Dated: 11.11.2026

GSTAT

State Bench Vijayawada

Court No. Court I

APL/7/VJY/2026

SHAPOORJI PALLONJI AND COMPANY PRIVATE LIMITED **.....Appellant**

Versus

COMMISSIONER OF STATE TAX ANDHRA PRADESH, COMMISSIONER OF STATE TAX ANDHRA PRADESH, 0 / O THE CHIEF COMMISSIONER OF STATE TAX DOOR NO.12-468-4 ADJACENT TO NH-16 SERVICE ROAD KUNCHANAPALLY GUNTUR DISTRICT ANDHRA PRADESH-522501. & ORS. **.....Respondent**

Quorum

Hon'ble Bhaskar Reddy Vemireddy, Member(Judicial)
Hon'ble SH SATISH AGRAWAL, Member (Technical)

Counsel for Appellant
ANSHUL JAIN

Counsel for Respondent

Form GST APL-04A

[See rules 113(1) & 115]

Summary of the order and demand after issue of order by the GST Appellate Tribunal

whether remand order : No

Order reference no. : ZA270031126000022H **Date of order :** 11/11/2026

1.	GSTIN/Temporary ID/UIN - 37AAACS6994C1Z4	
2.	Appeal Case Reference no. - APL/7/VJY/2026	Date - 01/06/2026
3.	Name of the appellant - SHAPOORJI PALLONJI AND COMPANY PRIVATE LIMITED , 37AAACS6994C1Z4@shapoorji.com , 8657183931	
4.	Name of the respondant - 1. Ramesh , dammur2000@gmail.com , 9949992333 2. Commissioner of State Tax Andhra Pradesh	
5.	Order appealed against - AD371123008045M	

	(5.1) Order Type - Refund Order	
	(5.2) Ref Number - ZD370124017864F	Date - 27/01/2024
6.	Personal Hearing - 11/11/2026 14/10/2026 05/10/2026 22/09/2026 21/09/2026 01/09/2026 07/08/2026	
7.	Status of Order under Appeal - Modified – Order under Appeal is modified	
8.	Order in brief - The appeal allowed. The impugned orders, insofar as they reject the appellant's claim for interest on delayed refunds solely on the ground that the principal refunds were sanctioned within sixty days from the consequential applications filed pursuant to the appellate orders, are set aside.	
Summary of Order		
9.	If demand order then whether demand quantified: Yes	

Section-I

Particulars	Central tax		State/UT tax		Integrated tax		Cess		Total	
	Disputed Amount	Determined Amount	Disputed Amount	Determined Amount	Disputed Amount	Determined Amount	Disputed Amount	Determined Amount	Disputed Amount	Determined Amount
1	2	3	4	5	6	7	8	9	10	11
(a) Tax	0	0	0	0	0	0	0	0	0	0
(b) Interest	0	0	0	0	0	0	0	0	0	0
(c) Penalty	0	0	0	0	0	0	0	0	0	0
(d) Fees	0	0	0	0	0	0	0	0	0	0
(e) Others		0		0		0		0		0
(f) Refund		0		0		0		0		0

Section-II

Place of Supply/Name of State/UT	Demand	Tax	Interest	Penalty	Other	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Amount in dispute	0	0	0	0	0
	Amount Determined	0	0	0	0	0

10.	For Other orders and Demand orders which are not quantified:	
Issues as raised by proper officer	Issues as determined by Appellate/Revisional authority	Order by GST Appellate Tribunal

Erroneous refund	The Ld. Appellate Authority vide Order-in-Appeal dated 27.01.2024 upheld rejection of interest on delayed refund. The Ld. Appellate Authority, in the Impugned Order, finds that when the basic eligibility itself was under question and Appellate Authority allowed as per the legal position as on date of disposal of appeal, it cannot be referred that the refund itself eligible and interest shall be payable as per section 56 of the CGST Act. It is observed that refund of interest only arises when the refund is accepted but sanctioned with delay which has not occurred in the present case. Further, the Ld. Appellate Authority finds that the refund is determined only from the date of Appellate order which has attained finality in this case and therefore, interest could be paid only if the refund is not made within three months from the date of such order. In the present case, the refund claim filed pursuant to the appeal order was sanctioned on time and hence, question of interest does not arise.	

