



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SUGGESTIONS ON GST REGISTRATION & REFUND PROCESSES



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GST & Indirect Taxes Committee



INTRODUCTION

ICAI is a statutory body established by an Act of Parliament, viz. *The Chartered Accountants Act, 1949*, for regulating and developing the profession of Chartered Accountancy in the country. The ICAI is the largest professional body of Chartered Accountants in the world, with a strong tradition of service to the Indian economy in public interest.

The GST & Indirect Taxes Committee of the ICAI plays a vital role in supporting the Government's GST initiatives through policy advisory, capacity-building programmes and knowledge dissemination. The Committee extended unwavering support to the Government during the rollout of GST by providing inputs on GST law and procedures and by undertaking extensive awareness and training initiatives.

Building upon its continued engagement with the Government on various aspects of GST law and procedures, the GST & Indirect Taxes Committee of ICAI is pleased to submit its *Suggestions on GST Registration and Refunds Processes* for the kind consideration of the Government. The suggestions are intended to contribute to the further streamlining of these processes and to support a more efficient and taxpayer-friendly GST framework. In case any further clarification or data is considered necessary, the Committee shall be pleased to furnish the same. The contact details are as under:

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SUGGESTIONS ON GST REGISTRATION AND REFUND PROCESSES

A. REGISTRATION

1. Seamless GST Registration in Integrated Registration via MCA Portal

Issue

Currently, the integrated registration mechanism provided through the Ministry of Corporate Affairs (MCA) portal (via SPICe+ and AGILE-PRO-S forms) suffers from systemic opacity. While the facility allows for GST registration to be applied concurrently with the incorporation of Companies and LLPs, there is a distinct lack of visibility and defined timelines for the processing of these applications once data is transmitted to the GST Network. Unlike other statutory registrations such as PAN and TAN which are generated seamlessly, GST applications often face transmission delays or data mismatches without a transparent status tracking mechanism, leaving newly incorporated entities in a state of uncertainty.

Suggestion

The GST registration process for newly incorporated entities be upgraded to a robust, fully automated Single-Window Facility. Just as PAN, TAN, EPFO, and ESIC registrations are processed concurrently and seamlessly with incorporation, the GST registration workflow must be aligned to ensure immediate validation and TRN generation. The system should be enhanced to provide real-time status updates back to the MCA portal to ensure applicants can track the progress of their application.

Justification

Achieving a true single-window clearance is pivotal for the Government's Ease of Doing Business initiative. Harmonizing GST registration timelines with company incorporation will ensure that newly formed entities can commence business operations immediately, thereby eliminating the compliance lag that currently exists between the date of incorporation and the effective date of tax registration.

2. Single Biometric Verification for Multi-State Registrations

Issue

Currently, the protocol for biometric Aadhaar authentication and document verification operates in silos across different States and Union Territories.



Consequently, even when an applicant has successfully completed the rigorous biometric verification process for a registration in one jurisdiction, the system mandates a de novo (fresh) verification for subsequent applications in other States linked to the same PAN. This results in the system repeatedly flagging the same applicant for verification, compelling them to undertake repetitive compliance procedures and incur avoidable travel costs for physical verification at designated centers. Such redundancy directly contradicts the Government's objective of procedural simplification and digital integration.

Suggestion

Biometric verification be treated as a PAN-level validation rather than a State-specific requirement. Once an applicant has successfully completed biometric authentication for one GSTIN, this status should be legally and technically accepted PAN-India for all subsequent registrations associated with that PAN.

Justification

Adopting a 'One PAN, One Verification' approach will significantly reduce the compliance burden for businesses expanding their operations within same State / across States. It ensures that the robust identity checks are respected globally within the system without subjecting compliant taxpayers to duplicative processes, thereby enhancing the Ease of Doing Business.

3. Streamlining Documentation for Registration of Shared Premises/co-working/virtual office

Issue

Initially there was no clarity regarding documentation for businesses operating from shared premises, including co-working spaces and similar arrangements. While *CBIC Instruction No. 03/2025-GST dated 17.04.2025* brought some clarity on documentation for shared premises, the portal's current dropdown structure does not reflect this distinction. Thus, applicants select the nearest available category, which is generally "consent-based premises", and submit documents that do not match the officer's expectation, leading to REG-03 queries and consequent delays.

Virtual offices and co-working spaces taken on lease present a further layer of complexity, as the nature of possession differs materially from conventional leases. Without specific guidelines on acceptable proof of place of business and the applicable verification procedure, both applicants and officers are left without a consistent standard, making registration outcomes for such premises unpredictable.



Suggestions

1. The portal may provide separate selectable categories in dropdown such as:

- Owned premises (already available)
- Rented premises (already available)
- Consent-based premises (already available)
- Shared premises (new suggested)
- Co-working premises (new suggested)

and generate the appropriate document checklist automatically.

2. Specific guidelines for valid documents to be considered as proof of place of business & verification procedure may be issued for virtual offices, co-working space taken on lease.

Justification

A dedicated category for shared and co-working premises would ensure uniform verification by officers and facilitate faster processing of registration applications.

4. Increased File Size for Documents Upload

Issue

Many times it is observed that the applicant has the correct documents like multi-page lease agreements, electricity bill, registered sale deed etc., but is unable to upload it because either file size is too large; or scanned document is unclear after compression; or document contains multiple pages; or portal accepts only particular formats.

