

Bedmutha Industries Limited — Writ Petition No. 2515 of 2025

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Digitally signed by IN THE HIGH COURT OF JUDICATURE AT BOMBAY TRUSHA TRUSHA TUSHAR TUSHAR MOHITE MOHITE Date: CIVIL APPELLATE JURISDICTION 2026.06.20 12:48:05 +0530 WRIT PETITION NO.2515 OF 2025.

Bedmutha Industries Limited .. Petitioner

Versus

Assistant Commissioner of Income Tax, Circle-1, Nashik & Ors. .. Respondents

Mr.Dharan Gandhi, Advocate for the Petitioner. Mr.A.K.Saxena, Advocate for the Respondents.

CORAM: B. P. COLABAWALLA & FIRDOSH P. POONIWALLA, JJ.

DATE: JUNE 15, 2026

P. C.

1. Rule. Respondents waive service. With the consent of the parties, Rule is made returnable forthwith and heard finally.
2. By this Petition under of the Constitution of India, the Petitioner challenges the order dated 25 th April 2024 passed by Respondent No.1 rejecting the Petitioner's claim for grant of interest on refund under of the Income-tax Act, 1961 ("the Act") upto the Page 1 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc date of actual payment of refund. The Petitioner seeks a direction to the Respondents to compute and pay such interest till the date on which the refund was actually granted.
3. The facts, as set out in the Petition, are that for Assessment Year 2017-18, the Petitioner filed its original Return of Income on 29 th October 2017 claiming a refund of Rs.1,60,47,550/-. Thereafter, a revised return was filed on 31st January 2019 again claiming the aforesaid refund. The return was processed and an intimation under came to be issued on 14th November 2019 determining the refund together with interest under . Such interest was determined at Rs. 25,67,600/-. The same was determined upto 14th November 2019, i.e. upto the date of intimation.
4. Subsequently, an Assessment Order under dated 24th December 2019 also came to be passed. Again, the returned loss of the Petitioner was accepted. Along with the said order, a computation sheet was issued wherein, refund of Rs. 1,60,47,549/- was determined. Further, interest under of the Act was determined at the same figure of Rs. 25,67,600/-.

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5. According to the Petitioner, despite the refund having been determined, the same was not released. The Petitioner, therefore, addressed several communications from time to time requesting release of the refund. The Petition refers to letters dated 18 th May 2020 and 3rd June 2020 as also several grievances and representations thereafter requesting that the refund be released.
 6. The Petition further sets out that various attempts were made by the Petitioner to validate bank accounts and furnish alternate banking particulars so that the refund could be credited. According to the Petitioner, details of several bank accounts were already available in the return itself. In addition, thereto, after learning that the refund had not been successfully credited, the Petitioner repeatedly furnished fresh bank account details, validated alternate accounts on the e-filing portal and filed multiple grievances and communications in that regard. The Petitioner relies upon various letters and grievances, which are annexed to the Petition. The Petitioner has, therefore, asserted continuous diligence in securing release of the refund.
 7. Eventually, the refund was released only in March 2023. The Petitioner's case is that though the refund ought to have been granted much Page 3 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc earlier, the actual credit came only in or about 10 th March 2023. Thereafter, the Petitioner requested that interest under be granted till the date of actual payment of refund. Such a request was made in April 2024. By the impugned order dated 25th April 2024, Respondent No.1 rejected the Petitioner's request, inter alia, on the ground that the delay in release of refund was attributable to the Petitioner on account of incorrect bank details and, therefore, no further interest was payable.
 8. Mr. Gandhi, the learned counsel for the Petitioner, submitted that the impugned order is ex facie without jurisdiction and contrary to . His first submission is that the Assessing Officer had no jurisdiction to refuse interest by invoking . Under , where any question arises as to the period to be excluded on account of delay attributable to the assessee, the same has to be decided by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, whose decision shall be final. Therefore, according to him, the Assessing Officer could not have assumed to himself the jurisdiction to determine exclusion of any period and consequently deny interest. Page 4 of 22
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9. The second submission on behalf of the Petitioner is that applies only where the proceedings resulting in the refund are delayed for reasons attributable to the assessee. It is submitted that the phrase "proceedings resulting in the refund" refers to the proceedings in which the refund is determined. In the present case, the refund stood determined in the intimation under dated 14 th November 2019 and in the Assessment Order under dated 24 th December 2019. There is no case, nor any finding, that either of these proceedings was delayed on

account of any act attributable to the Petitioner. Reliance is placed on the judgment of the Gujarat High Court in reported in [2017] 391 ITR 33 (Guj) and on the judgment of the Bombay High Court in reported in [2019] 106 taxmann.com 142, as also on Panther Fincap and Management Services (P.) reported in [2025] 181 taxmann.com 57 (Bom.) . It is submitted that these decisions clearly hold that unless the proceedings resulting in refund are delayed for reasons attributable to the assessee, interest cannot be denied under .