Bhaskara Reddy Vemireddy Digitally signed by Bhaskara Reddy Vemireddy Date: 2026.11.11 17:49:22 +05'30' Signature

Place :VIJAYAWADA

Date : 11.11.2026

VIJAYAWADA Bhaskar Reddy Vemireddy

Designation : Member

Jurisdiction :Vijayawada

ORDER

BEFORE THE GOODS AND SERVICES TAX APPELLATE TRIBUNAL

ANDHRA PRADESH STATE BENCH, VIJAYAWADA

Common order in the appeals no.

APL/1/VJY/2026, APL/7/VJY/2026, APL/13/VJY/2026, APL/14/VJY/2026, APL/15/VJY/2026, APL/16/VJY/2026, APL/17/VJY/2026 and APL/25/VJY/2026

M/s. Shapoorji Pallonji and Company Private Limited

GSTIN: 37AAACS6994C1Z4 …… Appellant

Versus

The Assistant Commissioner (State Tax), Governorpet Circle,

No. II Division, Vijayawada ….. Respondent

Per: Hon'ble Bhaskar Reddy Vemireddy, Member(Judicial)

I. FACTS OF THE CASE

1. The appellant is engaged in the business of execution of works contracts and allied services. It had filed eight refund applications under the inverted duty structure for the tax periods December 2018, January 2019, February 2019, April 2019, May 2019, June and July 2019, September 2019, and March 2020.
2. The original refund applications were filed on various dates between 18th January 2023 and 29th March 2023. The aggregate refund claimed under the CGST and APGST enactments was substantial, and the claims were rejected by the original authority on the ground that the appellant was not eligible for refund in view of Notification No. 15/2017-Central Tax (Rate), dated 28th June 2017, relating to specified construction services.
3. Aggrieved by the rejection of its refund claims, the appellant preferred appeals before the First Appellate Authority. By separate orders dated 23rd September 2023, the First Appellate Authority set aside the orders rejecting the refund claims and allowed the appellant's claims.

4. Pursuant to the appellate orders, the appellant filed consequential refund applications on 25th and 26th September 2023, seeking implementation of the appellate orders and payment of the refunds, together with applicable interest from the date immediately following the expiry of 60 days from the date of original refund applications in terms of Section 56 of the CGST Act.
5. The original authority thereafter sanctioned the refund amounts by orders passed during November 2023. However, the claim for interest was rejected on the ground that the refunds had been sanctioned within sixty days from the dates of filing the consequential refund applications pursuant to the appellate orders.
6. The appellant contends that the original authority has misconstrued Section 56 of the CGST Act. According to the appellant, the main provision of Section 56 entitles it to interest at the notified rate of 6% per annum from the expiry of sixty days from the respective original refund applications until the dates of actual refund. It is further contended that, where the refund is not disbursed within sixty days from the consequential application filed pursuant to the appellate order, the proviso to Section 56 provides for interest at the enhanced notified rate of 9% per annum for the period specified therein.
7. The respondent's case, as reflected in the impugned orders, is that no interest is payable for the period preceding the appellate orders because the refunds were sanctioned within sixty days of the subsequent applications. The respondent thus maintains that the appellant is not entitled to interest under Section 56 for the earlier period.
8. The question for determination is whether the Department's payment of the principal refund within sixty days from the consequential applications extinguishes the appellant’s entitlement to interest accrued under the main provision of Section 56 with reference to the original applications.

II. SUBMISSIONS ON BEHALF OF THE APPELLANT

1. The learned counsel for the appellant submitted that the appellant filed eight refund applications claiming refund of accumulated Input Tax Credit arising out of inverted duty structure for the period from December 2018 to March 2020. The original applications were filed between 18th January 2023 and 29th March 2023.
2. The original refund claims were erroneously rejected by the adjudicating authority. The said rejections were subsequently set aside by the appellate authority vide orders dated 23rd September 2023, thereby establishing the appellant’s entitlement to the refund claims.
3. It is submitted that the consequential applications filed on 25th and 26th September 2023 were merely for implementation of the appellate orders and could not be treated as fresh refund claims for determining the commencement of the period prescribed under Section 56 of the CGST Act, 2017.
4. The appellant’s Counsel contends that the Department cannot deny statutory interest for the period of delay attributable to the erroneous rejection of the original claims. The subsequent filing of consequential applications pursuant to the appellate orders does not extinguish the legal consequences flowing from the original applications.
5. It is further submitted that Section 56 provides for interest where the refund is not made within sixty days from receipt of the application complete in all respects. Accordingly, the period for computation of ordinary interest must be determined with reference to the respective original applications, subject to verification of their completeness and the amounts ultimately found refundable.