The purpose of documentation in GST registration is to enable verification. Portal restrictions that force applicants to compress or fragment legally relevant documents defeat that purpose. A registered sale deed or multi-page lease agreement loses its evidentiary value when rendered illegible after compression, invariably inviting REG-03 queries despite the underlying document being genuine. The restriction thus converts a compliant applicant into an apparently deficient one through no fault of his own.

Suggestion

The portal be upgraded to provide-

- higher upload limits (up to 5 MB);
- PDF compression facility within portal;



- multiple-file upload where appropriate;
- alternative secure upload facility where documents exceed the limit.

Justification

Providing higher upload limits, an in-portal compression facility, and an alternate secure upload option would ensure that portal infrastructure supports the verification process and is not restrictive.

5. Option to Add More than 10 Partners/Promoters

Issue

Presently, the GST registration portal permits an applicant to add details of only up to 10 partners/promoters while filing an application for registration. This system-imposed restriction creates practical difficulties for business entities, particularly partnership firms, LLPs, associations, and other entities having more than 10 partners/promoters.

There is no corresponding restriction under the substantive provisions of the GST law prescribing a maximum number of partners/promoters that a business entity may have for the purpose of obtaining GST registration. Therefore, the portal-level limitation effectively restricts taxpayers from furnishing complete and accurate details of all persons associated with the constitution of the business.

This may also lead to inconsistencies between the constitutional documents of the entity and the particulars available in the GST registration database, besides creating difficulties in subsequent amendments, verification, compliance, and departmental proceedings.

Suggestions

1. The existing system restriction limiting the number of partners/promoters to 10 persons on the GST registration portal be removed.
2. A functionality be introduced to add details of all partners/promoters, irrespective of their number, so that the registration particulars accurately reflect the actual constitution of the business entity.

Justification

Since Table 21 read with the REG-01 instructions requires complete constitution details, and no provision under the Act or Rules caps the number of partners a registered entity may have, aligning the portal's technical fields with the form's actual requirement is a functionality fix, not a policy change – and would remove



the resulting mismatch between GST records and the entity's constitutional documents that currently complicates amendments and verification.

6. Pre-submission Preview in GST Registration Interface

Issue

The GST registration process currently lacks a “preview” functionality, preventing applicants from reviewing the full application—along with uploaded documents—before final submission. Given the volume of data entry and document uploads involved, this omission increases the risk of inadvertent errors, such as incorrect details or wrong file attachments. These errors often result in rejections or notices, causing unnecessary delays in obtaining registration.

Suggestion

A “Preview” functionality be introduced in the GST registration module on GST portal to allow applicants to review the complete application—along with all uploaded documents—prior to final submission and generation of the Application Reference Number (ARN).

Justification

A preview feature would help users identify and correct any typographical errors, data entry mistakes, or incorrect document uploads before submission, thereby reducing the incidence of rejections and notices.

7. Streamlining Bank Account Validation- Rule 10A

Issue

Taxpayers are required to furnish bank account details within thirty days of registration (or before filing the first FORM GSTR-1 / IFF, whichever is earlier), failing which registration is auto-suspended. Validation against NPCI / bank records fails frequently in the case of (i) proprietorships where the bank account is in the individual's name while the registration bears the trade name, (ii) accounts with co-operative banks, small finance banks and payment banks not fully integrated with the validation gateway, and (iii) minor spelling variations.

The portal offers no manual override. Genuine taxpayers stand suspended with no ability to issue invoices or file returns and are forced to open new accounts to satisfy the validation, or to approach the jurisdictional officer / helpdesk without a defined workflow.



Suggestions

1. A fuzzy name-match tolerance (as is done for PAN-Aadhaar linking) be introduced for bank account validation.
2. A proprietor's personal account be treated as a valid match against the trade name where the PAN is the same.
3. Where automated validation fails, an on-portal facility be provided to upload a cancelled cheque / bank certificate for manual validation by the jurisdictional officer within a fixed seven-day timeline, with suspension held in abeyance during that window.
4. A graded alert (SMS / e-mail) be sent at day 15, day 25 and day 29 before suspension is triggered.

Justification

Implementing these changes would prevent auto suspension from disrupting routine tax compliances and business operations where the registration and bank details are otherwise genuine.

8. Provision of Reasoned and Specific Queries in FORM GST REG-03

Issue

Notices in FORM GST REG-03 are frequently system-templated and non-specific – e.g., "Upload valid proof of principal place of business" or "Others – clarify the nature of business" even where the prescribed document has already been uploaded and is legible. Queries also routinely travel beyond the indicative list of documents prescribed in FORM GST REG-01 and reiterated in *CBIC Instruction No. 03/2025-GST dated 17.04.2025* (e.g., demand for property tax receipts in addition to a registered lease deed, notarised consent letters, photographs of the premises with the applicant, or the owner's Aadhaar).

The applicant is unable to understand what is actually deficient, responds blindly in FORM GST REG-04, and the application is then rejected for "unsatisfactory reply". The seven-working-day timeline under Rule 9(1) is defeated and the applicant's business cannot commence.

