated ITC in terms clause (ii) of sub-section (3) of section 54 of the CGST Act is available where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. It is noteworthy that, the input and output being the same in such cases, though attracting different tax rates at different points in time, do not get covered under the provisions of clause (ii) of sub-section (3) of section 54 of the CGST Act. It is hereby clarified that refund of accumulated ITC under clause (ii) of sub-section (3) of section 54 of the CGST Act would not be applicable in cases where the input and the output supplies are the same.

4. Change in manner of refund of tax paid on supplies other than zero rated supplies

4.1 Circular No. 125/44/2019-GST dated 18.11.2019, in para 3, categorizes the refund applications to be filed in FORM GST RFD-01 as under:

- a. Refund of unutilized input tax credit (ITC) on account of exports without payment of tax;
- b. Refund of tax paid on export of services with payment of tax;
- c. Refund of unutilized ITC on account of supplies made to SEZ Unit/SEZ Developer without payment of tax;
- d. Refund of tax paid on supplies made to SEZ Unit/SEZ Developer with payment of tax;
- e. Refund of unutilized ITC on account of accumulation due to inverted tax structure;
- f. Refund to supplier of tax paid on deemed export supplies;
- g. Refund to recipient of tax paid on deemed export supplies;
- h. Refund of excess balance in the electronic cash ledger;
- i. Refund of excess payment of tax;
- j. Refund of tax paid on intra-State supply which is subsequently held to be inter-State supply and vice versa;
- k. Refund on account of assessment/provisional assessment/appeal/any other order;
- l. Refund on account of “any other” ground or reason.

For the refund of tax paid falling in categories specified at S. No. (i) to (l) above i.e. refund claims on supplies other than zero rated supplies, no separate debit of ITC from electronic credit ledger is required to be made by the applicant at the time of filing refund claim, being claim of tax already paid. However, the total tax would have been normally paid by the applicant by debiting tax amount from both electronic credit ledger and electronic cash ledger. At present, in these cases, the amount of admissible refund, is paid in cash even when such payment of tax or any part thereof, has been made through ITC.

4.3.1 As this could lead to allowing unintended encashment of credit balances, this issue has been engaging attention of the Government. Accordingly, vide notification No.16/2020-Central Tax dated 23.03.2020, sub-rule (4A) has been inserted in rule 86 of the CGST Rules, 2017 which reads as under:

“(4A) Where a registered person has claimed refund of any amount paid as tax wrongly paid or paid in excess for which debit has been made from the electronic credit ledger, the said amount, if found admissible, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.”

4.3.2 Further, vide the same notification, sub-rule (1A) has also been inserted in rule 92 of the CGST Rules, 2017. The same is reproduced hereunder:

“(1A)Where, upon examination of the application of refund of any amount paid as tax other than the refund of tax paid on zero-rated supplies or deemed export, the proper officer is satisfied that a refund under sub-section (5) of section 54 of the Act is due and payable to the applicant, he shall make an order in FORM RFD-06 sanctioning the amount of refund to be paid, in cash, proportionate to the amount debited in cash against the total amount

paid for discharging tax liability for the relevant period, mentioning therein the amount adjusted against any outstanding demand under the Act or under any existing law and the balance amount refundable and for the remaining amount which has been debited from the electronic credit ledger for making payment of such tax, the proper officer shall issue FORM GST PMT-03 re-crediting the said amount as Input Tax Credit in electronic credit ledger.”

4.4 The combined effect the abovementioned changes is that any such refund of tax paid on supplies other than zero rated supplies will now be admissible proportionately in the respective original mode of payment i.e. in cases of refund, where the tax to be refunded has been paid by debiting both electronic cash and credit ledgers (other than the refund of tax paid on zero-rated supplies or deemed export), the refund to be paid in cash and credit shall be calculated in the same proportion in which the cash and credit ledger has been debited for discharging the total tax liability for the relevant period for which application for refund has been filed. Such amount, shall be accordingly paid by issuance of order in FORM GST RFD-06 for amount refundable in cash and FORM GST PMT-03 to re-credit the amount attributable to credit as ITC in the electronic credit ledger.

5. Guidelines for refunds of Input Tax Credit under Section 54(3)

5.1

In terms of para 36 of circular No. 125/44/2019-GST dated 18.11.2019, the refund of ITC availed in respect of invoices not reflected in FORM GSTR-2A was also admissible and copies of such invoices were required to be uploaded. However, in wake of insertion of sub-rule (4) to rule 36 of the CGST Rules, 2017 vide notification No. 49/2019-GST dated 09.10.2019, various references have been received from the field formations regarding admissibility of refund of the ITC availed on the invoices which are not reflecting in the FORM GSTR-2A of the applicant.

