

## Clarification on refund of unutilized input tax credit of GST paid on inputs in respect of exporters of Fabrics to manufacturer

Circular No: 18/18/2017-CT

F. No: 354/320/2017-TRU-Pt.1

Classification: Constitution of  
Standing Committee

Date: 16-11-2017

**Subject: Clarification on refund of unutilised input tax credit of GST paid on inputs in respect of exporters of fabrics- regarding.**

Doubts have been raised regarding refund of unutilised input tax credit of GST paid on inputs to manufacturer exporters of fabrics {falling under chapter 50 and 60 and headings 5608, 5801, 5806} under GST.

2.1 The matter has been examined. In this context, sub-section 3 of section 54 provide as under:

“(3) subject to the provisions of sub section (10), a registered party may claim refund of any unutilized input tax credit at the end of any tax period:

Provided that no refund of unutilized input tax credit shall be allowed in cases other than-

- i.Zero rated supplies without payment of tax.
- ii.Where credit has accumulated on account of rates of tax on inputs being higher than rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services as may be notified by government on recommendation of the council.

2.2 Based on recommendations of GST Council, [Notification No. 5/2017- Central Tax \(Rate\) dated 28.06.2017](#) [as amended from time to time] has been issued under clause (ii) of proviso to sub –section (3) of section 54 of the CGST Act, 2017 restricting refund of unutilized input tax credit of GST paid on inputs in respects of certain specified goods, including input tax credit of GST paid on inputs.

2.3 However, the aforesaid notification having been issued under clause (ii) of the proviso to sub-section (3) of section 54 of the CGST Act, 2017, restriction on refund or unutilized input tax credit of GST paid on inputs will not be applicable to zero rated supplies, that is

- (a) export of goods or services or both to a Special Economic Zone unit.

2.4 Accordingly, as regards export of fabrics it is clarified that, subject to provision of section 54 of CGST Act 2017, a manufacturer of such fabrics will be eligible for refund of unutilized Input tax credit of GST paid on inputs [other than input tax credit of GST paid on capital goods] in respect of fabrics manufactured and exported by him.

3. Difficulty, if any, in the implementation of this circular should be brought to notice of the board.