Suggestions

1. The FORM REG-03 screen be redesigned so that the officer must select the specific field / document of FORM GST REG-01 to which the query relates, and records a free-text reason of minimum length. Generic options such as "Others" should not be selectable without a mandatory reasoned narration.



2. The portal to hard-block any query seeking a document that is not in the indicative list in *Instruction No. 03/2025-GST*, unless the officer records a specific reason and obtains the approval of the Deputy / Assistant Commissioner, as mandated by the Instruction itself. This approval should be system-captured and visible to the applicant.

Justification

Implementing such change would ensure that notices under FORM GST REG-03 are specific and limited to genuine deficiencies. Seeking additional documents subject to mandatory recording of specific reasons would prevent arbitrary document demands ensuring adherence to CBIC's prescribed registration framework.

9. Rejection Orders in FORM GST REG-05 to Provide Reasons and Opportunity of Hearing

Issue

Rejection orders in FORM GST REG-05 typically contain a single line "Reply not satisfactory" or "Documents not found genuine" with no discussion of the applicant's reply. No opportunity of personal hearing is afforded even where the applicant requests it. Although Rule 9(4) requires the officer to "record reasons in writing", the portal does not compel a reasoned order.

The applicant's only remedy is an appeal under Section 107 before the Appellate Authority, which takes months. Many applicants instead file a fresh application, which is then treated as a repeat / suspicious application. High Courts have repeatedly quashed such orders as non-speaking.

Suggestions

1. The FORM REG-05 template may carry mandatory structured fields: (i) query raised, (ii) reply received, (iii) specific reason why the reply does not address the query, and (iv) the specific provision under which rejection is ordered. The order should not be generable if any field is blank.
2. At the time of filing the registration application, an option be provided to the applicant to indicate the preferred mode of personal hearing either virtual (through the portal's integrated video-hearing link) or physical (at the jurisdictional office). Where the proper officer identifies deficiencies and issues FORM GST REG-03, the notice would automatically carry either the video-hearing link (for applicants who opted for virtual hearing) or the date, time, and venue (for applicants who opted for physical hearing).



Justification

Implementing this change would ensure that rejection of GST registration is reasoned, transparent, and consistent with the principles of natural justice. It will also ensure that the hearing opportunity is operationalised at the notice stage itself, without requiring a separate request by the applicant, in line with the principle of natural justice reflected in Section 75(4). The opportunity to be heard before an adverse order is a legal right of the applicant, not an administrative concession and would provide an additional opportunity for clarification of genuine deficiencies and reducing unnecessary appeals and fresh registration applications.

10. Physical Verification Report to be Shared with the Applicant on the Portal

Issue

In case of physical verification, the verification report in FORM GST REG-30 is uploaded at back-office and is not visible to the applicant. Verification is many times carried out without notice and in the absence of the applicant or authorised representative, and adverse conclusions ("premises found locked", "no signboard") are drawn and used for rejection or cancellation. Since the Verification Report is not visible to the applicant, he does not get the opportunity to contest the same.

It is worthwhile to mention here that cancellations based solely on a single unannounced visit have been set aside by High Courts in numerous cases.

Suggestions

1. The Verification Report in FORM REG-30, along with photographs, be made visible to the applicant on the portal immediately upon upload.
2. Where the FORM REG-30 is not uploaded on the portal and FORM REG-03/FORM REG-05 has not been issued within a period of thirty days as prescribed under proviso to Rule 9(1), FORM GST REG-06 be auto-generated on expiry of the said period. This would make the provision set out in Rule 9(5) practically effective. Any adverse finding thereafter may be dealt with under Section 29 with due process.

Justification

Sharing the verification report in FORM GST REG-30 with applicants would provide an opportunity for contesting or clarifying observations recorded during physical verification, thus reducing the risk of adverse findings leading to rejection of application.



11. Deemed Approval under Rule 9(5) to be System-Enforced

Issue

Rule 9(5) provides that where the officer fails to take action within seven working days (or thirty days where Aadhaar authentication is not done / physical verification is warranted), the application "shall be deemed to have been approved". In practice, the portal does not auto-approve; the ARN remains in "Pending for Processing" or "Pending for Clarification" status indefinitely, and applicants have no mechanism to invoke the deeming fiction other than a writ petition. The statutory timeline has become directory in practice.

Suggestions

1. A system-level trigger be implemented that will auto-generate FORM REG-06 on expiry of the Rule 9(5) period where no FORM REG-03 / FORM REG-05 has been issued, on the same lines as the deemed approval is implemented in certain other workflows.
2. Where a FORM REG-03 has been issued and the applicant has filed FORM REG-04, the seven-working-day clock for the officer's decision under Rule 9(4) be similarly system-enforced.
3. A "Days Pending" counter, visible on the taxpayer's Track Application Status screen and on the officer's dashboard, be displayed, with automatic escalation to the supervisory officer on breach.

Justification

A system enforced automatic generation of FORM GST REG-06 would ensure that deeming approval under Rule 9(5) operates in practice also. It would also provide certainty to taxpayers and prevent registration applications from remaining pending indefinitely.

12. Display of Activity Log for Registration/Amendment Application

Issue

Where an application for registration/amendment in registration is filed, the applicant/registered person often sees only a status such as - Pending for Processing or Clarification filed – Pending for Order.

