



The Institute of Chartered Accountants of India

GST & Indirect Taxes Committee

GOODS & SERVICES TAX UPDATE-230

1. Guidelines for recovery of outstanding dues, in cases wherein first appeal has been disposed of, till Appellate Tribunal comes into operation.

Where the taxpayer decides to file an appeal against the order of the appellate authority and wants to make the payment of the amount of pre-deposit to avail the benefit of stay from recovery of the remaining amount of confirmed demand, he can make the payment of an amount equal to the amount of pre-deposit by navigating to *Services >> Ledgers>> Payment* towards demand, from his dashboard. The said amount deposited by the taxpayer will be adjusted against the amount of pre-deposit required to be deposited at the time of filing appeal before the Appellate Tribunal.

The taxpayer also needs to file an undertaking/ declaration with the jurisdictional proper officer that he will file appeal against the said order of the appellate authority before the Appellate Tribunal, as and when it comes into operation, within the timelines mentioned in section 112 read with *Central Goods and Services Tax (Ninth Removal of Difficulties) Order, 2019 dated 03.12.2019*.

In case, the taxpayer does not make the said payment or does not provide the undertaking/ declaration, then presuming that taxpayer is not willing to file appeal, recovery proceedings can be initiated as per the provisions of law. Similarly, when the Tribunal comes into operation, if the taxpayer does not file appeal within the abovementioned timelines the remaining amount of demand will be recovered as per the provisions of law.

Where the taxpayer has paid an amount that was intended to have been paid towards a particular demand through FORM GST DRC-03, has submitted an application in FORM GST DRC-03A (new sub-rule (2B) inserted in rule 142 vide *Notification No. 12/2024-CT dated 10.07.2024*) on the common portal, the amount so paid and intimated through the FORM GST DRC-03 will be considered as if the payment was made towards the said demand on the date of such intimation through FORM GST DRC-03.

The amount so paid shall also be liable to be adjusted towards the amount required to be paid as pre-deposit under Section 107 and Section 112 of the CGST Act, if and when the taxpayer files an appeal against the said demand, before the appellate authority or the appellate tribunal, as mentioned above, and the remaining amount of confirmed demand as per the order of the adjudicating authority or the appellate authority, as the case may be,

will stand stayed. However, if the taxpayer does not file appeal within the prescribed timelines, the remaining amount of the demand will be recovered as per the provisions of law.

Till the time, the functionality of filing an application in Form GST DRC-03A is made available on the common portal, in respect of cases where an amount of pre-deposit has been inadvertently paid through FORM GST DRC-03 instead of making the said payment through Electronic Liability Ledger-II against the demand created in the said ledger, the concerned taxpayer may intimate the proper officer about the same, and on such intimation, the proper officer may not insist on recovery for the remaining amount payable by the concerned taxpayer, till the time the said functionality of FORM GST DRC-03A is made available on the portal.

If the taxpayer fails to file an application in FORM GST DRC-03A on the common portal after the functionality thereof has been made available, the proper officer may proceed to recover the amount payable as per provisions of section 78 and section 79 of CGST Act.

[*Circular No.224/18/2024-GST dt. 11.07.2024*](#)

2. Clarification on various issues pertaining to taxability and valuation of supply of services of providing corporate guarantee between related persons