10. Thirdly, it is submitted that even on facts no delay can be attributed to the Petitioner. The Petitioner had furnished multiple bank Page 5 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc accounts. The refund was attempted to be credited to a bank account which, according to the Petitioner, was not the selected account in the return for the relevant Assessment Year. Repeated efforts were thereafter made by the Petitioner to validate alternate bank accounts, to lodge grievances and to follow up with the Department. Even according to the Revenue's own material, a new bank account was available since March 2022, yet the system continued to re- initiate refund to another bank account. It is submitted that, in any event, where technical difficulties arise in system-based refund processing, the Board's instructions permit manual payment of refund. Therefore, administrative or system issues cannot be treated as delay attributable to the assessee.

11. Lastly, Mr. Gandhi submitted that interest on refund is compensatory in nature and represents compensation for the use and retention of monies lawfully due to the assessee. Reliance is placed on the decision of the Supreme Court in reported in [2014] 363 ITR 658 (SC), and on the recent order of this Court in dated 9th December 2025 in WP No. 9876 of 2025 . According to him, once refund is due, the assessee is entitled to interest till the date of actual Page 6 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc payment, and the Revenue cannot defeat that statutory entitlement by relying upon system failures or incorrect assumptions regarding bank validation.

12. On the other hand, learned counsel appearing for the Revenue relied upon the affidavits filed by the Jurisdictional Assessing Officer affirmed on 12th March 2025 and by Shri Sairaj, Assistant Director of Income-tax, Centralised Processing Centre (' '), affirmed on 21 st March 2025. It is submitted that the refund could not be issued because the bank account details furnished by the Petitioner were incorrect or incomplete and the refund release failed for reasons attributable to the bank account furnished by the Petitioner. It is submitted that on several occasions attempts were made to release the refund, but each time there was some difficulty at the level of the Petitioner's bank account. Therefore, the Revenue contends that the Petitioner cannot claim interest for the period during which the refund could not be successfully credited because of defective bank particulars which is solely attributable to the Petitioner.

13. In rejoinder, the Petitioner has pointed out that the reasons recorded in the impugned order are at variance with the actual facts emerging from the record and, more particularly, from the affidavit filed by Shri Sairaj himself. It is submitted that the impugned order proceeds on a Page 7 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc simplistic footing that the delay was caused entirely due to incorrect bank details furnished by the Petitioner. However, the affidavit of Shri Sairaj shows a materially different factual position. According to the Petitioner, the chronology disclosed by Shri Sairaj itself demonstrates that upto August 2021, the Jurisdictional Assessing officer ('JAO') had not approved the refund. The refund was first released only in September 2021 and that too to a bank account which was not the bank account selected in the return for the year under consideration. In October 2021, the Petitioner lodged a grievance and pursued re-issue of the refund. Thereafter, a new bank account was validated and was available since March 2022. Yet, according to , the system continued to initiate refund to another bank account. The Petitioner has also relied upon letters from its bankers stating that no refund was received in any of the Petitioner's bank accounts and no such refund was refused. According to the Petitioner, this shows that the reasons assigned in the impugned order are incorrect and contrary to the Revenue's own subsequent explanation.

14. Having heard learned counsel for the parties and having perused the record, we are of the clear view that the Petition must succeed for the reasons stated hereinafter.

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15. Since, the controversy turns on , it would be necessary to reproduce the relevant statutory provision. , reads thus: > "244A. (1) [Where refund of any amount becomes due to the assessee under this Act], he shall, subject to the provisions of this section, be entitled to receive, in addition to the said amount, simple interest thereon calculated in the following manner, namely:- > [(a) where the refund is out of any tax collected at source under or paid by way of advance tax or treated as paid under , during the financial year immediately preceding the Assessment Year, such interest shall be calculated at the rate of one-half per cent for every month or part of a month comprised in the period.- > (i) from the 1st day of April of the Assessment Year to the date on which the refund is granted, if the Return of Income has been furnished on or before the due date specified under sub-section (1) of ; or