Thus, the taxpayer does not know the specific status of his application, i.e. whether it has reached the officer or if it has been opened or any physical verification has been ordered etc.



Suggestion

A Registration Activity Log, similar to a courier tracking system be introduced for registration workflow. An illustrative format is given below-

Application submitted → ARN generated → Assigned to officer → Verification initiated → Query issued → Reply filed → Physical verification ordered → Report uploaded → Approval / Rejection

Justification

Registration Activity Log would bring transparency and accountability to the registration process by tracking each stage of registration application. It would also facilitate better monitoring of pending applications for both taxpayers and authorities.

13. Amendment in GST Registration through Multiple Applications

Issue

The current restriction on submitting a second application for GST registration amendment before the approval of the first amendment creates unnecessary delays in the amendment process.

Suggestion

The system be updated to allow multiple amendment applications to be submitted simultaneously or in quick succession.

Justification

Implementing this change would ensure that businesses can make timely corrections to their registration details, thereby reducing operational disruptions and minimizing compliance risks. The system could incorporate safeguards to ensure that the amendments are properly reviewed before final approval, while still allowing for greater flexibility and efficiency in handling multiple requests.

14. Locking Out of Suspended/Cancelled Taxpayers from the Portal

Issue

Upon suspension under Rule 21A, the taxpayer is barred from filing returns and, in several cases, from filing an appeal in FORM GST APL-01 or a reply to a notice, because the portal treats the GSTIN as inactive. After cancellation, the taxpayer cannot access notices issued to the cancelled GSTIN, cannot file the final return in FORM GSTR-10 in time, and cannot download the cancellation order or the earlier returns needed for appeal. The taxpayer is deprived of the very remedies the law



provides. The High Courts have had to direct restoration of portal access merely to enable an appeal to be filed.

Suggestions

A suspended or cancelled GSTIN to retain read-only access to all its data and full access to (i) the "View Notices and Orders" tab, (ii) FORM GST APL-01, (iii) FORM GST REG-21 (revocation), (iv) FORM GSTR-10, and (v) the reply / adjournment facility for any pending notice.

Justification

Implementing these changes would ensure that procedural restrictions do not defeat substantive statutory remedies available to a taxpayer. Continued access to GSTIN would enable taxpayers to file appeals, respond to pending notices and file for revocation within prescribed timelines, thus reducing avoidable litigation.

15. Cancellation of TDS Registration

Issue

Under Rule 12(3) of the CGST Rules, 2017, where a person registered as a Tax Deductor under Section 51 is no longer liable to deduct TDS, the person can make a written request to the proper GST officer. If the officer is satisfied, the TDS registration may be cancelled and the cancellation order is issued in FORM GST REG-08. This facility was specifically enabled through the amendment made by *Notification No. 26/2022–Central Tax dated 26 December 2022*.

Importantly, unlike a regular GST registration, a TDS deductor cannot use the normal online "Application for Cancellation of Registration" facility therefore, the request is made by letter/email to the jurisdictional proper officer.

Suggestion

A module may be introduced for filing an application for cancellation of GST TDS registration as well similar to other GST registrations rather than this being a manual process.

Justification

Since the deductor's registration itself was granted electronically, the data required to process cancellation – GSTIN, reason, effective date – is already available on record, and no fresh policy shift is needed to route the existing written-request mechanism through an online form instead of letter/email. An online module would also generate an ARN for tracking, bringing TDS deductor cancellation in line with the audit-trail standards applicable to all other registration types, and



remove the present dependency on manual receipt and processing by the jurisdictional officer.

16. Delay in Disposal of Voluntary Cancellation Applications

Issue

Applications for cancellation in FORM GST REG-16 remain pending for months beyond the thirty-day period prescribed under Rule 22(3). During the pendency, the taxpayer is required to continue filing NIL returns. Failure to do so attracts late fee, which is then demanded as a pre-condition for approving the cancellation. Queries seeking stock statements, reconciliation of ITC and payment under Section 29(5) are frequently raised even where no stock exists. Thus, a closed business continues to incur compliance costs and late fee for a default that is not attributable to it.

Suggestions

1. The thirty-day timeline under Rule 22(3) be enforced on the portal, with deemed cancellation effective from the date requested in REG-16 if no order or query is issued.
2. The return-filing obligation be suspended from the date of filing REG-16 (as Rule 21A(1) already contemplates) and late fee be not computed for periods after that date.

Justification

The thirty-day period under Rule 22(3) is a statutory ceiling. Imposition of return-filing obligations and late fees after REG-16 is filed penalizes the taxpayer for delay not attributable to him.

17. Display Reason for Cancellation/Suspension of Registration

Issue

Presently, where a GST registration is cancelled *suo motu* by the proper officer, the GSTIN search facility available on the GST portal generally reflects the status of the registration as cancelled but does not clearly disclose the specific reason for such cancellation.

Non-availability of the reason for cancellation creates uncertainty for customers, suppliers, financial institutions, and other stakeholders who rely upon the GST portal to verify the registration status and compliance status of a taxpayer. Merely displaying that the registration has been cancelled does not enable stakeholders to ascertain whether the cancellation has arisen due to non-compliance, non-filing of



returns, non-existence of the business, or any other reason recorded by the proper officer.

