

M/s Sai Steel v. The State of Bihar and Others

Case number: Civil Writ Jurisdiction Case No. 13163 of 2024

Citation: No neutral or reporter citation verified in the official judgment.

Decision date: 28 July 2025

Wrong-head GST refund: two years runs from payment under the correct head

Court: High Court of Judicature at Patna

Bench: Hon'ble Mr. Justice Rajeev Ranjan Prasad and Hon'ble Mr. Justice Shailendra Singh

Decision stage: Final High Court merits decision setting aside refund rejection and directing refund, interest and costs; subsequent appellate status not established.

01 Facts of case and issues

Sai Steel treated certain January 2018 transactions as intra-State supplies and paid CGST and Bihar SGST. An audit for financial year 2017–18 identified them as inter-State supplies and recorded short-paid IGST of Rs. 5,08,195. The taxpayer paid that IGST through DRC-03 on 4 March 2023 and applied on 17 January 2024 for refund of the earlier CGST/SGST payment.

The Joint Commissioner rejected the refund on 6 May 2024 as time-barred, despite recording eligibility for refund. The State relied on Section 54(1) and Explanation (2)(h), counting two years from January 2018. The issue was whether the special wrong-head refund mechanism instead required counting from payment of the correct IGST.

Pinpoint: Paragraph 2(i), (iii), physical pp. 3–4 / printed pp. 2–3; paragraphs 3–6 and 9–11, physical pp. 5–8 / printed pp. 4–7.

02 Discussion by Hon'ble Court

The Division Bench read Section 77 of the CGST/BGST legislation with Section 19 of the IGST Act and CBIC Circular 162/18/2021-GST. The officer had noticed Section 77 but failed to appreciate its application or consider the clarificatory circular.

The Court reproduced the circular's explanation that a supply may be subsequently reclassified by the taxpayer or a tax officer, provided tax is paid under the correct head. It also reproduced Rule 89(1A), inserted by Notification 35/2021-Central Tax, and the circular's clarification that the two-year period runs from correct-head payment. The transitional window for earlier correct-head payments was not the basis of Sai Steel's claim.

Applying that framework, the Court fixed 4 March 2023 as the relevant date. Counting from January 2018 would make the special provisions and circular ineffective. It also relied on Gajraj Vahan (P.) Ltd., as described in the judgment, concerning the circular's beneficial limitation treatment. The decision did not hold that wrong-head refund claims are free from limitation.

Pinpoint: Paragraphs 12–18, physical pp. 8–15 / printed pp. 7–14; Rule 89(1A) quotation: physical p. 12 / printed p. 11; holding: paragraphs 16–18, physical p. 15 / printed p. 14.

03 Judicial decision and operative relief

The Court set aside the refund-rejection order in Annexure P4 and allowed the writ. Sai Steel was entitled to refund of the CGST and SGST paid in January 2018, with 6% annual interest beginning after three months from the refund application until payment. Litigation costs were fixed at Rs. 10,000.

All payments were directed as early as possible and no later than three months after receipt or communication of a copy of the judgment. The judgment gives inconsistent rupee figures in its factual recitals; the operative direction identifies the refundable tax heads without stating a total.

Pinpoint: Paragraphs 19–21, physical pp. 15–16 / printed pp. 14–15; conflicting figures: paragraph 2(i), physical p. 3 / printed p. 2, and paragraphs 3–5, physical pp. 5–6 / printed pp. 4–5.

04 In favour of

Taxpayer: final refund entitlement, interest and costs were granted.

This was substantive relief, rather than a remand for reconsideration. Eligibility was already accepted by the authority; the dispute resolved was the limitation starting point for these reclassified supplies. The original tax period therefore did not determine the limitation starting point for this statutory category.

Pinpoint: Paragraphs 10–11 and 16–21, physical pp. 8 and 15–16 / printed pp. 7 and 14–15.

05 AKHB REVIEW POINT

AKHB analysis: Preserve the audit finding, transaction-wise reconciliation, original CGST/SGST payments, correct-head DRC-03 and refund ARN. Calculate the special two-year period from actual correct-head payment; do not assume a fresh window for every refund category.

Check Circular 162, paragraph 4.4: this route is unavailable where the same tax was adjusted through a Section 34 credit note. Separate IGST Section 19(2)'s protection against interest on corrective tax payment from the Court's award of interest on the refund. The three-month interest trigger is this judgment's relief, not a statement of the ordinary Section 56 trigger. Reconcile the original refund records before quantifying payment or interest.

Pinpoint: AKHB commentary based on paragraphs 3–5, 15–17 and 20; Circular 162, paragraphs 3.2 and 4.1–4.4; IGST Act Section 19(2); CGST Act Section 56.

Sources and limitations

Relevant provisions

CGST/BGST Acts 2017 Sections 54(1), Explanation (2)(h), 65 and 77; IGST Act 2017 Section 19; CGST/BGST Rules 2017 Rule 89(1A); Circular 162/18/2021-GST, 25 September 2021. Contextual check: CGST Section 56; Central Notifications 35/2021 and 38/2021; Bihar S.O.155, 18 October 2021.

