# Customs, Excise & Service Tax Appellate Tribunal
# West Zonal Bench At Ahmedabad

REGIONAL BENCH- COURT NO. 01

**Customs Appeal No. 10914 of 2025**
(Arising out of OIA-KDL-CUSTM-000-APP-79-24-25 dated 28.03.2025 passed by Commissioner (Appeals), Cusoms- Ahmedabad)

**Siddhnath Shipping** **.....Appellant**
Plot No. 48/8, Sector-1, Behind Modern School,
Oslo Society, Gzndhidham, Kachchh, Gujarat-370201

*VERSUS*

**Commissioner of Customs - Kandla** **.....Respondent**
Office of the Pr. Commissioner of Customs,
Near Balaji Temple, Kandla, Kachchh, Gujarat-370210

**APPEARANCE:**
Shri.Vikas Mehta, Consultant appeared for the Appellant
Shri. Himanshu Nachane,, Superintendent, (AR) for the Respondent

**CORAM: HON'BLE MR. SOMESH ARORA, MEMBER ( JUDICIAL )**

**Final Order No.___10597/2026_**

DATE OF HEARING:27.08.2026
DATE OF DECISION:31.08.2026

**SOMESH ARORA**

**Brief facts of the matter:-**

1. On 12.02.2002, the appellant deposited an amount of Rs. 20,00,000/-in an ongoing investigation relating to alleged diversion of fancy scarves made from polyester knitted fabrics and fancy dupattas made from 100% polyester filament yarn, from their unit in Kandla Special Economic Zone. The matter travelled to CESTAT, Ahmedabad, which, vide Final Order No. A/10315-10316/2023 dated 23.02.2023 set aside the adjudication order passed by L.d. Commissioner of Customs, Kandla (in the second round of litigation) and allowed the appeal filed by appellant, with consequential relief. Pursuant to above, the appellant filed refund claim in respect of the amount of Rs. 20.0 lakh deposited during investigation. The appellant also claimed interest. While refund of Rs. 20.0 lakh was allowed, the claim of interest was rejected on the ground that the appellant was not entitled to

interest under section 27A of Customs Act, 1962 as refund has been sanctioned within 03 months from the date of filing refund application.

1.1 The appellant relies upon the following decisions of this Hon'ble CESTAT, Ahmedabad, wherein, interest @ 12% from the date of deposit is ordered to be paid:

- KLJ Plasticizers Ltd., Final Order No. 11077/2025 dated 20.11.2025.
- Patel Labour Contractors Pvt. Ltd., Final Order No. 10008/2026 dated 12.01.2026.
- Spring Merchandiser Pvt. Ltd., Final Order No. 10311/2026 dated 24.04.2025.
- The A.R. reiterates the findings in the impugned order.

2. This Court has gone through the rival submissions. It finds that the issue regarding payment of interest on amounts voluntarily deposited during the course of investigation is *no more res intergra*, and has been decided by various case law as indicated (supra) by the learned Advocate. Particularly, this Court finds that, after considering various case law of the Hon'ble Supreme Court and various High Courts as well as decisions of Coordinate Benches, the CESTAT, Ahmedabad, in KLJ Plasticizers Ltd. Vs. Commissioner of Customs, Kandla, Final Order No. 11077 of 2025 dated 20.11.2025, has permitted 12% interest in similar circumstances. The portions of paragraphs 7 and 8 of the said decision, which are relevant for the present issue are reproduced herein below:

> *"7. This point of emphasis is that the need to grant interest as well as quantum has become established at the level of Hon'ble Supreme Court as well as various High Court and same deserves to be followed without reservations or getting into the question as to whether same was initially granted in equity jurisdiction or on the basis of statutory provisions. The appellants stated that the consistent legal approach of the High Courts and Supreme Court allowing interest even in the absence of provisions and validated by this Tribunal cannot be and should not be ignored simply on the basis of lack of statutory provisions when the question involves compensation for usage of Revenue deposits by the Government.*
> *8. This court finds that when a decision has been consistently followed even if it was initially delivered in Writ jurisdiction or was embedded to a legal principle of doctrine of compensation for deposits retained. Consistency of the same having been followed at various fora including the Divisional Benches of the Tribunal,*