6. The appellant's Counsel therefore prayed that the impugned order denying interest be set aside and that the Department be directed to grant interest at the applicable notified rate for the period commencing after the expiry of sixty days from receipt of each complete original refund application until the date of actual payment.

The appellant's counsel placed reliance on the following judgments in support of his submissions.

1. Ranbaxy Laboratories Ltd. v. Union of India, reported in (2011) 273 E.L.T. 3 (S.C.),
2. Lupin Limited v. Union of India, reported in 2025) 33 Centax 282 (Bom.)

- Qualcomm India Private Limited v. Deputy Commissioner (ST) and Others, of the Hon'ble High Court for the State of Telangana reported in (2024) 17 Centax 482 (Telangana).

1. . SBI Cards & Payment Services Ltd. v. Union of India, reported in (2023) 3 Centax 217 (P&H.) and
2. Bansal International Vs. Commissioner of DGST (2023) 13 Centax 210 (Del.)
3. The Counsel for the appellant submitted that the learned First Appellate Authority has rejected the claim of interest while dismissing the appeal by observing that *"The relevant provisions of eligibility for refund were not so clear and further clarified by issuing specific notification. When the basic eligibility itself was under question and appellate authority allowed as per the legal position as on date of disposal of appeal, it cannot be referred that the refund itself was eligible and interest shall be payable under Section 56 of the Act. Hence due to clarification of issue only which was allowed based on the merit of clarificatory notification 15/2023 dt. 19.10.2023.*

It is also to be noted that refund of interest only arises when the refund is accepted, but sanctioned with delay which did not occur in the present case. The refund is determined only from the date of Appellate order which has attained finality in this case and therefore interest could be paid only if the refund is not made within three months from the date of such order."

8. According to the learned counsel for the appellant the observation of the learned First Appellate Authority that the notification No. 15/2023 dt. 19.10.2023 is clarificatory and till the date of disposal of the appeal the legal position was not clear and the claim of refund was accepted by the department only by following notification No. 15/2023 dt. 19.10.2023 is untenable. The learned Counsel further submitted that upholding the order of the original authority on the ground that the legal position was not clear till the date of issuance of the clarificatory notification No. 15/2023 dt. 19.10.2023 amounts to travelling beyond the scope of the SCN and the order of the original authority since it was not put to the notice of the appellant for rebuttal.
9. The learned counsel for the appellant further submitted that since the impugned order of the first Appellant Authority is not a speaking order it cannot sustain in law since none of the judgments relied on by the appellant were considered by the appellate authority. He also maintains that not considering the binding decisions by the appellate authority amounts to judicial indiscipline. The learned counsel placed reliance on the following judgments.

1) CCE vs. Ballarpur Industries Limited [2007 (215) ELT 489 (SC)], 2) Saci Allied Products Ltd vs. CCE [2005 (183) ELT 225 (SC)]; and 3) CCE vs. Toyo Engineering India Limited [2006 (201) ELT 513 (SC)]

