

GST Refunds (2026): Automated 90% Provisional Sanction, the 10 Day Clock and Wider Net ITC

Description

Last updated: 10 October 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Update, 1 November 2026

The refund changes described here have since been notified. The Central Goods and Services Tax (Amendment) Rules, 2026 (Notification No. 05/2026-Central Tax dated 26 October 2026) amend rules 89 to 92 with effect from **1 November 2026**: the acknowledgement window in rule 90(2) falls from fifteen days to ten, a new rule 90(3A) deems an application acknowledged if neither FORM GST RFD-02 nor RFD-03 arrives in that time, and rule 91(2) has the common portal itself generate the provisional order in FORM GST RFD-04 within three working days, with no revalidation by the proper officer. The capital goods element still carries its own date of 1 April 2027. The full set of changes made by those rules, and the dates each one starts, is in CGST Amendment Rules 2026: Registration, ITC and Refund Changes.

Quick summary

- The officer must issue an acknowledgement in FORM GST RFD-02 or a deficiency memo in FORM GST RFD-03 within 10 days, down from 15. If neither arrives, the application is deemed acknowledged by the system.
- For low risk claims on zero rated supplies or inverted duty structure, the system sanctions 90% provisionally with no officer involvement, and the provisional order in FORM GST RFD-04 is to issue within three working days of acknowledgement.
- Refund of excess balance in the electronic cash ledger becomes fully automatic, with no officer role at all.
- Net ITC widens: credit on input services availed on or after 01/11/2026 enters the inverted duty computation, and credit on capital goods availed on or after 01/04/2027 enters both computations at one sixtieth a month over 60 months.
- Inversion is still tested by comparing the tax rate on inputs against the rate on output supplies. A higher rate on input services alone does not create an inverted duty structure.

For an exporter or a business sitting in an inverted duty structure, the GST refund has never really been about

eligibility. It has been about waiting. Money that is admittedly yours sits with the government while an application moves through acknowledgement, scrutiny and sanction at whatever pace the queue allows.

The refund machinery is being rebuilt to take the officer out of the first and largest part of that journey. On 09/10/2026 the Press Information Bureau published detailed FAQs on refunds and on refund of credit accumulated on input services and capital goods, following the 57th GST Council meeting of 08/10/2026.

The usual caution applies, and it matters more here than anywhere. These were recommendations and design when this post was written. The rule changes have since been notified with effect from 01/11/2026, as set out in the update above, and they still roll out in two phases “as per readiness of the system”. Two of the most valuable changes carry dates in the future by their own terms: 01/11/2026 for input services and 01/04/2027 for capital goods. Do not restructure a refund position on the strength of this.

The two phases

Phase 1

- The time limit for an acknowledgement or a deficiency memo drops from **15 days to 10 days**. If the officer does neither within 10 days, the application is **deemed acknowledged** by the system.
- **90% of the amount claimed is sanctioned provisionally by the system**, automatically, for acknowledged **low risk** claims on zero rated supplies or the inverted duty structure.
- **Refund of any balance in the electronic cash ledger is sanctioned finally by the system**, automatically.

Phase 2

- The system itself **acknowledges** the application after validating the information in it.
- On a mismatch, the system **tells you the specific errors** so you can correct them and file afresh. If validation fails again, the application goes to the proper officer for scrutiny rather than stalling.
- For **low risk zero rated claims, even the final refund is granted automatically**.

The clock, and the forms

Stage	Form	Timing
Refund application	FORM GST RFD-01	Filed on the portal
Acknowledgement	FORM GST RFD-02	Within 10 days, or deemed, issued by the system
Deficiency memo	FORM GST RFD-03	Within 10 days, and never after an acknowledgement
Provisional refund order	FORM GST RFD-04	Within three working days of acknowledgement
Payment order	FORM GST RFD-05	On provisional sanction in phase 2

Stage	Form	Timing
Final refund order	FORM GST RFD-06	After the officer’s scrutiny

Three working days from acknowledgement to the provisional order is the number to hold on to. Combined with the 10 day acknowledgement window, a clean low risk claim should see 90% of the money inside a fortnight or so of filing.

What “low risk” buys you, and who does not get it

For a low risk claim on zero rated supplies or the inverted duty structure, 90% is sanctioned by the system after acknowledgement **with no officer interface at that stage at all**. The officer cannot refuse provisional sanction on a low risk claim, because the officer is not in that loop. Scrutiny and the final order in FORM GST RFD-06 come afterwards.

If a claim is **not** classified as low risk, the officer scrutinises it after acknowledgement, both for provisional sanction and for the final refund.