*various High Courts makes the same become a judicial precedent worthy to be followed, even in the absence of statutory provision. This court finds that the decision of Churchit International vs Commissioner of Customs-Exports, New Delhi as reported in 2025-TIOL-520-CCE-Del is a well reasoned decision which has taken note of the decision of Hon'ble Supreme Court inter alia, in the matter of Kuil Fireworks Industrial reported as 1997 (95) ELT 3 (SC) wherein Hon'ble Supreme Court ordered pre-deposit made by the party to be refunded with 12% interest. Same has also been followed in Parle Agro and various other decisions as listed in the body of the findings of decision of Churchit International (supra). This court therefore, is inclined to follow the same and directs that interest shall be paid on the deposit made of 5 Crore which has since been refunded by the department. Such interest shall be calculated @ 12% from the date of making the deposit till the date of repayment. Appeal allowed in above terms."*

2.1 Similarly, a differently constituted Bench of this Tribunal, in Patel Labour Contractors Pvt. Ltd. v. Commissioner of Central Excise, Ahmedabad-I, Final order no. 10008 of 2026 dated 12.01.2026, allowed the appeal and held that the appellant was entitled to interest on the amount deposited from the date of deposit till the date of refund at the rate of 12% per annum. The relevant observations contained in paragraphs 5 to 5.4 of the said decision are reproduced herein below:

"5. I have heard the learned Chartered Accountant for the appellant and learned AR for the department and perused the record. In M/s. Fujikawa Power and M/s. Kenzo International vs. CCE & ST, Chandigarh – 2019 (11) TMI 1997 – CESTAT Chandigarh, the CESTAT Chandigarh has relied upon the law laid down by Hon'ble Apex Court in the case of Sandvik Asia Limited (supra). The Tribunal has quoted para 45 of the judgment delivered by Hon'ble Apex Court in said case which is being reproduced:-

*"45. The facts and the law referred to in paragraph (supra) would clearly go to show that the appellant was undisputably entitled to interest under Sections 214 and 244 of the Act as held by the various High Courts and also of this Court. In the instant case, the appellant's money had been unjustifiably withheld by the Department for 17 years without any rhyme or reason. The interest was paid only at the instance and at the intervention of this Court in Civil Appeal No. 1887 of 1992 dated 30-4-1997. Interest on delayed payment of refund was not paid to the appellant on 27-3-1981 and 30-4-1986 due to the erroneous view that had been taken by the officials of the respondents. Interest on refund was granted to the appellant after a substantial lapse of time and hence it should be entitled to compensation for this period of delay. The High Court has failed to appreciate that while charging interest from the assessees, the Department first adjusts the amount paid towards interest so that the principal amount of tax payable remain outstanding and they are entitled to charge interest till the entire outstanding is paid. But when it comes to granting of interest on refund of taxes, the*

> *refunds are first adjusted towards the taxes and then the balance towards interest. Hence as per the stand that the Department takes, they are liable to pay interest only up to the date of refund of tax while they take the benefit of assessee's funds by delaying the payment of interest on refunds without incurring any further liability to pay interest. This stand taken by the respondents is discriminatory in nature and thereby causing great prejudice to the lakhs and lakhs of assessees. Very large number of assessees are adversely affected inasmuch as the Income Tax Department can now simply refuse to pay to the assessees amounts of interest lawfully and admittedly due to that as has happened in the instant case. It is a case of the appellant as set out above in the instant case for the assessment year 1978-79, it has been deprived of an amount of Rs. 40 lakhs for no fault of its own and exclusively because of the admittedly unlawful actions of the Income Tax Department for periods ranging up to 17 years without any compensation whatsoever from the Department. Such actions and consequences, in our opinion, seriously affected the administration of justice and the rule of law."*

