

CHAPTER - VII ZERO RATED SUPPLY

Section 16 : Zero rated supply

- (1) "zero rated supply" means any of the following supplies of goods or services or both, namely:—
- (a) export of goods or services or both; or
 - (b) supply of goods or services or both ¹[for authorised operations] to a Special Economic Zone developer or a Special Economic Zone unit.
- (2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies; notwithstanding that such supply may be an exempt supply.
- ²[(3) A registered person making zero rated supply shall be eligible to claim refund of unutilised input tax credit on supply of goods or services or both, without payment of integrated tax, under bond or Letter of Undertaking, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder, subject to such conditions, safeguards and procedure as may be prescribed:

Provided that the registered person making zero rated supply of goods shall, in case of non-realisation of sale proceeds, be liable to deposit the refund so received under this sub-section along with the applicable interest under section 50 of the Central Goods and Services Tax Act within thirty days after the expiry of the time limit prescribed under the Foreign Exchange Management Act, 1999 (42 of 1999) for receipt of foreign exchange remittances, in such manner as may be prescribed.

1 Inserted by [Finance Act, 2021](#) (13 of 2021). It is made effective from 01-10-2023 by Noti. No. 27/2023-Central Tax, dt. 31-07-2023.

2 Sub-section (3) & (4) substituted for existing in sub-section (3) by [Finance Act, 2021](#) (13 of 2021). It is made effective from 01-10-2023 by Noti. No. 27/2023-Central Tax, dt. 31-07-2023. Earlier to substitution it read as under:

- "(3) A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely:—
- (a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or
 - (b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder."

Integrated Goods & Services Tax Act, 2017

- (4) The Government may, on the recommendation of the Council, and subject to such conditions, safeguards and procedures, by notification, specify—
- (i) a class of persons who may make zero rated supply on payment of integrated tax and claim refund of the tax so paid ³[in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder];
 - (ii) a class of goods or services ⁴[or both, on zero rated supply of which, the supplier may pay integrated tax and claim the refund of tax so paid, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder.]
- ⁵[(5) Notwithstanding anything contained in sub-sections (3) and (4), no refund of unutilised input tax credit on account of zero rated supply of goods or of integrated tax paid on account of zero rated supply of goods shall be allowed where such zero rated supply of goods are subjected to export duty.]
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3 Inserted by Finance (No.2) Act, 2024 (No. 15 of 2024). It is made effective from 01-11-2024 by Noti. No. 17/2024-Central Tax, dt. 27-09-2024.

4 Substituted “which may be exported on payment of integrated tax and the supplier of such goods or services may claim the refund of tax so paid” by Finance (No.2) Act, 2024 (No. 15 of 2024). It is made effective from 01-11-2024 by Noti. No. 17/2024-Central Tax, dt. 27-09-2024.

5 Sub-section (5) inserted by Finance (No.2) Act, 2024 (No. 15 of 2024). It is made effective from 01-11-2024 by Noti. No. 17/2024-Central Tax, dt. 27-09-2024.