III. SUBMISSIONS ON BEHALF OF THE DEPARTMENT

1. The learned Departmental Representative supports the impugned order and submits that the refund amounts were sanctioned and paid in November 2023, following the filing of consequential applications on 25th and 26th September 2023 pursuant to the appellate orders dated 23rd September 2023.
2. It is contended that the consequential applications were processed in accordance with the statutory procedure governing refund claims under Sections 54 and 56 of the CGST Act, 2017, read with the relevant provisions of the CGST Rules, 2017.
3. The learned Departmental Representative submits that the refunds were sanctioned within sixty days of the consequential applications and, therefore, no interest was payable on the basis adopted by the Department for processing those applications.
4. It is further submitted that the appellant cannot claim interest merely on the ground that the original rejection orders were subsequently reversed. The claim for interest must be examined in accordance with the statutory requirements, including whether the original applications were complete in all respects and whether the amounts claimed therein were ultimately admissible.
5. The learned Authorized Representative for the Revenue has placed strong reliance upon the observations of the Hon'ble Supreme Court in Union of India and Others v. Willowood Chemicals Pvt. Ltd. and Another, Civil Appeal Nos. 2995–2996 of 2022, decided on 19 April 2022, reported in (2022) 9 SCC 341 to contend that the entitlement to refund, as well as the consequential entitlement to interest, must necessarily be determined with reference to the statutory scheme enacted by the Legislature. The contention is that the statutory scheme governing refunds must be strictly adhered to while determining the liability to pay interest on delayed refunds. The submission, in substance, is that the grant of interest if any from the date of original application amounts to granting a relief which is not contemplated by the applicable provisions of the Act and virtually travelling beyond the statutory framework.
6. The learned Departmental Representative opposed the appellant's claim for interest by contending that the refund had been sanctioned and disbursed within sixty days from the date of the subsequent application filed pursuant to the order of the First Appellate Authority. It was argued that, consequently, no interest was payable under Section 56 of the CGST Act, 2017. The learned Departmental Representative further submitted that, if the Explanation to Rule 93 of the CGST Rules, 2017, were interpreted in favour of the appellant so as to recognise the original refund application for the purpose of computation of interest, it could lead to an unintended benefit.
7. It is further contended by the learned Departmental Representative that Section 56 of CGST Act 2017, the proviso thereto and the Explanation appended to the said Section operate in mutually exclusive fields, and that the appellant cannot place reliance on the explanation in support of its claim.

IV. QUESTIONS OF LAW

The following questions of law arise for consideration:

1.Whether, where an original refund claim is rejected by the proper officer but the rejection is subsequently set aside by the appellate authority, the taxpayer is entitled to interest under the main provision of Section 56

of the CGST Act from the expiry of sixty days after receipt of the original refund application, notwithstanding that the refund is sanctioned within sixty days of the consequential application?

2.Whether the filing of a consequential refund application pursuant to an appellate order constitutes a fresh starting point for the entire interest calculation, or whether such application is primarily intended to facilitate implementation of the appellate order and disbursement of the refund already claimed?

3.Whether the Department's sanction and payment of the refund within sixty days from the consequential application disentitle the appellant from receiving interest under the main provision of Section 56 for the period commencing after the expiry of sixty days from the original refund application?

4.Whether, on a proper interpretation of Sections 54 and 56 of the CGST/APGST Acts, 2017, a taxpayer whose original refund claim was rejected but subsequently allowed by the First Appellate Authority is entitled to interest at the notified rate from the expiry of sixty days from the date of receipt of the original refund application?

V. RELEVANT STATUTORY PROVISIONS

A. Section 54 of the CGST Act

Section 54 reads as under:

"54. Refund of tax.-

(1) Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner as may be prescribed:

Provided that a registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in 1[such form and] manner as may be prescribed.

(2) A specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), Consulate or Embassy of foreign countries or any other person or class of persons, as notified under section 55, entitled to a refund of tax paid by it on inward supplies of goods or services or both, may make an application for such refund, in such form and manner as may be prescribed, before the expiry of 1[two years] from the last day of the quarter in which such supply was received.

(3) Subject to the provisions of sub-section (10), a registered person may claim refund of any unutilised input tax credit at the end of any tax period:

Provided that no refund of unutilised input tax credit shall be allowed in cases other than-

- zero rated supplies made without payment of tax;

- (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council:
- Provided also that no refund of input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.

(4) The application shall be accompanied by-

(a) such documentary evidence as may be prescribed to establish that a refund is due to the applicant; and

(b) such documentary or other evidence (including the documents referred to in section 33) as the applicant may furnish to establish that the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on to any other person:

Provided that where the amount claimed as refund is less than two lakh rupees, it shall not be necessary for the applicant to furnish any documentary and other evidences but he may file a declaration, based on the documentary or other evidences available with him, certifying that the incidence of such tax and interest had not been passed on to any other person.

(5) If, on receipt of any such application, the proper officer is satisfied that the whole or part of the amount claimed as refund is refundable, he may make an order accordingly and the amount so determined shall be credited to the Fund referred to in section 57.

(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both 11[or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)] made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, 8[****], in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.

(7) The proper officer shall issue the order under sub-section (5) within sixty days from the date of receipt of application complete in all respects.