- i. **Valuation of Corporate guarantees issued prior to 26th October 2023:** Valuation of supply of services of providing corporate guarantee between related persons, in respect of corporate guarantee issued or renewed before 26th October 2023, is to be done in accordance with Rule 28, as it existed during that time. However, if the corporate guarantee is issued or renewed on or after 26th October 2023, then the valuation of the said supply will be required to be done as per Rule 28(2) of CGST Rules.
- ii. **Corporate guarantee vis a vis disbursement of loan:** Value of supply of the service of providing a corporate guarantee will be calculated based on the amount guaranteed and will not be based on the amount of loan actually disbursed to the recipient of the corporate guarantee. The recipient of the service of providing corporate guarantee shall be eligible to avail the ITC, subject to other conditions specified in the Act and the Rules made thereunder, irrespective of when the loan is actually disbursed to the recipient, and irrespective of the amount of loan actually disbursed.
- iii. **Takeover of existing loan:** If the loan issued by the banking company/ financial institution is taken over by another banking company/ financial institution, the said activity of taking over of the loan does not fall under the service of providing corporate guarantee to any banking company or financial institution by a supplier to a recipient. Therefore, in such cases, there will be no impact on GST, unless there is issuance of fresh corporate guarantee or there is a renewal of the existing corporate

guarantee.

iv. **Corporate guarantee by multiple related entities:** In cases where corporate guarantee is being provided by multiple related entities, the value of such services of providing corporate guarantee shall be the sum of the actual consideration paid/ payable to co-guarantors, if the said amount of total consideration is higher than 1% of the amount of such guarantee offered. In cases where the sum of the actual consideration is less than one per cent of the amount of such guarantee offered, then GST shall be payable by each co-guarantor proportionately on 1% of the amount guaranteed by them.

v. **Payment of tax in case of intra-group corporate guarantees – Forward charge vs. Reverse charge:** In cases where domestic corporates issue intra-group guarantees, GST is to be paid under forward charge mechanism, and invoice is to be issued by the supplier of the service of providing corporate guarantee to the related recipient under Section 31 read along with the relevant rules. However, in cases where such guarantee is provided by the foreign/ overseas entity for a related entity located in India, then GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India.

vi. **Frequency of payment of tax on corporate guarantee:** Value of supply of the service of providing corporate guarantee to a banking company or a financial institution on behalf of a related recipient shall be 1% of the amount guaranteed **p.a.** or the actual consideration, whichever is higher [Retrospective amendment in rule 28(2) of the CGST Rules with effect from 26th October 2023, vide *Notification No.12/2024 - CT dated 10.07.2024*].

Fixed-term guarantees: For corporate guarantees issued for a fixed term (e.g., five years, ten years), value of the supply shall be calculated at 1% p.a. of the amount guaranteed multiplied by the number of years the guarantee is offered or the actual consideration, whichever is higher. GST shall be payable on this amount at the time of issuance of the guarantee.

Proportionate valuation for periods less than a year: For corporate guarantees provided for a period less than a year (e.g., six months), value shall be determined proportionately, i.e., for six months, the value would be 0.5% ($6/12 * 1\%$) of the amount guaranteed or the actual consideration, whichever is higher.

One-year guarantee with renewals: If a corporate guarantee is issued for one year and renewed annually for n numbers of years, GST shall be payable each year based on 1% of the amount guaranteed or the actual consideration, whichever is higher, at the time of each renewal.

vii. In cases involving the supply of service of corporate guarantees provided between related persons, where full input tax credit is available to the recipient of services, the

value declared in the invoice shall be deemed to be the value of supply of the said service.

- viii. **Corporate guarantee between related persons when recipient is outside India:** As per the amendment made in sub-rule (2) of rule 28 of CGST Rules retrospectively w.e.f. 26th October 2023 vide *Notification No. 12/2024 -CT dated 10.07.2024*, the provisions of the said sub-rule will not apply in cases where the recipient of the services of providing corporate guarantee between related persons is located outside India. Accordingly, the provisions of the said sub-rule shall not apply to the export of the services of providing corporate guarantee between related persons.

[Circular No. 225/19/2024-GST dt. 11.07.2024](#)

3. Mechanism for refund of additional Integrated Tax (IGST) paid on account of upward revision in price of the goods subsequent to exports

- (a) *Filing of refund claim for additional IGST paid on account of upward revision of prices of export goods, subsequent to export:* An application for refund of additional IGST paid can be filed in FORM GST RFD-01 electronically on the common portal and such application for refunds would be processed by the jurisdictional GST officer of the concerned exporter. CGST Rules have been amended vide *Notification No. 12/2024-CT dated 10.07.2024* to provide for filing of such refund application in FORM GST RFD-01, which shall be dealt with in accordance with provisions of rule 89 of CGST Rules.