Statutory note

Section 77(1) provides refund of CGST/SGST paid on supplies reclassified as inter-State. IGST Section 19(1) addresses the reverse direction; Section 19(2) removes interest on the corrective IGST payment. It is not the source of the refund-interest award. Rule 89(1A) was inserted by Central Notification 35/2021, rule 2(6)(ii), with publication-based commencement. Circular 162 uses 24 September 2021 for its transitional window. Notification 38/2021 delayed specified provisions, including rule 2(6)(i), to 1 January 2022; it does not list 2(6)(ii). Bihar's separate Eighth Amendment Rules, S.O.155 of 18 October 2021, and the officially indexed 2025 Rules compilation identify the corresponding insertion as effective 24 September 2021. The Bihar Act's Section 77(1) refers to central and State tax; subsection (2) refers to interest on State tax. Paragraph 13 of the judgment instead reproduces the broader Central wording while referring to BGST and cites a Central commencement notification. Those attributions are not adopted as Bihar legislative history. Section 56 ordinarily uses a 60-day trigger, including the computation wording amended from 1 October 2023; the Court ordered interest after three months without explaining a Section 56 computation.

Treatment note

Checked 12 October 2026 (UTC). Bounded searches by party, CWJC number and decision date on official Patna High Court and Supreme Court domains did not establish a later appeal, review, stay or modification. The official results included earlier cause lists, which do not establish subsequent appellate status. This is not an exhaustive citator review or a finding that no appeal exists. Current appeal, stay and compliance status remain unverified; obtain current orders before reliance.

Scope of source review

All 16 physical source pages fully read and individually visually inspected, including the separately identified editorial headnote. All four Circular 162 pages, Notification 35/2021 pages 1 and 3, complete one-page Notification 38/2021 and CGST compilation page 114 were read and visually checked. Relevant CGST Section 54/56 and IGST Section 19 text and official indexed Bihar statutory/rule text were checked separately; supplementary compilations were not reviewed in full.

Source notes

Physical p. 1 is a reporter-prepared headnote, not the Court's reasons; physical pp. 2–16 are court pp. 1–15. The Court's case number, date, bench and author control; no neutral/reporter citation appears in the court body. Paragraph 2(i) gives Rs. 2,54,097 under each head (total Rs. 5,08,194); paragraph 5 gives Rs. 2,54,098 each; paragraphs 3–5 give corrective IGST of Rs. 5,08,195. No amount is silently corrected. Paragraph 6 says Rule 19(1A), whereas the relief, circular quotation and governing amendment identify Rule 89(1A). Fresh official retrieval on 12 October 2026 returned a different SHA-256 (adfa5d9349705bfb9fba7946e9b5ece910483a87f92c605481f53494dc6238b4), but the same 203,334-byte length, identical extracted text and identical render hashes for all 16 pages. Both versions are preserved; the archived original remains the source. The CBIC Rule 89 portal's shared footnote associates 1 January 2022 with insertions generally; the original notifications distinguish the delayed clause. Full Bihar PDF downloads encountered timeout/502 responses; only their official indexed relevant

text was available for the supplementary Bihar checks. Cryptographic signature validation was not performed.

Primary source

Source description: Official Patna High Court eILR PDF: one editorial headnote page followed by the complete 15-page court judgment; archived bytes preserved.

Official source: [Open source document](#)

Source pages: 16

Judgment author: Rajeev Ranjan Prasad, J. (oral judgment)

Outcome type: final high court merits

Additional source

CBIC Circular 162/18/2021-GST, 25 September 2021

Official source: [Open source document](#)

Pinpoint: All four physical pages; paragraphs 2.1–4.4: statutory text, subsequent reclassification, correct-head payment, transitional window and credit-note exclusion.

Notification 35/2021-Central Tax, 24 September 2021

Official source: [Open source document](#)

Pinpoint: Physical p. 1, rule 1(2); physical p. 3, rule 2(6)(ii): commencement and insertion of Rule 89(1A).

Notification 38/2021-Central Tax, 21 December 2021

Official source: [Open source document](#)

Pinpoint: Complete one-page notification: specified deferred provisions include rule 2(6)(i), not rule 2(6)(ii).

CGST Act, official CBIC compilation as at 1 January 2022

Official source: [Open source document](#)

Pinpoint: Physical p. 114 / printed p. 113, Section 77; physical pp. 89 and 94–95 / printed pp. 88 and 93–94, Sections 54 and 56. Historical compilation, not a complete current consolidation.

IGST Act, India Code consolidation as on 23 May 2025

Official source: [Open source document](#)

Pinpoint: Physical/printed p. 19, Section 19(1)–(2). Relevant official text checked; complete PDF retrieval timed out.

Bihar GST Act, official 2025 compilation on India Code

Official source: [Open source document](#)

Pinpoint: Printed p. 101, Section 77. Official indexed section text checked; full PDF retrieval unavailable at this check.

Bihar Eighth Amendment Rules 2021, S.O.155, 18 October 2021

Official source: [Open source document](#)

Pinpoint: Official indexed English commencement text, physical p. 5: rule 1(2), deemed effect from 24 September 2021, save as otherwise provided. Full PDF retrieval unavailable.

Bihar GST Rules, official 2025 compilation on India Code

Official source: [Open source document](#)

Pinpoint: Printed p. 122, Rule 89(1A) and footnote 281: corresponding Bihar insertion effective 24 September 2021. Official indexed text checked; full PDF retrieval unavailable.

CBIC Tax Information Portal, Rule 89

Official source: [Open source document](#)

Pinpoint: Rule 89(1A) and footnote 10; commencement checked against the original Notifications 35/2021 and 38/2021 rather than the shared portal footnote.

CBIC Tax Information Portal, Section 56

Official source: [Open source document](#)

Pinpoint: Section 56 and amendment footnote: 60-day ordinary trigger retained, with computation wording amended from 1 October 2023. This context is distinct from the judgment's three-month award.

Disclosures and source rights

AI disclosure: Prepared with AI assistance from the complete official judgment and identified primary sources. No human legal review is claimed.

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Source checked: 12 October 2026