



Press Information Bureau

Ministry of Information and Broadcasting, Government of India



Economy

Frequently Asked Questions (FAQs) on refunds

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1. What are the key changes being introduced in the refund mechanism?	• The existing refund mechanism is being modified to provide for time-bound and automated processing of refund claims in specified categories on the basis of risk analysis by the system, so as to enhance ease of doing business, improve transparency and expedite the processing of refund claims to ease the working capital requirement of the taxpayers. The changes are being introduced in 2 phases as per readiness of the system. • Phase I: There shall be reduction of time limit for acknowledgement or deficiency memo from 15 to 10 days, and in case, no action is taken by the officer in 10 days, the application will be deemed to be acknowledged and the acknowledgement will be given by the system. • There will be automated sanctioning of provisional refund, to the extent of 90% of the refund amount claimed, by the system for acknowledged low-risk refund claims pertaining to zero-rated supplies or inverted duty structure. • There will be automated sanctioning of final refund by the system in case of refund claim on account of any balance in electronic cash ledger. • Phase II: Auto acknowledgement of refund application shall be done by the system after validation of information in the refund application. • In case of any mismatch, the system would communicate the error(s) to the taxpayer for rectification of the errors and filing of a fresh application. However, in case the validation failure reoccurs, the application may be
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		forwarded to the proper officer for scrutiny and processing. • Further, in case of low-risk zero-rated supply refund claims, final refund shall also be automatically given by the system.
2.	Which categories of refund are eligible for automated provisional refund?	Refund of unutilized ITC for low-risk refund claims pertaining to zero-rated supplies or inverted duty structure are eligible for automated provisional refund.
3.	How does automated provisional refund differ from the earlier provisional refund process?	In case of low-risk refund claims on account of zero-rated supplies and inverted duty structure, after the issuance of acknowledgement, 90% of the claimed amount will be sanctioned provisionally by the system on an automated basis, without the intervention of tax officer.

4.	Are there any exclusions to sanction of provisional refund in respect of refund claims on account of zero-rated supplies and inverted duty structure?	There are certain exclusions as under: • Certain notified categories of persons engaged in the supply of commodities such as areca nuts, pan masala, tobacco and manufactured tobacco substitutes, essential oils are not eligible for refund on provisional basis. • Any person, who has not undergone Aadhaar authentication under rule 10B of the CGST Rules, 2017, shall also not be eligible for refund on a provisional basis. Kindly refer to notification No. 14/2025–Central Tax dated 17.09.2025 for more details. • Restriction will be applicable in cases where a DRC-01 has been issued against an RFD-06, or where an APL-03 has been filed without a corresponding APL-04, or where an APL-07 has been filed against an appellate order and APL-04 is yet to be issued, ensuring such cases are referred for appropriate scrutiny before provisional refund is sanctioned.
5.	Is there any restriction on refund of unutilized ITC on account of inverted duty structure refund claims?	Yes. Refund shall not be allowed on account of inverted duty structure in respect of goods notified vide notification No. 5/ 2017-Central Tax (Rate) dated 28.06.2017 (as amended).

		Further, statutory restrictions on sanction of refund will be applicable in terms of sub-section (10) and (11) of section 54 of the CGST Act, which <i>inter alia</i> provide for withholding of refund where the refund order is subject to any appeal or other proceedings through linkages with relevant modules.
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6.	What will be the role of officer in the processing of refund application?	In Phase I, the officer shall issue acknowledgement within 10 days of receipt of application after checking for its completeness. In case he finds any discrepancy in the documents, a deficiency memo in FORM RFD-03 may be issued to the claimant intimating such deficiency. While the provisional refund in the acknowledged cases will be sanctioned by the system in cases involving low risk zero-rated supplies and inverted duty structure, the final processing and scrutiny of refund will be done by the proper officer. Further, in cases where the refund claim is not eligible for provisional refund, the processing and scrutiny of refund applications shall be done by the proper officer. In Phase II, the following cases will be handled by the proper officer: • processing of refund claims which are not identified by the system for processing on an automated route. • Final scrutiny of refund claims in case of inverted duty structure refunds, after provisional refund to the extent of 90% of the claimed amount is sanctioned by the system.
7.	Can the proper officer deny provisional refund even if a refund application is low-risk?	In case of low-risk refund applications on account of zero-rated supply and inverted duty structure, the system will automatically sanction 90% of the claimed amount on a provisional basis. This will be fully system-