Similarly, in cases where the GST registration is shown as “Suspended”, the portal does not clearly indicate whether such suspension has been done pursuant to proceedings initiated by the proper officer or automatically on account of an application for cancellation filed by the taxpayer. The absence of such distinction may lead to unnecessary concerns regarding the compliance credentials of the taxpayer.

Suggestion

Wherever registration is cancelled *suo motu* by the proper officer, the reason for cancellation, or at least an appropriate standardized reason/category, should mandatorily be recorded and displayed under the “Search Taxpayer” functionality on the GSTN.

Further, in cases where the registration status is displayed as “Suspended”, the basis of suspension be clearly specified on the portal, such as:

- Suspended pursuant to proceedings initiated by the proper officer; or
- Suspended pursuant to cancellation application filed by the taxpayer.

Justification

Providing such information would bring greater transparency to the registration status of taxpayers and enable customers, suppliers, lenders, and other stakeholders to make informed decisions while dealing with the concerned registered person.

18. Revocation of Cancellation – Circular Pre-Condition and Time Limit

Issue

An application for revocation in FORM GST REG-21 can be filed only after pending returns are filed and all dues with interest and late fees are paid. However, after cancellation, the portal restricts return filing, creating a circular dependency and hence the taxpayer has to approach the helpdesk for “return filing enablement”.

Further, the ninety-day window under Rule 23 (as amended w.e.f.01.10.2023), extendable by the Commissioner, is often insufficient where the cancellation order itself was not served effectively (e.g., uploaded only under “Additional Notices and Orders”).

Queries in FORM GST-REG 23 tend to repeat the grounds of cancellation instead of examining the revocation request. Taxpayers whose registration was cancelled



for a curable default (non-filing) are pushed into fresh registration, losing accumulated ITC, business goodwill and continuity of contracts.

Suggestions

1. Filing of all pending returns up to the effective date of cancellation be enabled on the cancelled GSTIN as a matter of routine, without helpdesk intervention.
2. A single-window be introduced on the portal that computes pending returns, late fee and interest, allows payment, and then generates REG-21 in one workflow.
3. The ninety-day limitation be computed from the date the cancellation order is actually made available in the taxpayer's "Notices and Orders" tab and e-mailed. The last date for revocation be prominently displayed on the dashboard.
4. Applications for extension of time beyond ninety days should be filed and decided on the portal itself rather than through physical representation.

Justification

Implementing a single window revocation facility and enablement of return filing would regularize pending compliances and apply for revocation without helpdesk intervention. Display of due date for revocation would provide certainty to taxpayers thereby removing procedural bottlenecks.

19. Automation of Rule 16A

Issue

Rule 16A, read with the corresponding amendment to Rule 87(4), contemplates a temporary identification number for a person "not liable to registration" who is required to make a payment under the Act. However, often there are delays in granting this temporary identification number. Thus, where SCNs are issued to companies with personal penalty imposed on unregistered Directors which are to be carried in appeal, the filing of appeal and payment of pre-deposit gets delayed until Rule 16A registration is issued.

Suggestion

When an SCN is issued to an unregistered person (such as a Director on whom personal penalty is levied), the portal may automatically generate a temporary identification number for that person simultaneously.



Justification

Since all particulars needed to generate FORM GST REG-12 Part B – PAN, name, and address for service – are already mandatory contents of a valid SCN, no additional verification burden arises from generating the temporary ID contemporaneously with the SCN. This is also consistent with the existing structure of Rule 16, which already empowers the proper officer to grant registration without any application by the person concerned, confirming that officer-triggered, application-less registration is not a novel concept in the CGST Rules. Automating generation of the Rule 16A identification number at the stage of SCN issuance – rather than leaving it to subsequent discretionary action – would remove the present bottleneck to payment of pre-deposit, filing of appeal, and refund of pre-deposit under *Circular No. 188/20/2022-GST*, without requiring any new data collection.



B. REFUNDS

20. Annexure-B Offline Utility to have a Field of Reclaimed ITC

As per the GSTN advisory dated 18th May 2026 issued for the Annexure B Offline Utility, taxpayers are required to report details relating to both availment and reversal of ITC, while each invoice can be reported only once in the utility. Para 6 of the same advisory requires that ITC reversals reflected in Table 4(B)(2) of Form GSTR-3B shall be reported in Annexure B accordingly.

When a taxpayer avails ITC on an invoice in Month 1, reverses it in Table 4(B)(2) in Month 1 or Month 2, and thereafter re-avails the same ITC in Table 4A(5) in a subsequent month, the invoice's ITC is captured in Table 4A(5) of Form GSTR-3B on two separate occasions – once at original availment and once at re-availment. Accordingly, the aggregate figure in Table 4A(5) for the refund period reflects the value of that invoice's ITC twice, while Table 4(B)(2) captures the reversal once.

The net arithmetic across the three entries correctly represents the ITC ultimately retained by the taxpayer.