(8) Notwithstanding anything contained in sub-section (5), the refundable amount shall, instead of being credited to the Fund, be paid to the applicant, if such amount is relatable to-

(a) refund of tax paid on 2[export] of goods or services or both or on inputs or input services used in making such 1[exports];

(b) refund of unutilised input tax credit under sub-section (3);

(c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;

(d) refund of tax in pursuance of section 77;

(e) the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or

(f) the tax or interest borne by such other class of applicants as the Government may, on the recommendations of the Council, by notification, specify.

(8A) The Government may disburse the refund of the State tax in such manner as may be prescribed.]

(9) Notwithstanding anything to the contrary contained in any judgment, decree, order or direction of the Appellate Tribunal or any court or in any other provisions of this Act or the rules made thereunder or in any other law for the time being in force, no refund shall be made except in accordance with the provisions of sub-section (8).

(10) Where any refund is due 4[***] to a registered person who has defaulted in furnishing any return or who is required to pay any tax, interest or penalty, which has not been stayed by any court, Tribunal or Appellate Authority by the specified date, the proper officer may-

(a) withhold payment of refund due until the said person has furnished the return or paid the tax, interest or penalty, as the case may be;

(b) deduct from the refund due, any tax, interest, penalty, fee or any other amount which the taxable person is liable to pay but which remains unpaid under this Act or under the existing law.

Explanation.-For the purposes of this sub-section, the expression "specified date" shall mean the last date for filing an appeal under this Act.

(11) Where an order giving rise to a refund is the subject matter of an appeal or further proceedings or where any other proceedings under this Act is pending and the Commissioner is of the opinion that grant of such refund is likely to adversely affect the revenue in the said appeal or other proceedings on account of malfeasance or fraud committed, he may, after giving the taxable person an opportunity of being heard, withhold the refund till such time as he may determine.

(12) Where a refund is withheld under sub-section (11), the taxable person shall, notwithstanding anything contained in Section 56, be entitled to interest at such rate not exceeding six per cent. as may be notified on the recommendations of the Council, if as a result of the appeal or further proceedings he becomes entitled to refund.

(13) Notwithstanding anything to the contrary contained in this section, the amount of advance tax deposited by a casual taxable person or a non-resident taxable person under sub-section (2) of section 27, shall not be refunded unless such person has, in respect of the entire period for which the certificate of registration granted to him had remained in force, furnished all the returns required under section 39.

(14) Notwithstanding anything contained in this section, no refund under subsection (5) or sub-section (6) 11[, other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax,] shall be paid to an applicant, if the amount is less than one thousand rupees.

(15) Notwithstanding anything contained in this section, no refund of unutilised input tax credit on account of zero rated supply of goods or of integrated tax paid on account of zero rated supply of goods shall be allowed where such zero rated supply of goods is subjected to export duty.]

Explanation.- For the purposes of this section,-

(1) "refund" includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilised input tax credit as provided under sub-section (3).

(2) "relevant date" means-

(a) in the case of goods exported out of India where a refund of tax paid is available in respect of goods themselves or, as the case may be, the inputs or input services used in such goods,-

(i) if the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India; or

(ii) if the goods are exported by land, the date on which such goods pass the frontier; or

(iii) if the goods are exported by post, the date of despatch of goods by the Post Office concerned to a place outside India;

(b) in the case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of the goods, the date on which the return relating to such deemed exports is furnished;

(ba) in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, the due date for furnishing of return under section 39 in respect of such supplies;

(c) in the case of services exported out of India where a refund of tax paid is available in respect of services themselves or, as the case may be, the inputs or input services used in such services, the date of-

(i) receipt of payment in convertible foreign exchange 6[or in Indian rupees wherever permitted by the Reserve Bank of India], where the supply of services had been completed prior to the receipt of such payment; or

(ii) issue of invoice, where payment for the services had been received in advance prior to the date of issue of the invoice;

(d) in case where the tax becomes refundable as a consequence of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court, the date of communication of such judgment, decree, order or direction;

(e) in the case of refund of unutilised input tax credit under clause (ii) of the first proviso to sub-section (3), the due date for furnishing of return under section 39 for the period in which such claim for refund arises;

(f) in the case where tax is paid provisionally under this Act or the rules made thereunder, the date of adjustment of tax after the final assessment thereof;

(g) in the case of a person, other than the supplier, the date of receipt of goods or services or both by such person; and

(h) in any other case, the date of payment of tax."

Section 54 provides the statutory framework for claims of refund of tax, interest or other amounts paid under the Act. Section 54(3) permits refund of unutilised input tax credit in the circumstances specified therein, subject to the applicable restrictions.