> (ii) from the date of furnishing of Return of Income to the date on which the refund is granted, in a case not covered under sub-clause (i): > [Provided that where refund arises as a result of an order passed by the Assessing Officer in consequence of an application made by the assessee under sub-section (20) of , such interest shall be calculated at the rate of one-half per cent for every month or part of a month comprised in the period from the date of such application to the date on which the refund is granted]; > (aa) where the refund is out of any tax paid under , such interest shall be calculated at the rate of one-half per cent for every month or part of a month comprised in the period, from the date of furnishing of Return of Income or Page 9 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc payment of tax, whichever is later, to the date on which the refund is granted: > Provided that no interest under clause (a) or clause (aa) shall be payable, if the amount of refund is less than ten per cent of the tax as determined under sub-section (1) of or on regular assessment;

> (b) in any other case, such interest shall be calculated at the rate of [one-half per cent] for every month or part of a month comprised in the period or periods from the date or, as the case may be, dates of payment of the tax or penalty to the date on which the refund is granted. Explanation. For the purposes of this clause, "date of payment of tax or penalty" means the date on and from which the amount of tax or penalty specified in the notice of demand issued under is paid in excess of such demand."

16. , which is the only provision under which the Revenue can seek exclusion of any period, reads thus: > "(2) If the proceedings resulting in the refund are delayed for reasons attributable to the assessee [or the deductor, as the case may be,] whether wholly or in part, the period of the delay so attributable to him shall be excluded from the period for which interest is payable [under sub-section (1) or (1A)] or [(1B)], and where any question arises as to the period to be excluded, it shall be decided by the [Principal Chief Commissioner or] Chief Commissioner or [Principal Commissioner or] Commissioner whose decision thereon shall be final."

17. A plain reading of makes it clear that interest on refund is payable upto the date on which the refund is granted. Section Page 10 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc 244A(2) is in the nature of an exception. It permits exclusion only where the proceedings resulting

in the refund are delayed for reasons attributable to the assessee. Therefore, unless the Revenue demonstrates that the proceedings resulting in the refund were delayed due to reasons attributable to the assessee, the normal provisions of apply and interest must run till the date of refund. In other words, by passing order in appeal, he merely recognized a legal position whereby, the assessee was entitled to claim certain benefits of reduced tax. Surely, the fact that the assessee had filed the appeal which ultimately came to be allowed by the Commissioner, cannot be a reason for delaying the proceedings which can be attributed to the assessee." (emphasis supplied)

19. This Court in (Supra), in paragraphs 3 to 7 held as under: > "3. The issue pertains to interest payable to the respondent - assessee under of the Income Tax Act, 1961 ("the Act" for short). The Revenue does not dispute either the assessee's claim of refund or that ordinarily under sub- section (1) of of the Act, such refund would carry interest at statutorily prescribed rate. However, according to the Revenue, by virtue of sub-section (2) of of the Act, since the delay in the proceedings resulting in the refund was attributable to the assessee, the assessee would not be entitled to such interest. Page 12 of 22

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> 4. The facts on record would show that the assessee had not claimed certain expenditure before the Assessing Officer but eventually raised such a claim before the Tribunal. Upon which, the Tribunal remanded the proceedings to the CIT(A). As such stage, the additional benefit claimed by the assessee was granted. This resulted in refund and the question of payment of interest on such refund. > 5. As is well known, in case of refunds payable to the assessee, interest in terms of sub-section (1) of would be payable. Sub-section (2) of , however, provides that if the proceedings resulting in the refund are delayed for reasons attributable to the assessee whether wholly or in part, the period of delay so attributable, would be excluded from the period for which interest is payable under sub-section (1) of of the Act. > 7. Sub-section (2) of of the Act refers to the proceedings resulting in the refund which are delayed for the reasons attributable to the assessee. There is no allegation or material on record to suggest that any of the proceedings hit the assessee's appeal before the Tribunal or remanded the proceedings before the CIT(A) whether in any manner delayed on accounts of the reasons attributable to the assessee. The Tribunal, was, therefore correct in allowing the interest to the assessee." (emphasis supplied)