5.2 The matter has been examined and it has been decided that the refund of accumulated ITC shall be restricted to the ITC as per those invoices, the details of which are uploaded by the supplier in FORM GSTR-1 and are reflected in the FORM GSTR-2A of the applicant. Accordingly, para 36 of the circular No. 125/44/2019-GST, dated 18.11.2019 stands modified to that extent.

6. New Requirement to mention HSN/SAC in Annexure ‘B’

6.1 References have also been received from the field formations that HSN wise details of goods and services are not available in FORM GSTR-2A and therefore it becomes very difficult to distinguish ITC on capital goods and/or input services out of total ITC for a relevant tax period. It has been recommended that a column relating to HSN/SAC Code should be added in the statement of invoices relating to inward supply as provided in Annexure–B of the circular No. 125/44/2019-GST dated 18.11.2019 so as to easily identify between the supplies of goods and services.

6.2 The issue has been examined and considering that such a distinction is important in view of the provisions relating to refund where refund of credit on Capital goods and/or services is not permissible in certain cases, it has been decided to amend the said statement. Accordingly, Annexure-B of the circular No. 125/44/2019-GST, dated 18.11.2019 stands modified to that extent.

6.3 A suitably modified statement format is attached for applicants to upload the details of invoices reflecting in their FORM GSTR-2A. The applicant is, in addition to details already prescribed, now required to mention HSN/SAC code which is mentioned on the inward invoices. In cases where supplier is not mandated to mention HSN/SAC code on invoice, the applicant need not mention HSN/SAC code in respect of such an inward supply.

7. It is requested that suitable trade notices may be issued to publicize the contents of this circular.

8. Difficulty, if any, in implementation of this Circular may please be brought to the notice of the Board. Hindi version would follow.

(Yogendra Garg)
Principal Commissioner
y.garg@nic.in

Annexure-B

Statement of invoices to be submitted with application for refund of unutilized ITC

| Sr. No | GSTIN of the Supplier | Name of the Supplier | Invoice Details | | | Category of input supplies | | Centr al Tax | State Tax/ Union Territory Tax | Integrate d Tax | Cess | Eligible for ITC | Amount of eligible ITC |
|-----------|-----------------------------|----------------------------|--------------------|----------|-------|--|---------|-----------------|--|--------------------|------|-----------------------|------------------------------|
| | | | Invo ice No. | Dat e | Value | Inputs/Input Services/cap ital goods | HSN/SAC | | | | | Yes/No /Pa rtially | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |

F.No. CBIC-20001/2/2022-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
GST Policy Wing

New Delhi, Dated the 6th July, 2022

To,

The Principal Chief Commissioners/ Chief Commissioners/ Principal Commissioners/
Commissioners of Central Tax (All)
The Principal Directors General/ Directors General (All)

Madam/Sir,

Subject: Clarification on issue of claiming refund under inverted duty structure where the supplier is supplying goods under some concessional notification – reg.

Various representations have been received seeking clarification with regard to applicability of para 3.2 of the Circular No. 135/05/2020-GST dated 31.03.2020 in cases where the supplier is required to supply goods at a lower rate under Concessional Notification issued by the Government. In order to clarify the issue and to ensure uniformity in the implementation of the provisions of law in this regard across the field formations, the Board, in exercise of its powers conferred by section 168 (1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “CGST Act”), hereby clarifies the issue as under:

2. Vide para 3.2 of Circular No. 135/05/2020-GST dated 31.03.2020, it was clarified that refund on account of inverted duty structure would not be admissible in cases where the input and output supply are same. Para 3.2 of Circular No. 135/05/2020-GST dated 31.03.2020 is reproduced, as under:

“Refund of accumulated ITC in terms clause (ii) of sub-section (3) of section 54 of the CGST Act is available where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. It is noteworthy that, the input and output being the same in such cases, though attracting different tax rates at different points in time, do not get covered under the provisions of clause (ii) of sub-section (3) of section 54 of the CGST Act.

It is hereby clarified that refund of accumulated ITC under clause (ii) of sub-section (3) of section 54 of the CGST Act would not be applicable in cases where the input and the output supplies are the same.”

3. The matter has been examined. The intent of para 3.2 of Circular No. 135/05/2020-GST dated 31.03.2020 was not to cover those cases where the supplier is making supply of goods under a concessional notification and the rate of tax of output supply is less than the rate of tax on input supply (of the same goods) at the same point of time due to supply of goods by the supplier under such concessional notification.

on input supply (of the same goods) at the same point of time due to supply of goods by the supplier under such concessional notification.