*Relying upon the law laid down by Hon'ble Apex Court, the Tribunal has observed that as the Hon'ble Apex Court answered the issue holding that the assessee is entitled to claim interest from the date of payment of initial amount till the date of its refund, therefore, the appellants, in the instant case, are entitled to claim interest on delayed payment of amount from the date of its deposition till its realization.*

*5.2 The interest on the said delayed refund is also payable at the rate of 12% as held by Hon'ble Kerala High Court in the case of Sony Pictures Networks India Pvt. Limited - 2017 (353) ELT 179 (Kerala). The relevant para of the judgment is reproduced below:-*

> *"14. Now, the sole question remains to be considered is what is the nature of interest that the petitioner is entitled to get. As discussed above in the judgment Commissioner of Central Excise v. ITC (supra), the Apex Court confined the interest to 12% and further held that any judgment/decision of any High Court taking contrary view, will be no longer good law. The said judgment is rendered, in my considered opinion under similar circumstances. So also in Kuil Fire Works Industries v. Collector Central of Excise [1997 (95) E.L.T. 3 (S.C.), the pre-deposit made by the assessee was directed to be returned to him with 12% interest. I have also come across the judgment of the Calcutta High Court in Madura Coats Pvt. Ltd. v. Commissioner of C. Ex., Kolkata-IV [2012 (285) E.L.T. 188 (Cal.), wherein the peremptory directions of the Apex Court in the judgment of ITC Ltd. (supra) was considered and ordered 12% interest, and further held that when the High Court directed the respondents to pay interest to the appellant in terms of the circular dated 8-12-2004 on the pre-deposit of the delayed refund within two months, it has to be construed that, the Court meant the rate of interest which was awarded by the Supreme Court in the case of Commissioner of Central Excise v. ITC Ltd., which was the rate quantified by the Supreme Court in the absence of any statutory provisions in the Act in question. Even though various other judgments of various High Courts and the various Tribunals was brought to my notice awarding 15% interest, in view of the directions contained in the judgment of the Apex Court in Commissioner of Central Excise v. ITC Ltd. (supra) rate of interest is to be confined to 12%. I am also bound to follow the same. Therefore, the interest that is liable to be paid by the respondents as per the directions of this Court in Ext. P12 judgment is fixed at 12% per annum."*

*5.3 The learned Chartered Accountant for the appellant also cited the order passed by CESTAT Chandigarh in the case of Riba Textiles Limited vs. Commissioner of CE & ST, Panchkula – 2020 (2) TMI 602 – CESTAT Chandigarh and the judgment delivered by Hon'ble P & H High Court in CCE, Panchkula vs. Riba Textiles Limited – 2022 (3) TMI 693 (P&H). He* *has also relied upon the order passed by CESTAT New Delhi in the case of M/s. Indore Treasure Market City Pvt. Limited vs. Commissioner of CGST & Central Excise, Indore – 2024 (2) TMI 372 – CESTAT New Delhi.*

*5.4 I am of the view that this Tribunal is bound by the law laid down by Hon'ble Supreme Court in Sandvik Asia Limited vs. Commissioner of Income Tax & Ors. (supra). Therefore, I hold that the appellant is entitled to claim interest on the amount of deposit from the date of deposit till its refund at the rate of 12% per annum as held by Hon'ble Kerala High Court in the case of Sony Pictures Networks India Pvt. Limited (supra).”*

2.3 In view of the aforesaid decisions, this Court is inclined to allow the appeal and grant interest at the rate of 12% per annum from the date of actual payment till the date of refund

3. Appeal is accordingly allowed with consequential relief as stated hereinabove.

(Pronounced in the open court on 31.08.2026)

**(SOMESH ARORA)**
**MEMBER ( JUDICIAL )**

Prachi