		driven and there will be no officer interface at this stage.
8.	What is the revised timeline for issuing the provisional refund order?	The provisional refund order in FORM GST RFD-04 is proposed to be issued within three working days by the system from the date of acknowledgement.
9.	How would a low-risk refund claim be processed subsequent to automated provisional refund?	Once the system grants provisional refund in a low-risk refund application, the application shall move to the proper officer for scrutiny and issuance of final refund order in FORM GST RFD-06.
10.	What happens if a refund application is not classified as low-risk?	If a refund application is not classified as low-risk, it shall be scrutinized by the proper officer after acknowledgement, for the purpose of sanction of provisional refund (in case of refund claims on account of zero-rated supplies and inverted duty structure) and subsequent processing of final refund.
11.	What is the prescribed time limit for issuance of acknowledgement or deficiency memo by the tax officer?	In refund categories other than excess balance in cash ledger, the proper officer is now required to issue an acknowledgement in FORM GST RFD-02 or deficiency memo in FORM GST RFD-03 within 10 days of filing of the refund application. If neither acknowledgement nor deficiency memo is issued within this period, the application will be deemed acknowledged by the system.
12.	What will happen if neither an acknowledgement nor a deficiency memo is issued within this time?	If neither an acknowledgement nor a deficiency memo is issued within 10 days of filing of refund application, then the application will be deemed acknowledged, i.e., an acknowledgement in FORM GST RFD-02 will be made available through the common portal on expiry of the said period.

13.	Will the refund application be processed automatically by the system after deemed acknowledgement?	No. Deemed acknowledgement only means that the refund application is treated as received and complete for the purpose of starting the processing timeline. Further processing of the refund application shall be done as per the
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		risk-based framework and applicable provisions.
14.	What is the process to be followed in cases where a refund application is found to have deficiencies?	• In refund applications which are found to have deficiencies, proper officer issues a deficiency memo in FORM GST RFD-03. After a deficiency memo has been issued, the refund application would not be further processed, and a fresh application would have to be filed by the applicant on the portal. • Any amount of input tax credit/cash debited from electronic credit/ cash ledger at the time of filing of refund application would be re-credited automatically once the deficiency memo has been issued. • The applicant is required to rectify the deficiencies highlighted in deficiency memo and file fresh refund application electronically in FORM GST RFD-01 again for the same period.
15.	Can a deficiency memo be issued after acknowledgement?	Once an acknowledgement has been issued in relation to a refund application, no deficiency memo, on any grounds, can be subsequently issued for the said application.

16.	What happens if my refund is not sanctioned within the statutory timeline?	If a refund is not sanctioned within the statutory time limit, the refund applicant becomes entitled to interest on delayed refund for the period of delay beyond 60 days as per the provisions of section 56 of the CGST Act, 2017.
17.	How will the refund be granted for inverted duty structure claims in Phase II?	In Phase II, the refund application will be acknowledged automatically by the system after validation of information furnished in the refund application. Ninety per cent of the claimed amount will be sanctioned as provisional refund automatically by the system based on risk evaluation, with the payment order issued in FORM GST RFD-05. Thereafter, the refund application will be processed by the tax officer for issuance of final refund order.

18.	How will my refund of excess balance in the electronic cash ledger be processed now?	Refund of excess balance in the electronic cash ledger will be processed in a fully automated manner by the common portal itself.
19.	Will there be any role of the officer in refund of excess cash balance in electronic cash ledger?	No. Such a refund will be processed without requiring any intervention by a tax officer.
20.	Will I be able to file my refund application if I have not yet filed my GST return?	Before filing a refund application, it must be ensured that all returns that are due to be filed on or before the date of the refund application have in fact been filed by the registered person. For example, if refund application is being filed on the 3rd of April, 2026 the returns for the month of February, 2026 should have been filed.

