GSTZONE

Refunds

Getting your own money back

The complete guide, plus all 20 sections and rules

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gstzone.com · +91 97554 06939

A Khemchandani Finance initiative

Start here

Refunds arise in three main situations: you exported without paying IGST and have credit piling up, you exported with IGST and want it back, or your inputs are taxed higher than your output so credit accumulates that you can never use.

Exporters choose between two routes. File a Letter of Undertaking and export without paying IGST at all, then claim refund of accumulated credit - better for cash flow. Or pay IGST on the export and get it back automatically once shipping bill data matches, with no separate application for goods.

The law puts a clock on the department: acknowledgment in 15 days, 90% of a zero-rated claim provisionally within 7 days, and a final order within 60 days - with interest payable to you if they miss it.

A worked example

What the inverted duty formula leaves behind

Input tax paid on goods	**₹18,00,000**	Inputs taxed at 18%
Input tax paid on services	**₹6,00,000**	Freight, job work, professional fees
Output tax collected at 5%	**₹9,00,000**	Finished product is a merit item

> **The point:** Credit accumulates, but the Rule 89(5) formula counts only goods - the ₹6,00,000 on input services stays stuck on the books. Knowing this before you price the product is the difference between a margin and a surprise.

The mistakes that cost people money

- Letting the LUT lapse on 1 April. It is valid for one financial year, and exporting without a live LUT means IGST becomes payable.
- Filing an incomplete refund application. The 60-day clock runs from a complete application, so a deficiency memo resets it.
- Missing the two-year limitation from the relevant date. It arrives faster than exporters expect.

What this guide covers

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Section 55	Refund in certain cases
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Section 57	Consumer Welfare Fund
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Every provision, explained

SECTION 54 · CGST ACT, 2017

Refund of tax

Section 54 governs GST refunds: apply within 2 years of the relevant date. Unutilised input tax credit is refundable only for zero-rated supplies (exports/SEZ without payment) or an inverted duty structure (inputs taxed higher than outputs). You must show the tax was not passed on to customers (a declaration suffices below Rs 2 lakh), else it goes to the Consumer Welfare Fund. Zero-rated claims get a 90% provisional refund; the final order is due within 60 days.

- The two-year clock runs from the RELEVANT DATE, which differs by claim: export of goods - date the ship or aircraft leaves India; export of services - date of receipt of convertible foreign exchange (or the invoice date if payment came first); deemed exports - date of the return; unutilised credit - due date of the return for the period; tax paid provisionally - date of the final assessment; any other case - the date of payment.
- Rule 96(10), which barred a paid-IGST refund where the exporter had used a concessional or advance-authorisation import, was OMITTED with effect from 08-10-2024 (Notification 20/2024-Central Tax), along with Rules 89(4A) and 89(4B). Old periods are still governed by it; new ones are not.
- A deficiency memo in RFD-03 stops the clock: the time from filing to the memo is excluded, so a fresh application after a memo is not time barred.
- Refund of unutilised credit is not available where the goods exported are subject to export duty, or where the supplier claimed a drawback of central tax or a refund of IGST paid.
- The bank account must be in the claimant's own name and linked to his PAN (Rule 96C) - a validation failure here is the most common reason a sanctioned refund does not arrive.

SECTION 55 · CGST ACT, 2017

Refund in certain cases

Section 55 lets notified bodies - UN agencies, notified multilateral institutions, foreign embassies/consulates and other notified persons - claim a refund of the GST they paid on their inward supplies.

- The claim is quarterly in FORM RFD-10, supported by the GSTR-11 statement of inward supplies, and the entitlement comes from the notification issued under this section - not from the section itself.
- The Canteen Stores Department gets fifty per cent of the tax back under Rule 95B.

SECTION 56 · CGST ACT, 2017

Interest on delayed refunds

Section 56 pays interest if a sanctioned refund is delayed beyond 60 days from the application - up to 6% for ordinary delay, and up to 9% where the refund arises from a final appellate or court order that is not paid within 60 days.

- Interest runs from the expiry of sixty days from the date of the APPLICATION, not from the date of the order - a refund sanctioned late still carries interest for the whole delay.
- Six per cent for ordinary delay; nine per cent where the refund flows from an order of an appellate authority, tribunal or court that is not honoured within sixty days.
- Interest has to be claimed and is sanctioned in RFD-05; the portal does not always compute it automatically, so ask for it in writing.

SECTION 57 · CGST ACT, 2017

Consumer Welfare Fund

Section 57 creates the Consumer Welfare Fund, to which refunds barred by unjust enrichment (where the tax burden was passed on to customers) are credited, along with any investment income.

- Unjust enrichment is presumed: the claimant must show the incidence of tax was not passed on. A certificate is needed above Rs 2 lakh; a self-declaration suffices below it.
- Refunds of tax on zero-rated supplies, unutilised credit and tax paid on a supply not provided are outside the unjust-enrichment test.

SECTION 58 · CGST ACT, 2017

Utilisation of Fund

Section 58 says the Consumer Welfare Fund is used for consumer welfare, with separate accounts maintained and audited in consultation with the Comptroller and Auditor-General of India.

- Operational detail sits in Rule 97, including the Standing Committee that sanctions grants from the Fund.