When the taxpayer attempts to report such an invoice in Annexure B, either of the following outcomes results, both of which are incorrect:

- (a) If the Table 4(B)(2) reversal is reported in the utility, the utility computes the net ITC for that invoice after deducting the reversal amount. Since the reversal was subsequently nullified by re-availment and an entry cannot be separately captured in Annexure B for the same invoice owing to the one-line-item restriction, the net ITC reflected in the utility gets understated.
- (b) If the reversal is not reported in the utility, in order to correctly represent the net retained ITC - the Annexure B figures do not reconcile with Table 4(B)(2) of Form GSTR-3B.

The conflict is therefore structural: the utility's one-invoice-one-line-item design, combined with the requirement to report Table 4(B)(2) reversals, does not accommodate the three-stage ITC movement of availment → reversal reavailment.

Suggestion

Annexure B may be modified to incorporate a field of reclaimed ITC.



Justification

Incorporating a field of reclaimed ITC in Annexure B will help achieve the intended purpose of Annexure B of reconciling ITC claimed as refund and the ITC reflected in the taxpayer's returns.

21. Rejection of Annexure-B Due to Minor Rounding-Off Differences in ITC

While reporting a tax invoice in FORM GSTR-1, the supplier generally enters the taxable value under the applicable GST rate column, based on which the GST portal automatically computes the corresponding tax amount, including values in decimals. However, the tax amount reflected on the invoice issued to the recipient and recorded in the books of account is ordinarily rounded off to the nearest rupee.

Accordingly, the recipient records and avails input tax credit in FORM GSTR-3B based on the tax amount appearing on the invoice. During reconciliation of the ITC register with FORM GSTR-2B, a reasonable tolerance threshold is generally applied to disregard insignificant differences arising solely due to rounding off.

When the recipient subsequently applies for a refund of unutilised ITC, the invoice details are reported in Annexure-B based on the books of account and the underlying tax invoices. Although such details reconcile with FORM GSTR-2B after ignoring minor rounding-off differences, the Annexure-B Offline Utility generates a validation error even where the difference is as insignificant as ₹0.01.

Such minor differences are purely computational and do not represent any substantive mismatch in the invoice or the recipient's eligibility to claim ITC. Nevertheless, the present validation mechanism prevents taxpayers from successfully uploading Annexure-B and filing their refund applications.

Suggestion

A tolerance limit of up to ₹ 1 per tax component be permitted in the Annexure-B Offline Utility for each invoice line item. Differences within this threshold should not be treated as field-validation errors, as they arise merely on account of rounding off and do not affect the substantive eligibility or correctness of the refund claim.

Justification

Rejection of refund applications for negligible rounding differences serves no revenue purpose and imposes an unnecessary hardship on taxpayers.



22. Reporting of ITC Distributed through ISD in Annexure B Offline Utility

Under the prescribed ISD mechanism, input tax credit pertaining to integrated tax is distributed as integrated tax. Further, where the recipient is located in the same State or Union Territory as the Input Service Distributor, credit pertaining to central tax and State tax or Union Territory tax is distributed as central tax and State tax or Union Territory tax, respectively.

Accordingly, a single document issued by an ISD may legitimately distribute:

- IGST credit; and
- CGST and SGST/UTGST credit,

simultaneously to the same recipient

However, Annexure-B presently validates a document only when it contains either:

- CGST and SGST/UTGST; or
- IGST.

The utility does not validate an ISD document containing IGST together with CGST and SGST/UTGST. Consequently, taxpayers are unable to accurately report the credit distributed under all applicable tax heads through a single ISD document, despite such distribution being permissible under the statutory ISD mechanism.

Suggestion

Annexure-B may incorporate a separate validation rule for ISD documents. It should permit IGST, CGST and SGST/UTGST amounts to be reported simultaneously against a single ISD document, in accordance with the credit actually distributed to the recipient.

Justification

Annexure-B validation should align with the statutory ISD mechanism, as the restriction is a portal design limitation, not a legal one, and it compels taxpayers to misreport legitimately distributed credit or leave it unreported altogether. As the underlying distribution is statutorily valid, the validation logic must be aligned accordingly to permit accurate and complete reporting of ISD-distributed credit across all applicable tax heads against a single document.



23. Statements and Offline Utilities – Validation Errors and Data Auto-Population

Issue

The refund statements (Statement 3 / 3A for export of goods and services, Statement 1A for inverted duty, Statement 5B for deemed exports, Statement 2 for export of services, etc.) are prepared through Excel / JSON offline utilities that reject data for reasons not disclosed in the error report (e.g., date format, shipping bill number length, special characters in invoice numbers). Invoices declared in GSTR-1 (including through IFF under QRMP) are validated against GSTR-1 / GSTR-3B data, and mismatches in invoice number or date (which are common where the ERP and the GSTR-1 differ trivially) cause rejection of the entire statement. Auto-population from GSTR-1 / GSTR-2B / ICEGATE is only partial. Preparation of a refund application for a mid-sized exporter takes days of reconciliation; consultants are unable to help clients diagnose validation errors.

Suggestions

1. The refund statements be fully auto populated from GSTR-1 (export invoices, SEZ supplies, deemed exports), GSTR-2B (inward supplies for Statement 1A / 3A) and ICEGATE (shipping bill details), with a facility for the applicant to edit and add a remark. The applicant should not be required to re-key data already available on the portal.
2. Error reports must be row-wise and specific; the utility should tolerate trivial variances (case, spacing, leading zeros) in invoice numbers and should validate dates in ISO format irrespective of regional Excel settings.
3. The document upload limit be increased (currently ten documents of 5 MB each) and ZIP uploads for bulk invoices / FIRC's be permitted.