4. Therefore, it is clarified that in such cases, refund of accumulated input tax credit on account of inverted structure as per clause (ii) of sub-section (3) of section 54 of the CGST Act, 2017 would be allowed in cases where accumulation of input tax credit is on account of rate of tax on outward supply being less than the rate of tax on inputs (same goods) at the same point of time, as per some concessional notification issued by the Government providing for lower rate of tax for some specified supplies subject to fulfilment of other conditions.

Accordingly, para 3.2 of the Circular No. 135/05/2020-GST dated 31.03.2020 stands substituted as under:

“3.2 It may be noted that refund of accumulated ITC in terms of clause (ii) of first proviso to sub-section (3) of section 54 of the CGST Act is available where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. It is noteworthy that, the input and output being the same in such cases, though attracting different tax rates at different points in time, do not get covered under the provisions of clause (ii) of the first proviso to sub-section (3) of section 54 of the CGST Act.”

3.3 There may however, be cases where though inputs and output goods are same but the output supplies are made under a concessional notification due to which the rate of tax on output supplies is less than the rate of tax on inputs. In such cases, as the rate of tax of output supply is less than the rate of tax on inputs at the same point of time due to supply of goods by the supplier under such concessional notification, the credit accumulated on account of rate of tax on inputs is admissible for refund under the provisions of clause (ii) of the first proviso to sub-section (3) of section 54 of the CGST Act, other than cases where the output supply is either Nil rated or fully exempted, and also not covered under the restriction specified under sub-section (14) of section 54 of the CGST Act.”

5. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

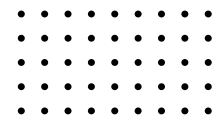
6. Difficulty, if any, in implementation of this Circular may please be brought to the notice of the Board. Hindi version would follow.

(Sanjay Mangal)
Principal Commissioner (GST)

R.Tulsian & Co.

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CA ISHAN TULSIAN

[F.C.A, A.C.S, LL.B, Enrolled Agent
(Federally Authorised Tax
Practitioner), M.Sc. in Applied
Finance (Singapore), DIIT(ICAI),
DISA(ICAI), Registered Valuer
SFA(IBBI), B.Com(H)]

International Tax Head

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**R Tulsian Global Solutions LLC
(A Unit of R Tulsian Group)**



WWW.RTULSIAN.COM

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OUR WORLDWIDE LOCATIONS

Garden Reach, Kolkata, West Bengal, India Branch Office

Fantasy Market, V-90/E S.A.
Farooquie Road,
2nd Floor, Bartala, Kolkata-
700018

Ph: (+91) 72785-70155
Email: piyush@rtulsian.com

Kolkata, West Bengal, India Head Office

7/1C Jatindra Mohan Avenue,
First and Second Floors,
Kolkata-700006

Ph: (+91) 98305-03550,
(+91) 78900-33454

Email: ishan@rtulsian.com,
info@rtulsian.com

Gangtok, Sikkim, India Branch Office

Hotel Binayak Building C/O
Rishi Kumar Agarwal,
PS Road, Gangtok-737101

Ph: (+91) 90389-40369,
(+91) 98305-03550

Email: info@rtulsian.com



OUR WORLDWIDE LOCATIONS

Wyoming, USA Overseas Group Company Office

30N Gould STE N, Sheridan
WY 82801 Wyoming, USA

Ph: +1 (585) 8889091
(+91) 62891-07303

Email: info@rtulsiantax.com

Doha, Qatar Overseas Branch Office

Office 505 Floor 5, Building 4,
Zone 17, Street 930, Doha
Transworld Tower 1

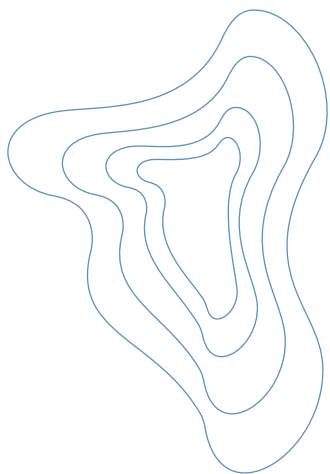
Ph: (+974) 33063032, (+91)
98304-52385

Email: gatar@rtulsian.com

Muscat, Oman Overseas Group Company Office

Suite 313 Maktabi Al Wattayah Ar
Rumaylah Street, Landmark: Same
Building as Gulf Hospital, Near
Saud Bhavan Car Showrooms,
Muscat, Oman

Ph: (+968) 7998301,
(+91) 98304-52385
Email: oman@rtulsian.com



LET'S CONNECT



+91 9830503550



ishan@rtulsian.com



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+91 6289107303



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