21.	Is there a need to submit any documents physically with the jurisdictional officer?	No. There is no need to submit physical documents separately as the refund process is presently fully electronic. All statements, declarations, undertakings, and supporting documents are to be uploaded on the common portal at the time of filing. Even after this amendment, there is no need to submit these documents physically to the jurisdictional officer.
22.	Will the new form increase my compliance burden?	No, the updated refund form does not increase compliance burden. Information that was hitherto required to be uploaded in scanned form will now be captured within the application itself, enabling system-based data matching. This makes the refund process more predictable, smooth, and transparent, thereby benefitting the taxpayer.
23.	Do I need to submit invoices at the time of filing of refund?	No. As mentioned in para 36 of circular No. 125/44/2019-GST dated 18.11.2019, there is no need to submit invoices (either original or duplicate) along with the refund claim.
24.	Will my shipping bill and export payment details be verified automatically?	Yes. In Phase II, for refunds on account of zero-rated supplies, the system will be integrated with ICEGATE (for shipping bill and bill of export details), with EDPMS of the RBI (for

		realisation of export proceeds for services), and with SEZ Online (for supplies made to SEZ units or developers), so that these details can be verified electronically rather than through manual checks.
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25.	What if my application does not pass the system's validation?	You will be informed of the specific errors so that you can rectify them and file a fresh application. If validation is still unsuccessful after correction, your application will be forwarded to the proper officer for scrutiny and processing, so that processing of your claim continues to move forward.
26.	What can I do to ensure that my application is processed smoothly by the system?	To ensure smooth processing of refund application by the system, the applicant may keep the following points in mind while filing their refund application: • Ensure that the data is filled correctly in the application, and no clerical errors are made. • The data being filled in the refund application must match the data filled in the returns or other documents such as shipping bill by the applicant. • Validation failures can be avoided by ensuring that data matching across various documentary compliances is maintained. • The refund application must be checked properly before submission to avoid errors at the time of filing. • The claimant must ensure that ineligible ITC (such as ITC restricted under section 17(5) of the CGST Act, 2017) is not being taken into account for the purpose of refund calculation. • The claimant must ensure that any reversal of input tax credit required under rule 42 or rule 43 of the CGST Rules, 2017 is carried out as prescribed under the said rules.

27.	Will I get interest if my refund is withheld under section 54(11) and I later become entitled to it? From when and till which date will this interest be calculated?	Yes. Where a refund is withheld under section 54(11) and the applicant subsequently becomes entitled to it as a result of appeal or other proceedings, interest is payable at the rate of 6%. The interest will be computed for the period starting from the date the refund was withheld till the date the refund is actually paid.
28.	Is there a minimum amount below which refund is not paid?	Yes, a threshold of Rs.1,000 continues to apply below which refund is not paid. The threshold of Rs. 1,000 will be applied with reference to the total refund amount payable across all tax heads taken together, rather than separately for each individual tax head. However, this minimum threshold of Rs. 1000 is not applicable in respect of refund on account of goods exported out of India with payment of tax.
29.	I am an exporter making zero-rated supply of goods and claiming refund on account of accumulated input tax credit for such zero-rated supplies. Am I required to provide value of like goods supplied domestically by similarly placed supplier for the calculation of turnover of zero-rated supply of goods under rule 89(4) (C) of the CGST Rules?	Keeping in mind the difficulty being faced by taxpayers, as well as genuine concerns of taxpayers regarding providing the value of like goods supplied domestically by similarly placed supplier, the condition regarding calculation of turnover of zero-rated supply of goods as value which is 1.5 times the value of like goods domestically supplied, for calculation of refund is being removed through amendment in rule 89(4) (C) of the CGST Rules, 2017.

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