

## **HC: Refund Limitation under Section 77 Starts from Date of Correct IGST Payment, Not Original Wrong CGST/SGST Payment**

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**REFER THE DECISION OF THE HON'BLE PATNA HIGH COURT IN THE CASE OF**

**Sai Steel v. State of Bihar ([2025] 177 taxmann.com 62 (Patna))**

### **FACTS:**

The assessee, M/s Sai Steel, filed GST returns for FY 2017–18 and originally classified certain transactions as intra-State, paying CGST and SGST accordingly.

During an audit under Section 65(1) of the CGST Act, these transactions were reclassified as inter-State, triggering an IGST shortfall.

Sai Steel paid the additional IGST of ₹5,08,195 on 04 March 2023 via DRC-03 and filed a refund claim on 17 January 2024 for the wrongly paid CGST and SGST.

The department rejected the claim on the basis that the two-year limitation under Section 54 had already expired (original payment made in January 2018)

### **Hon'ble High Court Judgement:**

The Patna High Court held that the refund rightly falls under Section 77 of the CGST Act (which addresses tax paid under the wrong head), not under Section 54

Importantly, the limitation period must be computed from the date the tax was paid under the correct head — i.e., the IGST payment date, not the original CGST/SGST date (04 March 2023).

Applying the limitation from 2018 would render Section 77 and CBIC Circular No. 162/18/2021-GST ineffective, defeating the remedial purpose of the provision.

**Consequently, the Court allowed the refund of the excess CGST and SGST, along with interest at 6% per annum from three months after the refund application filing date until the date of payment. Costs were granted as well.**