Justification

Auto population of refund applications would eliminate repetitive data entry, reducing avoidable errors and facilitating faster processing of refunds.

24. Option to Change Refund Category

Issue

Under the existing refund mechanism on the GST portal, taxpayers are required to select the appropriate refund category/module while filing a refund application. In certain cases, due to an inadvertent error or incorrect understanding, an otherwise eligible refund claim may be filed under an incorrect category.



At present, the proper officer does not have adequate functionality to change or correct the refund category/module after the application has been filed. Consequently, even where the refund claim is otherwise admissible and the required information is substantially available, the applicant may be required to withdraw or re-file the application under the correct category.

Such procedural requirements can cause avoidable delay and, more importantly, may expose the taxpayer to the risk of breaching the statutory time limit for filing the refund claim by the time the application is re-filed under the appropriate category.

Suggestion

A suitable functionality be provided on the GST portal enabling the proper officer to transfer or change the refund application from an incorrectly selected category/module to the appropriate refund category, wherever the nature and substance of the refund claim otherwise permit such correction.

Justification

Such functionality would ensure that genuine refund claims are not adversely affected merely because of procedural or technical errors in selecting the refund category. It would also reduce unnecessary withdrawal and re-filing of refund applications, minimize litigation on procedural grounds.

25. Hard Blocking of Two Year Limitation Without Regard to the “Relevant Date”

Issue

The portal hard-blocks a refund application where the tax period selected is more than two years old, computing limitation from the end of the tax period / due date of the return.

Explanation (2) to Section 54, however, prescribes different "relevant dates" for different categories — date of receipt of payment for export of services, date of the appellate order for refunds arising from an order, date of payment for excess payment, and date of adjustment of tax for provisional assessment.

The portal's date validation does not accommodate these, nor the exclusion of the COVID period under *Notification No. 13/2022-Central Tax*. Thus, applicants with a live limitation under the statute are unable to file refund application in genuine cases.



Suggestions

1. The hard block be replaced with a soft validation. Where the tax period is more than two years old, the applicant should be required to select the applicable "relevant date" category, enter the date and upload the supporting document, and the application should be accepted for examination by the officer.
2. Where a deficiency memo was issued for the applicant's earlier refund application through FORM GST RFD-03, the portal may at the time of filing the fresh application provide a facility to link it to the prior ARN. The portal should then automatically compute the excluded period from the date of the original RFD-01 to the date of communication of RFD-03 and extend the two-year limitation deadline accordingly, in terms of the proviso to Rule 90(3).

Justification

Two- year validation denies statutory refund right where limitation period is governed by a category specific "relevant date" under Section 54. Implementing the suggested change would ensure that portal level validation does not override the statutory limitation mechanism under Section 54.

26. Disbursement Failures – PFMS Bank Validation After Sanction

Issue

Refund payment orders in FORM GST RFD-05 are issued, but the actual credit fails due to PFMS bank account validation errors (account not validated, IFSC changed after bank merger, account name mismatch). The failure is visible only on the back-office; the taxpayer sees "Refund Sanctioned" but receives no credit, and the re-validation process requires updating bank details in the registration, re-validation, and then a manual request to the officer to re-initiate disbursement. The final and most visible step of the refund process fails silently.

Suggestions

1. The bank account selected in the refund application against PFMS be validated at the time of filing (before ARN generation), so that a failing account cannot be selected.
2. The disbursement status ("Payment initiated / Credited / Failed – reason") be displayed on the Track Refund Status screen with a facility to select an alternative validated account (mentioned in the registration particulars) and re-trigger disbursement without officer intervention.



Justification

Bank account validation against PFMS before ARN generation and a real time visibility of disbursement status would facilitate faster disbursement of refund. Facility for selecting alternative validated bank would reduce administrative delays without unnecessary officer intervention.

27. Withholding of Refund without FORM RFD-07

Issue

Refunds sanctioned in RFD-06 / RFD-04 are being withheld under Section 54(10) / 54(11) or held at the disbursement stage without any order in FORM GST RFD-07 Part A being issued, and without the taxpayer being informed of the reason (pending audit, investigation, appeal by the department). In several cases the withholding continues even after the underlying proceeding is dropped. The taxpayer has no order to challenge and no visibility into when or how the refund will be released. Further, interest under Section 56 is denied on the plea that the refund was "withheld".

Suggestions

1. A sanctioned refund be withheld only with a system-generated FORM RFD-07 Part A recording the specific provision (Section 54(10) or 54(11)), the proceeding with reference to which it is withheld, and the approval of the Commissioner where Section 54(11) is invoked.
2. A withheld refund be auto-released (with RFD-07 Part B Order for release of withheld refund) when the referenced proceeding is closed on the portal, without a fresh request from the taxpayer.

Justification

Withholding of sanctioned refund without issue of order under GST RFD-07 restricts taxpayer's vested right. Withheld refund be linked to a specific proceeding to improve accountability and automatic release upon closure of proceeding would prevent indefinite blockage of funds.

