

RULE 96B – RECOVERY OF EXPORT REFUNDS



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**SECTION 16(1)
IGST ACT, 2017
ZERO RATED
SUPPLY**

Export of goods or services

Supply of goods or services to a
Special Economic Zone (SEZ)
developer or SEZ unit for
authorised operations.

- These are taxable supplies with zero tax burden.
- Full Input Tax Credit (ITC) is available.

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Section 16(3) of the IGST Act, 2017 – How Zero Rating is Implemented:

- Section 16(3) lays down the **mechanism for giving effect to zero-rated supplies** defined under Section 16(1). A registered person making zero-rated supply may opt for either of the following two methods for claiming refund on exports:

Supply under
Bond or LUT
without
payment of
IGST

- The supplier may make zero-rated supplies **without payment of Integrated Tax,**
- By furnishing a **Bond or Letter of Undertaking (LUT),**
- And thereafter **claim refund of unutilized Input Tax Credit (ITC) under Rule 89**

Supply on
payment of
IGST

- The supplier may make zero-rated supplies **on payment of Integrated Tax,**
- And thereafter **claim refund of the IGST paid** on such supplies under Rule 96.

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- Rule 96B. Recovery of refund of unutilised input tax credit or integrated tax paid on export of goods where export proceeds not realised.
- Applies where refund of unutilised ITC or IGST on export of goods has been granted.
- If export sale proceeds are not realised (fully or partly) within the FEMA-prescribed period (including RBI extension):
 - Refund must be repaid to the extent of non-realisation, along with interest, within 30 days.
- Failure to repay refund leads to recovery thereof as erroneous refund under Section 73 / 74 / 74A as applicable, with due interest under Section 50.



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Link Between GST & FEMA Rule 96B of CGST Rules links GST refund with foreign exchange realisation.

Foreign Exchange Management Act, 1999 governs:

Time limit for
realisation of
export proceeds



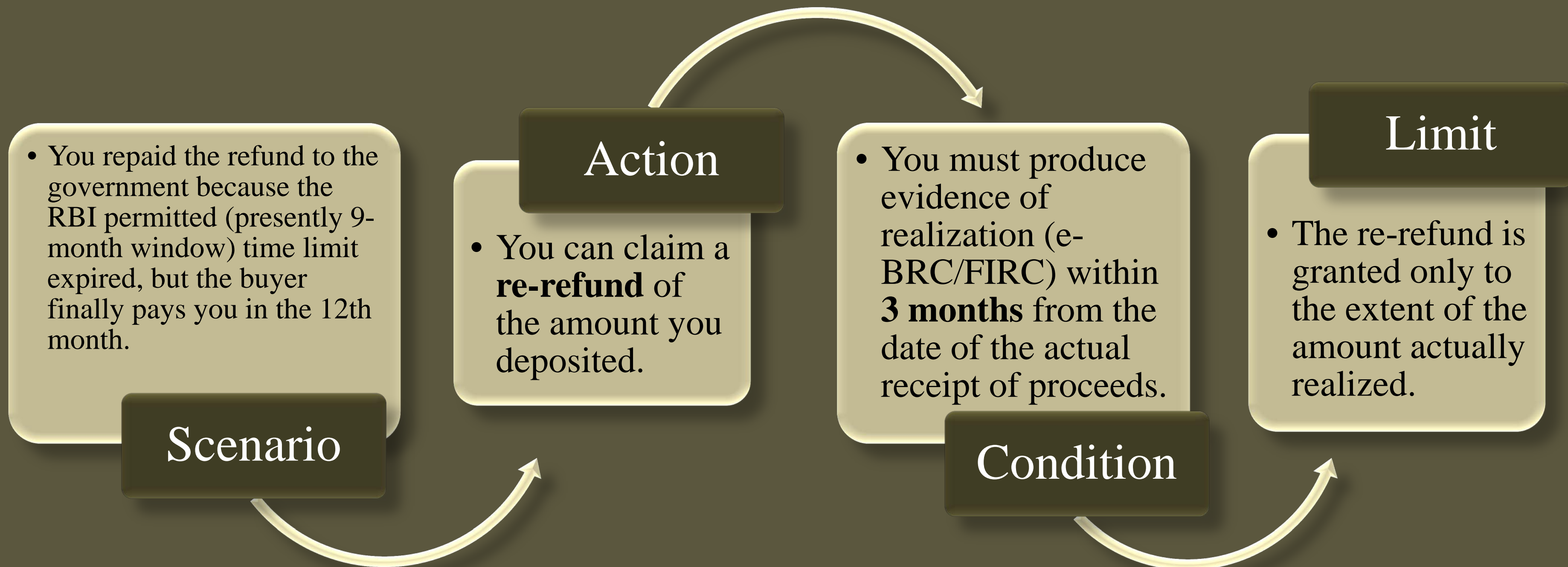
Extensions and
write-offs by RBI



GST refund is
**conditional upon
FEMA
compliance**

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Rule 96B(2): The "Re-Refund" Relief



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Summary Checklist for 2026

- **Monitor EDPMS:** Ensure your bank marks your Shipping Bills as "closed" in the RBI's system.
- **Act before RBI permitted period for realisation (9 Months at present):** If a payment is stuck, apply for a FEMA extension *before* the 9-month deadline to avoid the 18% interest liability.
- **Partial Realization:** If only 80% of an invoice is paid, Rule 96B applies proportionately to the remaining 20%.
- Upon re-claim of refund, interest paid earlier will not be returned and will be a cost

THANK YOU



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