GSTN is in the process of developing a separate category of refund in FORM GST RFD-01, for filing an application of refund of such additional IGST paid. Till the time such separate category for claiming refund of additional amount of IGST paid is developed on the common portal, such exporter(s) may claim refund of the additional IGST paid on account of upward revision in price of goods subsequent to exports, by filing an application of refund in FORM GST RFD-01 under the category “Any other” with remarks “Refund of additional IGST paid on account of increase in price subsequent to export of goods” along with the relevant documents as prescribed in clause (bb) of sub-rule (2) of rule 89. The exporter shall also upload statements 9A & 9B as prescribed in clause (bb) & clause (bc) of sub-rule (2) of rule 89 along with the said refund claim.

- (b) *Minimum Refund Amount:* No such refund shall be paid if the amount claimed is less than one thousand rupees.
- (c) *Time limit for filing refund application:* Sub-rule (1B) inserted in rule 89 vide *Notification No. 12/2024-CT dated 10.07.2024*, provides that the application for refund of additional IGST paid can be filed before the expiry of two years from the relevant date as per clause (a) of Explanation (2) of section 54 of the CGST Act. However, in cases, where the relevant date as per clause (a) of Explanation (2) of

section 54 of the CGST Act was before the date on which sub-rule(1B) of rule 89 of CGST Rules has come into force, such refund application can be filed before the expiry of a period of two years from the date on which the said sub-rule has come into force.

- (d) The proper officer while processing such refund claim shall verify that the exporter has duly reported the details of the export invoice and the debit note in his statement of outward supplies in FORM GSTR-1 and has duly paid such additional amount of IGST along with applicable interest for which refund is being sought in their FORM GSTR-3B return. The proper officer while ascertaining the eligibility of the refund to the exporter shall verify the revised value declared by the exporter in his FORM GSTR-1/ FORM GSTR-3B and details of foreign exchange remittances received thereof.
- (e) The proper officer shall scrutinize the application with respect to its completeness and eligibility and only if the proper officer is satisfied that the whole or any part of the amount claimed is payable as refund, he shall proceed to issue the refund sanction order in FORM GST RFD-06 and the payment order in FORM GST RFD-05. The proper officer shall also upload a detailed speaking order along with the refund sanction order in FORM GST RFD-06 in terms of *Instruction No. 03/2022-GST dated 14.06.2022*.
- (f) Further, in cases where there is downward revision in price of goods subsequent to exports, when the export has been made with payment of IGST, the supplier of goods/exporter is required to deposit the refund of the IGST received in proportion to the reduction in price of exported goods, along with applicable interest. The proper officer while granting the refund, shall also verify whether the exporter has deposited the excess refund amount in the cases where there is a downward revision in price of goods subsequent to exports, during the relevant tax period, if any.

[*Circular No. 226/20/2024-GST dt. 11.07.2024*](#)

4. Processing of refund applications filed by Canteen Stores Department (CSD)

CSDs are entitled to claim a refund of 50% of the applicable central tax, integrated tax and Union territory tax paid on all inward supplies of goods received by the CSD for the purposes of subsequent supply of such goods to their Unit Run Canteens or to their authorized customers. Vide *Circular No. 60/34/2018-GST dated 04.09.2018*, the manner and procedure for filing and processing of such refund claims was specified so as to ensure that the CSD shall apply for refund by filing an application manually to the jurisdictional tax office till the time the online utility for filing such refund claim is made available on the common portal.

In order to enable such CSD to file application for refund electronically, a new functionality has been made available on the common portal which allows CSD to apply

for refund by filing an application electronically on the common portal. Further, CGST Rules have been amended and a new rule 95B and FORM GST RFD-10A has been inserted therein vide *Notification No.12/2024-CT dated 10.07.2024*.