28. Interest on Delayed Refund under Section 56 - Not Auto-Computed

Issue

Interest at 6% is payable where the refund is not sanctioned within sixty days of receipt of a complete application (and at 9% where the refund arises from an appellate / court order if the refund is not sanctioned within 60 days of receipt of consequent fresh application). The portal does not auto compute or pay this



interest; it has to be separately claimed by filing a fresh application in RFD-01, which is then contested on the ground that the delay was due to deficiencies or withholding.

Suggestions

1. The interest under Section 56 be auto-computed at the time of generating FORM GST RFD-05, reckoning from the sixty-first day after the date on which the refund application was acknowledged as complete, to the date of issue of RFD-05. Where the refund arises from an appellate or court order, the interest at 9% be computed from the sixty-first day after the date of the appellate order.
2. Where the proper officer is of the view that the full interest period is not applicable – for instance, on account of a period during which the application was deficient or withheld at the applicant's instance he may be required to record the specific excluded period and the reason therefor in FORM GST RFD-06 itself. Such exclusion, being a speaking order, would be independently appealable under Section 107.

Justification

Section 56 imposes an unconditional obligation to pay interest on delayed refunds without requiring a separate claim. The portal already auto-computes interest payable by the taxpayer under Rule 88B; the same logic must apply to interest payable to the taxpayer. Auto-computation in RFD-05 would restore the fiscal incentive for timely processing that Section 56 was designed to create.

29. Refund of Excess Balance in Electronic Cash Ledger and Other Straightforward Categories

Issue

Refund of excess balance in the electronic cash ledger, refund of TDS / TCS credit, and refund of tax paid under a wrong head (Section 77 of the CGST Act / Section 19 of the IGST Act) are essentially arithmetical and do not involve any question of eligibility like refund of ITC or export. Yet they go through the same RFD-01 → RFD-02 → RFD-08 → RFD-06 cycle, and are frequently kept pending or queried for reasons unrelated to the claim (pending scrutiny, pending audit).

Suggestions

1. Refund of excess balance in the electronic cash ledger be auto-sanctioned where there is no outstanding demand on the portal, with RFD-05 generated within seven days without officer intervention (subject to a post-facto review).



2. For Section 77 / Section 19 of the IGST Act refunds, the portal may link the DRC-03 / return payment made under the correct head with the refund claim, and auto-verify the payment limiting the manual interface.

30. Self-service of Re-credit to Electronic Credit Ledger via PMT03/3A

Issue

Upon rejection of a refund claim, fully or in part, through FORM GST RFD-06, the amount debited from the Electronic Credit Ledger at the time of filing FORM GST RFD-01 is not automatically re-credited. Issuance of FORM GST PMT-03 / PMT-03A requires the taxpayer to separately approach the proper officer - even where the taxpayer has confirmed that no appeal will be preferred - leaving ITC blocked in the interim and unavailable for discharge of return liabilities or other payments.

Suggestion

FORM GST PMT-03 / PMT-03A, along with filing of undertaking to the effect that no appeal would be filed against the rejection, may be made available on self-service basis on the GSTN portal, enabling the registered person to initiate re-credit of the rejected extent of the refund claim into the Electronic Credit Ledger without requiring interaction with the proper officer - particularly where the period of appeal has lapsed or the taxpayer has declared intention not to appeal.

Justification

There is no adjudicatory step involved in re-credit of rejected refund claim into Electronic Credit Ledger and there is no prejudice to Revenue as document trail is maintained online.

31. Enable DRC-01 against RFD-01

Issue

During processing of FORM GST RFD-01, the portal permits the Proper Officer to issue only FORM GST RFD-08 as show cause notice. Circular 125 [Para 20(b)] permits Proper Officer to issue SCN under Section 73/74/74A in case scope of enquiry is beyond correctness of refund under Section 54 such as short payment of tax on outward supplies or wrongly availed ITC falling outside the refund claim. The legally correct instrument to be issued in such case is FORM GST DRC-01 under section 73 / 74 / 74A. However, the portal provides no such option, compelling Proper Officers to either expand RFD-08 beyond the scope of Section 54 or conduct demand proceedings entirely offline.



Suggestion

Permit Proper Officer with 'drop down' feature to issue RFD-08 or DRC-01.

Justification

Without DRC-01, Proper Officers are undertaking offline enquiry into other matters when SCN issued in RFD-08 is not entitled to expand enquiry.

32. Mechanism for Refund of Advance Deposits against Rejected Registration application of Casual Taxable Person and Non-Resident Taxable Person

Issue

Under GST, registration of both casual taxable persons (CTP) and non-resident taxable persons (NRTP) requires advance deposit of estimated tax. However, when the registration application is rejected, there is no clear refund mechanism on the GST portal for the deposited amount. The current system lacks any prescribed process or dedicated functionality for claiming refunds in such cases, leaving taxpayers' funds blocked without service delivery. This creates financial hardship and procedural uncertainty.

Suggestion

A new refund category titled *"Refund of deposit against rejection of registration application filed by casual taxable person or non-resident taxable person"* be introduced, enabling taxpayers to claim the refund of advance tax paid where registration was denied.

Justification

Introducing a transparent, automated refund pathway will prevent undue financial burden, reduce procedural deadlocks, and enhance taxpayer trust. Such reform supports ease of doing business.

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