20. More recently, in Panther Fincap and Management Services (P.) (Supra), where one of us (B.P Colabawalla, J.) was a party, this Court again held in paragraphs 8 and 9 as under: > "8. Under of the Act, if any person satisfies the Assessing Officer that the amount of tax paid by him or on his Page 13 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc behalf, or treated as paid by him or on his behalf for any Assessment Year, exceeds the amount with which he is properly chargeable under this Act for that year, he shall be entitled to a refund of the excess. provides that where the refund of any amount becomes due to the assessee under this Act, he shall, subject to the provisions of this Section, be entitled to receive, in addition to the said amount, simple interest thereon calculated in the manner provided in the Sub Section (1) of of the Act. provides that in the event the proceeding resulting in refund has been delayed for reasons attributable to the assessee, the said period of delay shall be excluded from the period for which the interest is payable. > 9. In this case, the proceeding resulting in the refund cannot be stated to be delayed for reasons attributable to Petitioner. In any event, there is no finding that there was delay in the proceeding resulting in the refund and that delay was attributable to Petitioner. It is true that Petitioner submitted the original advance tax challans for Rs.7,00,00,000/- on 19th February 2002 after filing the Return of Income and not with the Return of Income filed on 31st October 2001. However, the Petitioner has received intimation accepting the returned loss and granting refund on 28th March 2003, and the Assessment Order itself came to be passed on 30th March 2004. Therefore, the benefit of advance tax has already been allowed to the assessee, i.e. Petitioner. In any event, there is no finding either by the Assessing Officer or Respondent No.1 that there was a delay and how the Petitioner was responsible for that delay."

21. Tested on the above principles, the impugned order cannot be sustained. In the present case, the proceedings resulting in the refund were the intimation under dated 14 th November 2019 and the Assessment Order under dated 24th December 2019. There is no finding anywhere that either of these proceedings was delayed for reasons attributable to the Petitioner. Once the refund stood determined in those Page 14 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc proceedings, the statutory consequence under was that interest had to run till the date on which the refund was granted. does not deal with administrative or post-determination delays in actual remittance of the refund. No such case has been made out here.

22. There is yet another reason why the impugned order is unsustainable. itself provides that where any question arises as to the period to be excluded, it shall be decided by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, whose decision thereon shall be final. The impugned order has been passed by the Assessing Officer i.e., Assistant Commissioner of Income-tax-1, Nashik. Therefore, even assuming that the Revenue wished to invoke , the Assessing Officer had no jurisdiction to decide the question of exclusion of period and deny interest on that basis. On this count also, the impugned order is bad in law.

23. Even otherwise, the factual foundation on which the impugned order proceeds, is found to be at variance with the record, especially the affidavit filed by Shri Sairaj . Since, considerable reliance was placed by both sides on affidavit, it would be useful to reproduce the Page 15 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc relevant portions. Paragraphs 5 to 8 of the affidavit of Shri Sairaj is reproduced hereunder: > "5. issues refunds determined only to validated & nominated bank account of assessee carried out through e-filing portal and refunds are not issued to other bank accounts. In this case, the Return of Income filed for A.Y.2017-18 was selected for scrutiny on 21-Sep-19 & notice was sent on 21-Nov- > 19. For the AY 2017-18, ITBA-WS Assessment Order was processed on 24-Dec-19 determining refund of Rs. 1,86,15,150/-. As the refund determined is above Rs.1 lakh, same needs to be approved by A.O. On verification portal, the JAO approved the refund determined vide order on 25-Aug-21. During the period from 24.12.2019 to 25.8.2021, the refund determined was on hold awaiting approval of the JAO. > 6. After the approval of refund by the A.O., out of refund determined of Rs. 1,86,15,150/-, sum of Rs.22,86,695/- was adjusted against demand of AY 2011-12 and 2015-16 on 09- Sep-21. Net refund of Rs. 1,63,28,455/- was initially released by on 09-Sep-21 but same failed from banker end for the reason "Account has been closed" (Bank A/c:

> 080320110000148, IFCS: BKID0000803). The banker sent refund failure feed on 30-SEP-21 & a communication was triggered to assessee on 30-SEP-21. > 7. For release of refunds, assessee needs to validate the bank account through e-filing portal and nominate particular bank account. Subsequent to closure of Bank A/c: 080320110000148, refund was released to (Bank A/c: 080332100000034, IFCS: > BKID0000803) which was the bank account that was nominated by assessee for release of refunds on 04-JUL-22. Hence, refund was re-initiated multiple times to this bank account on 29- Mar- 22, 08-Jul-22, 06-Oct-22, 01-Dec-22 and 04-Jan-23 but same failed from banker end with reason "Others". The Failure feed was received from banker on 03-JUN-22, 18-JUL-22, 15-OCT- 22, 07-DEC-22 and 11-JAN-23 respectively. Refund failure communication was also triggered to assessee on 05-JUN-22, 18-JUL-22, 15-OCT-22, 07-DEC-22 and 11-JAN-23 respectively. Whenever refund failure communication is sent, the expectation from assessee is to remove said bank

account from nominated bank account status showing on e-filing portal and nominate different bank account. In this case, assessee validated Page 16 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc and nominated another bank account i.e. (Bank A/c: > 005020100010329, IFCS: BKID0000050) on 25- MAR-22. However, on verification, it is noticed that bank account No. 080332100000034, IFCS: BKID0000803, wherein refunds released were failing at banker end was not deactivated by assessee on E-filing portal & hence the system was releasing refund to same bank account every time.