Excluded from provisional refund altogether:

- Notified categories of persons supplying commodities such as **areca nuts, pan masala, tobacco and manufactured tobacco substitutes, and essential oils**.
- Anyone who has **not undergone Aadhaar authentication under rule 10B**. See notification No. 14/2025 Central Tax dated 17/09/2025.
- Cases where a **DRC-01 has been issued against an RFD-06**, 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 the APL-04 is still awaited**.

That Aadhaar authentication point deserves attention. It is a one-off piece of housekeeping that silently decides whether your refunds run on the fast track or the slow one.

Deficiency memos: the trap that resets everything

If the officer finds a deficiency, FORM GST RFD-03 issues, and then:

- The application is **not processed further**. You must file a **fresh application** in FORM GST RFD-01 for the same period after fixing the deficiency.
- Any credit or cash debited from your ledgers when you filed is **re-credited automatically** once the memo is issued.

The protection worth knowing is the other way round: **once an acknowledgement has been issued, no deficiency memo can follow, on any ground**. Getting past acknowledgement closes that door.

Net ITC widens: input services and capital goods

This is the structural change, and it is the one with money in it.

At present, under rule 89, “Net ITC” **excludes** credit on capital goods for a zero rated refund, and excludes credit on **both input services and capital goods** for an inverted duty refund. That is being changed:

Credit on	Enters the computation for	For credit availed on or after	How much
Input services	Inverted duty structure, rule 89(5)	01/11/2026	In full, subject to eligibility
Capital goods	Zero rated, rule 89(4), and inverted duty, rule 89(5)	01/04/2027	One sixtieth per month over 60 months, from the month the credit is availed

Two qualifications on capital goods. The credit counted is only that **attributable to the relevant period**, meaning capital goods on which credit was availed on or after 01/04/2027 in any month not earlier than **59 months** before the last month of the relevant period, computed by the formula in rule 89. And only **eligible** credit counts: anything blocked under section 17(5) or otherwise inadmissible is out, and any reversal required under the Act or Rules, including **rule 43**, attributable to the months in the relevant period is deducted.

The change does **not** affect zero rated supplies made **on payment of integrated tax**, because there is no restriction on using capital goods credit to pay tax on those supplies in the first place.

The point most people will get wrong

Widening Net ITC does **not** widen who is eligible. Inversion is still established by comparing the rate of tax on **inputs** against the rate on **output supplies**, and nothing else. The FAQ gives two cases, and they are worth reproducing because the distinction decides entitlement.

Position	Case A	Case B
Rate on inputs	18%	5%
Rate on output supplies	5%	5%
Rate on input services	18%	18%
Inversion exists?	**Yes**, inputs are taxed higher than outputs	**No**, inputs and outputs are at the same rate
Credit on input services in Net ITC?	**Yes**, for credit availed on or after 01/11/2026	**No**, not eligible for an inverted duty refund at all

In short, a high rate on services you buy does not by itself get you a refund. The proposal does not expand the class of persons eligible under clause (ii) of the first proviso to section 54(3).

Other restrictions that still apply

- **No inverted duty refund on goods notified** under notification No. 5/2017 Central Tax (Rate) dated 28/06/2017, as amended.
- **Section 54(10) and 54(11)** continue to allow refunds to be withheld where the matter is under appeal or other proceedings.
- **The ?1,000 floor stays**, but is now applied to the **total refund across all tax heads taken together** rather than head by head. It does not apply to a refund on goods exported out of India **with** payment of tax.
- **The 1.5 times cap goes.** The condition in rule 89(4)(C) requiring turnover of zero rated supply of goods to be valued at 1.5 times the value of like goods supplied domestically is being removed, which the FAQ attributes directly to the difficulty taxpayers had in sourcing that comparison.

Interest, when things run late

- **Delayed sanction:** if a refund is not sanctioned within the statutory time limit, interest is payable on the delay **beyond 60 days** under section 56.
- **Withheld refunds:** where a refund withheld under section 54(11) later becomes payable after appeal or other proceedings, **interest at 6%** runs from the date the refund was withheld until the date it is actually paid.

Filing: what the system will and will not do for you

- **File your returns first.** Every return due on or before the date of the refund application must already be filed. The FAQ's own example: a refund application filed on 03/04/2026 requires the February 2026 return to have been filed.
- **Nothing goes to the office physically.** The process is fully electronic, and it stays that way after the amendment. All statements, declarations, undertakings and supporting documents are uploaded on the portal.
- **No invoices with the claim.** Paragraph 36 of circular No. 125/44/2019 GST dated 18/11/2019 says so, and that is unchanged.
- **The form captures data instead of scans.** What used to be uploaded as a scanned document is captured inside the application itself so the system can match it. That is what makes automated validation possible.
- **Phase 2 verifies your export trail automatically**, through integration with **ICEGATE** for shipping bills and bills of export, **EDPMS** of the RBI for realisation of export proceeds for services, and **SEZ Online** for supplies to SEZ units and developers.