Section 54(5) provides for determination and sanction of the amount refundable, while Section 54(7) prescribes the period within which an order under Section 54(5) is to be issued where the application is complete in all respects.

The statutory scheme therefore requires the refund claim to be processed within the prescribed period. Where the original refund claim is rejected and the rejection is subsequently set aside in appeal, the legal effect of the appellate order must be considered in determining the taxpayer's entitlement to the refund and consequential statutory interest.

B. Section 56 of the CGST Act

Section 56 reads as under:

"Section 56. Interest on delayed refunds.-

- If any tax ordered to be refunded under sub-section (5) of Section 54 to any applicant is not refunded within sixty days from the date of receipt of application under sub-section (1) of that section, interest at such rate not exceeding six per cent. as may be specified in the notification issued by the Government on the recommendations of the Council shall be payable in respect of such refund 1[for the period of delay beyond sixty days from the date of receipt of such application till the date of refund of such tax, to be computed in such manner and subject to such conditions and restrictions as may be prescribed]:

Provided that where any claim of refund arises from an order passed by an adjudicating authority or Appellate Authority or Appellate Tribunal or court which has attained finality and the same is not refunded within sixty days from the date of receipt of application filed consequent to such order, interest at such rate not exceeding nine per cent. as may be notified by the Government on the recommendations of the Council

shall be payable in respect of such refund from the date immediately after the expiry of sixty days from the date of receipt of application till the date of refund.

Explanation.-For the purposes of this section, where any order of refund is made by an Appellate Authority, Appellate Tribunal or any court against an order of the proper officer under sub-section (5) of Section 54, the order passed by the Appellate Authority, Appellate Tribunal or by the court shall be deemed to be an order passed under the said sub-section (5)."

Section 56 provides that where tax ordered to be refunded under Section 54(5) is not refunded within sixty days from receipt of the application under Section 54(1), interest at the notified rate, not exceeding 6% per annum, is payable for the period of delay beyond sixty days until the date of refund.

The proviso to Section 56 provides for interest at a notified rate not exceeding 9% per annum where a refund claim arising from an order of an adjudicating authority, appellate authority, appellate tribunal or court attaining finality is not refunded within sixty days from receipt of the application filed consequent to such order.

The Explanation to Section 56 provides that where an appellate authority, appellate tribunal or court passes an order of refund against an order of the proper officer under Section 54(5), the appellate or judicial order shall be deemed to be an order passed under Section 54(5).

The main provision, proviso and Explanation must be read together. The main provision identifies the commencement of ordinary statutory interest by reference to the original application under Section 54(1). The proviso addresses the enhanced rate applicable where the consequential refund is not paid within sixty days of the application filed pursuant to an order attaining finality. The Explanation ensures that an appellate order allowing the refund has the legal character required under Section 56.

C. Rule 89 of the CGST Rules

Rule 89 reads as under:

Rule 89. Application for refund of tax, interest, penalty, fees or any other amount.-

(1) Any person, except the persons covered under notification issued under section 55 claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 or any tax, interest, penalty, fees or any other amount paid by him, other than refund of integrated tax paid on goods exported out of India, may file 10[,subject to the provisions of rule 10B,] an application electronically in FORM GST RFD-01 through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

Provided that in respect of supplies to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the -

(a) supplier of goods after such goods have been admitted in full in the Special Economic Zone for authorised operations, as endorsed by the specified officer of the Zone;

(b) supplier of services along with such evidence regarding receipt of services for authorised operations as endorsed by the specified officer of the Zone:

1Provided further that] in respect of supplies regarded as deemed exports, the application may be filed by, -

(a) the recipient of deemed export supplies; or

(b) the supplier of deemed export supplies in cases where the recipient does not avail of input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund]

Provided also that refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 at the time of registration, shall be claimed 19[only after the last return required to be furnished by him has been so furnished]

Explanation.—For the purposes of this sub-rule, ? "specified officer" means a "specified officer" or an "authorised officer" as defined under rule 2 of the Special Economic Zone Rules, 2006.]

(1A) Any person, claiming refund under section 77 of the Act of any tax paid by him, in respect of a transaction considered by him to be an intra-State supply, which is subsequently held to be an inter-State supply, may, before the expiry of a period of two years from the date of payment of the tax on the inter-State supply, file an application electronically in FORM GST RFD-01 through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

Provided that the said application may, as regard to any payment of tax on inter-State supply before coming into force of this sub-rule, be filed before the expiry of a period of two years from the date on which this sub-rule comes into force.

