

Pay up interest for delay in paying GST refunds: Gujarat High Court

The Gujarat High Court has directed the authorities to pay interest for delay in paying GST refunds.

The authorities were asked to pay the interest at the rate of nine per cent per annum.

Saraf Natural Stone, a partnership firm, had filed a claim of GST refund. However, there was substantial delay by the authorities in granting of refund.

Following this, the firm approached the high court by way of writ and demanded interest from the authorities for the delay. It submitted that the authorities are required to grant a provisional refund of 90 per cent of the amount claimed within seven days of filing of the claim.

The firm said the authorities have not provided any reason for the delay and it was never in receipt of any deficiency notice, which could have transpired such a delay.

It further submitted that the delay has impacted its working capital and hence it is entitled to receive interest on such delayed payment.

However, the authorities - the revenue department, the Central Board of Indirect Taxes and Customs (CBIC) and the GST Network - submitted that there was no express provision made for entitlement of interest to the firm and hence there was no merit in this petition.

The high court held that the position of law is quite well settled wherein the provisions relating to interest on delayed payment of refund have been consistently held as beneficial and non-discriminatory.

Hence, it said the authorities are liable to pay simple interest on the delayed payment at the rate of nine per cent per annum.

Harpreet Singh, partner at KPMG, said, "This is an important development as often pending refund claims adversely impact working capital of exporters."

He said the ruling should open doors for claimants who can now rightfully demand interest from authorities where there has been a substantial delay for no fault of the assessee.

Source : Business Standard