> 8. Later, refund was released on 07-Mar-23 and refund was paid to the Taxpayer on 15-Mar-23 (Bank A/c:

> 005020100010329, IFCS: BKID0000050)."

> (emphasis supplied) > 24. These averments are materially at variance with the reasoning in the impugned order. First, they show that till 25 th August 2021, approval itself had not been granted by the JAO. Therefore, the suggestion that the entire delay was on account of incorrect bank details furnished by the Petitioner is plainly inaccurate. Second, 's own affidavit shows that the first release in September 2021 was to a bank account which was not the selected account for the relevant year in the Return of Income. Third, once a new bank account was validated and nominated on 25 th March 2022 [though the Petitioner has filed a screenshot from the portal which shows that request for validation of this account was made on 31 st December 2021 and the same was validated only on 12th January 2022], the system nonetheless continued to re-initiate refund to another account. It was only on 15 th March 2023, that the refund was credited to the bank account already validated on 12 th Page 17 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc January 2022. Thus, the record disclosed by itself points to a systemic and administrative failure rather than to any default attributable to the Petitioner. > 25. Most importantly, the Petitioner has shown that after the refund remained unpaid, it repeatedly filed grievances and letters. The Petitioner also states that various bank accounts were already available and that alternate bank accounts were validated on the portal. There is also a letter from the Petitioner's bankers stating that no refund was received and no such refund was refused by the bank. This chronology leaves no manner of doubt that the Petitioner was diligent and prompt. > 26. We are unable to accept the Revenue's broad submission that because some refund attempts failed for bank-related reasons, the entire period of delay must be attributed to the Petitioner. Technology and automated processing are intended to facilitate administration and not to defeat statutory rights. If the system continued to route refund to an incorrect or earlier bank account despite subsequent validation and nomination of another account, that is plainly a system issue. Such system deficiency cannot be held against the Petitioner. Further, if the Department found that automated re-issue was not fructifying despite repeated attempts and Page 18 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc grievances, it was always open to it to resort to a manual refund. The Department cannot retain monies admittedly refundable and thereafter deny statutory interest by relying upon its own technological limitations. > 27. We must also note that the Supreme Court in Union of India v.

(Supra) has held that refund due and payable to the assessee is a debt owed by the Revenue and that interest follows as a matter of course as compensation for the use and retention of the money. The Supreme Court observed that the State, having received money without any right and retained and used it, is bound to make the party good. Paragraphs 37 and 38 of are brought out hereunder: > "37. A "tax refund" is a refund of taxes when the tax liability is less than the tax paid. As per the old section an assessee was entitled for payment of interest on the amount of taxes refunded pursuant to an order passed under the Act, including the order passed in an appeal. In the present fact scenario, the deductor/assessee had paid taxes pursuant to a special order passed by the assessing officer/Income Tax Officer. In the appeal filed against the said order the assessee has succeeded and a direction is issued by the appellate authority to refund the tax paid. The amount paid by the resident/deductor was retained by the Government till a direction was issued by the appellate authority to refund the same. When the said amount is refunded it should carry interest in the matter of course. As held by the Courts while awarding interest, it is a kind of compensation of use and retention of the money collected unauthorizedly by the Department. When the collection is illegal, there is corresponding obligation on the revenue to refund such amount with interest in as much as they have retained and enjoyed the Page 19 of 22 JUNE 15, 2026 Mohite 3 wp2515-25.doc money deposited.

29. In these circumstances, the impugned order dated 25th April 2024 cannot be sustained. The Petitioner is entitled to interest under on the refund amount till the date on which the refund was actually paid.

30. Accordingly, we pass the following order:

> b. The Respondents are directed to calculate and pay to the Petitioner interest on the refund under of the Income-tax Act, 1961 from 1st December 2019 upto 31st March 2023, in accordance with law.

> c. The aforesaid computation and payment shall be made within a period of six weeks from the date of uploading of this order.

31. Rule is made absolute in the aforesaid terms. No order as to costs.

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32. Though we have disposed the matter, however, we place the matter on board for reporting compliance after six weeks, i.e. on 27 th July 2026.

33. This order will be digitally signed by the Private Secretary/ Personal Assistant of this Court. All concerned will act on production by fax or email of a digitally signed copy of this order. [FIRDOSH P. POONIWALLA, J.] [B. P. COLABAWALLA, J.] Page 22 of 22 JUNE 15, 2026 Mohite