CBIS has now laid down the revised procedure for electronic submission and processing of refund application by CSD, in accordance with section 55 of CGST Act, in supersession of *Circular No. 60/34/2018-GST dated 04.09.2018*.

Filing of refund application: The CSD shall file an application for refund in FORM GST RFD-10A electronically on the common portal and the same shall be processed electronically. The refund to be granted to the CSD shall be based on the invoices of the inward supplies of goods.

Filing of refund claim by CSD: As per rule 95B of the CGST Rules, the CSD is required to apply for a refund once every quarter. The CSD can also opt to file a refund application for multiple quarters, clubbing multiple financial years, as per their preference. The said refund application form shall be accompanied with the following documents:

(i) An undertaking stating that the goods on which refund is being claimed have been received by the CSD for the purposes of subsequent supply of such goods to its Unit Run Canteens or to its authorized customers; and

(ii) A declaration stating that no refund has been claimed earlier against the invoices on which the refund is being claimed.

Relevant date for filing of refund: The CSD can file the refund of fifty percent of the tax paid on such inward supplies before the expiry of two years from the last day of the quarter in which such supply was received.

Processing and sanction of the refund claim: The proper officer shall process the refund claim filed by the CSD similarly to the claims filed in FORM GST RFD-01 under rule 89 of the CGST Rules. The officer will validate the GSTIN details of the CSD on the common portal to ensure that all returns in FORM GSTR-1 and FORM GSTR-3B, due before the date of the refund application, have been filed. The proper officer may scrutinize the details contained in FORM RFD-10A, FORM GSTR-3B and FORM GSTR- 2B, for processing the said refund claim. The proper officer shall also verify whether the details of the invoices for which refund has been claimed by the CSD, have been furnished by the concerned supplier in his details of outward supply in FORM GSTR-1 and the said supplier has furnished his return in FORM GSTR-3B for the concerned tax period.

The proper officer shall ensure that the amount of refund sanctioned is not more than 50% of the central tax, state tax, Union territory tax, and integrated tax paid on the supplies received by the CSD. The invoices uploaded by the CSD while filing will be validated on the portal with FORM GSTR 2B of the applicant and only the validated invoices will be allowed in the application. The invoices for which refund has already been availed by the

CSD will be flagged in the system and will not be allowed for the refund. The Table in Sl. No. 7 of FORM GST- RFD 10A will be auto-populated on the portal based on the 50 % of the amount of respective tax as per the Col 8, 9 and 10 of the Table in Sl. No. 6 of FORM GST- RFD 10A. The Table in Sl. No. 7 of FORM GST- RFD 10A shall be kept editable downwards, i.e., the CSD will be able to make a downward revision in the auto-populated amount in the said Table and cannot enhance the auto-populated amount in the said Table.

The proper officer shall also verify whether the ITC in respect of such inward supplies of goods received for the purposes of subsequent supply of such goods to its Unit Run Canteens or to its authorized customers has been reversed by the CSD as clarified in Circular no. 170/02/2022-GST dated 06-Jul-2022.

Refund order: The proper officer shall scrutinize the application with respect to completeness and eligibility of the refund claim to his satisfaction and issue the order in FORM GST RFD-06 accordingly. The proper officer shall also upload a detailed speaking order along with the said order in FORM GST RFD-06.

The provisions of the *Circular No. 60/34/2018-GST dated 04.09.2018* shall continue to apply for all refund applications filed manually before the relevant amendments in CGST Rules and before the said functionality being made available on the common portal.

[Circular No. 227/21/2024-GST dt. 11.07.2024](#)

***Vice - Chairman
GST & Indirect Taxes Committee***

***Chairman
GST & Indirect Taxes Committee***

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The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector 62, Noida (U.P.)-201301