RULE 89 · CGST RULES, 2017

Application for refund of tax, interest, penalty, fees or any other amount

How a refund is claimed: RFD-01 within two years of the relevant date, with the statements and documents listed in this rule, and with the credit ledger debited when the claim is filed. It carries the formula for refund of unutilised credit on zero-rated supplies and for the inverted duty structure, and the documentary proof needed for each category.

- The inverted-duty formula excludes input SERVICES - upheld in VKC Footsteps (SC, 13-09-2021) - and the formula was revised in 2022 to give credit for the output tax paid on the inverted supply.
- Statement 3 (exports) or Statement 1 (inverted duty) must match the returns exactly; a mismatch is the commonest deficiency memo.
- For a supply to an SEZ, the endorsement of the specified officer is a condition of the refund.
- Rule 89(1A) covers the wrong-head refund under section 77, within two years of paying the correct tax.

RULE 90 · CGST RULES, 2017

Acknowledgement

Acknowledgement in RFD-02 within fifteen days of a complete application; deficiencies are communicated in RFD-03, and the time from filing to the deficiency memo is excluded from the two-year limitation, so a fresh application after a memo is not time barred.

RULE 91 · CGST RULES, 2017

Grant of provisional refund

Provisional refund of ninety per cent on a zero-rated claim, in RFD-04, within seven days of acknowledgement, provided the applicant has not been prosecuted for evasion above two hundred and fifty lakh rupees in the last five years; the payment order follows in RFD-05.

RULE 92 · CGST RULES, 2017

Order sanctioning refund

The final sanction order is passed in RFD-06 within sixty days of a complete application, with any adjustment against existing dues or withholding recorded in RFD-07 and any rejection preceded by a show cause notice in RFD-08 and reply in RFD-09.

RULE 93 · CGST RULES, 2017

Credit of the amount of rejected refund claim

Where a refund claim is rejected or a deficiency memo is issued, the amount debited from the credit ledger is re-credited through PMT-03 - so a rejected claim does not destroy the credit.

RULE 94 · CGST RULES, 2017

Order sanctioning interest on delayed refunds

Interest on a delayed refund is sanctioned in RFD-05: six per cent generally and nine per cent where the refund follows an appellate or court order, running from sixty days after the application until payment.

RULE 95 · CGST RULES, 2017

Refund of tax to certain persons

Refund to notified persons such as UN bodies, embassies and specified agencies: claim in RFD-10 once a quarter, supported by the GSTR-11 statement of inward supplies and subject to the conditions in the notification under section 55.

RULE 95A · CGST RULES, 2017

[Omitted]

This provision has been omitted and has no operative text in the current official version; see amendment_history for the omitting instrument.

RULE 95B · CGST RULES, 2017

Refund of tax paid on inward supplies of goods received by Canteen Stores Department

The Canteen Stores Department may claim refund of fifty per cent of the tax paid on its inward supplies, in RFD-10A, once a quarter.

RULE 96 · CGST RULES, 2017

Refund of integrated tax paid on goods or services exported out of India

Export with payment of IGST: the shipping bill itself is the refund application, and the refund is transmitted by the portal to Customs once GSTR-1 and GSTR-3B are filed and the data matches ICEGATE. The refund can be withheld where the exporter is flagged as risky or where an inquiry is pending, and it is not available where the inputs were procured under a concessional or deemed-export notification.

- Rule 96(10), which barred the paid-IGST refund where inputs were imported under a concessional or advance-authorisation notification, was OMITTED from 08-10-2024 - but it still governs earlier periods, and demands for those years continue.
- The refund flows automatically from the shipping bill once GSTR-1 and GSTR-3B match the ICEGATE data - most delays are data mismatches, not sanctions.

RULE 96A · CGST RULES, 2017

Export of goods or services under bond or Letter of Undertaking

Export without payment of tax: furnish a Letter of Undertaking (or a bond with security where the LUT is not allowed) in RFD-11 before exporting. Goods must leave India within three months of the invoice and payment for services must be received within one year, or the tax with interest becomes payable within fifteen days.

- A LUT is filed annually in RFD-11 before the first export of the year.
- Three months from the invoice for goods, one year for receipt of payment for services - and the tax with interest falls due fifteen days after that, without any notice.

RULE 96B · CGST RULES, 2017

Recovery of refund of unutilised input tax credit or integrated tax paid on export of goods where export proceeds not re

Where export proceeds are not realised within the FEMA period, the refund of unutilised credit or of the IGST paid must be repaid with interest within thirty days, unless the RBI writes off the receivable; the amount is restored if payment is later received.

RULE 96C · CGST RULES, 2017

Bank Account for credit of refund

A refund is credited only to a bank account in the applicant's own name and linked to his PAN - a validated account, which is why a mismatch in the bank details stalls the payment.

RULE 97 · CGST RULES, 2017

Consumer Welfare Fund

Refund amounts that fail the unjust-enrichment test go to the Consumer Welfare Fund, whose constitution, management and the grants it may make are set out here.

RULE 97A · CGST RULES, 2017

Manual filing and processing

Anything in the refund chapter that has to be filed or issued electronically may be done manually where the Commissioner allows it - the rule that saves a claim when the portal cannot accept it.

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