How to keep your claim on the automated track

The FAQ is unusually direct about this, and it amounts to one idea: the system is matching your numbers against other filings, so inconsistency is what throws you off the fast track.

1. **Fill the application correctly**, with no clerical errors.
2. **Make the data match your returns** and other documents such as the shipping bill.
3. **Check the application properly before submission**, because an error means a deficiency memo and a fresh filing.
4. **Exclude ineligible credit**, in particular anything restricted under section 17(5), from the refund

computation.
5. **Carry out reversals** required under rule 42 or rule 43 as prescribed.

What to do now

1. **Complete Aadhaar authentication under rule 10B** if you have not. It is the cheapest thing on this list and it gates access to provisional refunds entirely.
2. **Tag credit on input services from 01/11/2026** separately in your records if you claim inverted duty refunds, because the entitlement starts from the date the credit is availed.
3. **From 01/04/2027, track capital goods credit month by month**, since it enters the claim at one sixtieth a month and the computation looks back up to 59 months.
4. **Reconcile the refund application against the returns** before filing, not after a deficiency memo.
5. **Check whether your inversion is genuine** on the inputs against outputs test before counting on the wider Net ITC.
6. **Wait for the notifications** before building any of this into a cash flow forecast.

How CSM & Co LLP can help

We can test whether an inverted duty structure genuinely exists on the inputs against outputs comparison before a claim is built on it, compute Net ITC under the widened rule 89 including the one sixtieth monthly capital goods allocation and the rule 43 reversals that have to be deducted, reconcile a refund application against the returns and shipping bills so it stays on the automated track, deal with a deficiency memo and the fresh filing it forces, and pursue interest where a refund has run past the statutory timeline or was withheld under section 54(11). Please reach out to our team and we will be happy to assist.

Frequently asked questions

How much of my refund will be sanctioned automatically?

For a low risk claim on zero rated supplies or the inverted duty structure, the system sanctions 90% of the amount claimed on a provisional basis with no officer interface. The balance follows after the officer completes scrutiny and issues the final order in FORM GST RFD-06.

What happens if the officer does nothing within 10 days?

The application is deemed acknowledged. An acknowledgement in FORM GST RFD-02 is made available on the common portal once the 10 days expire. Deemed acknowledgement only starts the processing clock; it does not mean the refund is approved.

Can a deficiency memo be issued after my application is acknowledged?

No. Once an acknowledgement has been issued for a refund application, no deficiency memo can be issued for that application on any ground.

Who is excluded from the automatic provisional refund?

Notified persons supplying commodities such as areca nuts, pan masala, tobacco and manufactured tobacco substitutes and essential oils, anyone who has not completed Aadhaar authentication under rule 10B, and cases where a DRC-01 has been issued against an RFD-06, an APL-03 filed without a corresponding APL-04, or an APL-07 filed where the APL-04 is still awaited.

Does a higher tax rate on input services create an inverted duty structure?

No. Inversion is determined by comparing the rate on inputs with the rate on output supplies only. If inputs and outputs are both at 5%, a service taxed at 18% does not make you eligible, even after the Net ITC change.

When do I get interest on a delayed refund?

Where the refund is not sanctioned within the statutory time limit, interest runs on the delay beyond 60 days under section 56. Separately, where a refund withheld under section 54(11) later becomes payable, interest at 6% runs from the date it was withheld to the date it is paid.

Is there a minimum refund amount?

Yes, ?1,000, and it is applied to the total across all tax heads together rather than head by head. It does not apply to a refund on goods exported out of India with payment of tax.

Official sources

- Press Information Bureau: FAQs on refunds, 09/10/2026
- Press Information Bureau: FAQs on refund of ITC accumulated on account of inward supply of input services and capital goods, 09/10/2026
- Press Information Bureau: Recommendations of the 57th Meeting of the GST Council, 08/10/2026
- GST Portal

Related reading

- 57th GST Council Meeting (October 2026): Arrest Powers Removed, Faster Refunds and Wider ITC
- GST Registration Application and Amendment (2026): Documents, REG-01, REG-14 and the Automatic Route
- GST Gets Simpler: Key Rate Changes from Sept 2025

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Related GST reading

- GST and Exports (2026): Foreign Branches, Testing and Repair Work, SEZ Delivery and Faster Refunds
- E-way Bill Interception (2026): No Random Checks, Transit States Lose Power and No Confiscation in Transit
- GST Arrest and Prosecution (2026): Section 69 Removed, ?5 Crore Threshold and Court Discretion

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