(1B)Any person, claiming refund of additional integrated tax paid on account of upward revision in price of the goods subsequent to exports, and on which the refund of integrated tax paid at the time of export of such goods has already been sanctioned as per rule 96, may file an application for such refund of additional integrated tax paid, electronically in FORM GST RFD-01 through the common portal, subject to the provisions of rule10B, before the expiry of two years from the relevant date as per clause (a) of Explanation(2) of Section 54:

Provided that the said application for refund can, in cases where the relevant date as per clause (a) of Explanation (2) of Section 54 of the Act was before the date on which this sub-rule comes into force, be filed before the expiry of two years from the date on which this sub-rule comes into force."

Rule 89 prescribes the manner and form in which an application for refund is to be made, together with the documents and declarations required for the relevant category of refund.

For determining interest under Section 56, it is necessary to ascertain whether the original refund application was received with the prescribed supporting documents and was complete in all material respects. The date of such application is material to the commencement of statutory interest.

A consequential application filed following a favourable appellate order may be required to facilitate processing and disbursement. However, Rule 89 does not, by itself, provide that the filing of such a consequential application automatically extinguishes the statutory consequences flowing from the original refund application.

D. Rule 93 of the CGST Rules and the effect of its Explanation

"Rule 93 reads as under:

Rule 93. Credit of the amount of rejected refund claim.-

(1) Where any deficiencies have been communicated under sub-rule (3) of rule 90, the amount debited under sub-rule (3) of rule 89 shall be re-credited to the electronic credit ledger.

(2) Where any amount claimed as refund is rejected under rule 92, either fully or partly, the amount debited, to the extent of rejection, shall be re-credited to the electronic credit ledger by an order made in FORM GST PMT-03 .

Explanation. - For the purposes of this rule, a refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking in writing to the proper officer that he shall not file an appeal."

1. Rule 93 governs re-credit of the amount debited from the electronic credit ledger in the circumstances specified therein, including rejection of a refund claim, through the prescribed procedure.
2. Rule 93 primarily concerns the treatment of the amount debited from the electronic credit ledger. It does not prescribe an independent commencement date for interest on delayed refunds. That question is governed by Section 56, read with the applicable rules.
3. Consequently, Rule 93 cannot be interpreted as postponing the commencement of interest until the date of a consequential application where the original refund claim has ultimately been allowed in appellate proceedings.
4. The Explanation to Rule 93 of the CGST Rules, 2017. Rule 93 deals with the re-credit of an amount debited from the electronic credit ledger in respect of a rejected refund claim. The Explanation provides that, for the purposes of that rule, a refund shall be deemed to be rejected if the appeal is finally rejected or if the claimant gives an undertaking in writing to the proper officer that no appeal will be filed.
5. The important implication is that the original rejection is not treated as final for the purposes of Rule 93 merely because the original authority has rejected the claim, while the appeal against that rejection remains pending. Where an appeal is pursued, the rule links the deemed rejection to the final outcome of the appeal.
6. This supports the appellant's argument that the original refund claim continues to have legal significance during the appellate process. The subsequent application filed after the favourable appellate order is a procedural step for obtaining the refund allowed on appeal; it does not necessarily replace the original application for every purpose under Section 56.

7. This interpretation is reinforced by CBIC Circular No. 111/30/2019-GST, dated 3 October 2019. The Circular clarifies that, where an appeal is filed against rejection of a refund claim, the amount debited from the electronic credit ledger is not re-credited until the appeal is finally rejected. It further provides that, upon receipt of a favourable appellate order, the taxpayer must file a fresh application under the category "Refund on account of assessment/provisional assessment/appeal/any other order" to obtain the refund allowed by that order. Since the amount debited against the original claim has not been re-credited, a second debit is not required when filing the consequential application.
8. The aforesaid Circular is particularly relevant because it explains the procedural relationship between the original refund application and the consequential application filed after a favourable appellate order. Although a fresh application is required for processing and disbursement, the original debit remains undisturbed during the pendency of the appeal. The consequential application is therefore a procedural mechanism for implementing the appellate relief; it does not necessarily constitute a wholly independent claim unrelated to the original refund application.
9. We are conscious that Rule 93 principally governs re-credit of the electronic credit ledger and does not expressly prescribe the date from which interest under Section 56 becomes payable. Accordingly, the Explanation cannot, by itself, be treated as conclusively determining the commencement of interest. Its relevance lies in demonstrating that the original refund claim retains legal significance during the appellate process and that the filing of a consequential application does not, merely by reason of its subsequent date, extinguish the earlier claim.
10. When Rule 93 is read harmoniously with Sections 54 and 56, the statutory scheme supports the conclusion that the date of the consequential application cannot automatically replace the date of the original application for every purpose. The precise commencement of interest must nevertheless be determined under Section 56, taking into account the completeness of the original application and the applicable statutory conditions.
11. In the present case, the original refund claims were rejected by the proper officer, but those rejection orders were subsequently set aside by the First Appellate Authority. The consequential applications were filed to obtain the refunds allowed in appeal. In these circumstances, the Department cannot deny interest for the earlier period solely on the ground that the principal refunds were sanctioned within sixty days of the consequential applications. Such an approach would fail to give due effect to the main provision of Section 56 and the legal significance of the original refund claims.

VI. JUDICIAL PRECEDENTS AND THEIR APPLICATION

1. Supreme Court: Ranbaxy Laboratories Ltd. v. Union of India

1. The Hon'ble Supreme Court in Ranbaxy Laboratories Ltd. v. Union of India, (2011) 273 E.L.T. 3 (S.C.), considered the commencement of interest on delayed refunds under Section 11BB of the Central Excise Act, 1944.
2. The controversy before the Supreme Court was whether interest became payable upon expiry of the prescribed period from the date of the original refund application or only upon expiry of that period from the date on which the refund order was passed by the appellate authority.

3. The Hon'ble Supreme Court held that interest under Section 11BB commences upon expiry of the prescribed period from the date of receipt of the refund application, and not from the date on which the order granting the refund is made. The Explanation to Section 11BB, which deems an order passed by an appellate authority or court to be an order under the relevant refund provision, does not postpone the commencement of interest.
4. Although Ranbaxy Laboratories concerned the Central Excise Act, its reasoning is relevant because Section 11BB and Section 56 of the CGST Act embody a similar statutory mechanism: the taxpayer must receive the refund within a prescribed period after the refund application, failing which statutory interest becomes payable.
5. The principle emerging from Ranbaxy Laboratories is that the date of the order granting the refund cannot automatically be substituted for the date of the original application when the statute expressly links interest to the application. In the present case, the original refund rejections were set aside in appeal. The subsequent appellate orders established the appellant's entitlement to the refunds, but do not, by themselves, justify postponing the commencement of ordinary interest under Section 56.

2. Delhi High Court: Bansal International v. Commissioner of DGST and Another reported in (2023) 13 Centax 210 (Del.)

1. In Bansal International v. Commissioner of DGST and Another the central issue was whether a taxpayer whose original refund application was rejected by the proper officer, but whose refund was subsequently allowed in appellate proceedings, could claim interest from the original application or only from the subsequent application filed after the appellate order. The judgment is particularly significant because it considers the relationship between the main provision of Section 56, its proviso and the Explanation thereto, in circumstances where the original refund application was rejected by the proper officer but the claim was subsequently allowed in appellate proceedings.
2. The Hon'ble High Court answered this issue in favour of the petitioner therein and held that the petitioner's entitlement to interest cannot be defeated merely because the proper officer passed an incorrect order which was subsequently rectified in appellate proceedings. The Court explained that the object of providing interest after expiry of sixty days from the date of the refund application is to compensate the taxpayer for being deprived of funds legitimately due to it. Such entitlement would be substantially diluted if the date of the subsequent application filed after the appellate proceedings were treated as the starting point. While observing so the Hon'ble Court held that a taxpayer would be entitled to interest from the date immediately after the expiry of sixty days from the receipt of the first application under Section 54(1) of the CGST Act, accompanied by the documents specified under Section 54(4) read with Rule 89. The Court rejected the contention that the proviso to Section 56 dilutes the taxpayer's right to interest under the main provision. It held that the proviso must be read in the context of the main provision and not as an independent provision. It was further observed that the subsequent application is only for the purpose of facilitating disbursement and enabling the proper officer to determine and pay the interest due.

Relevant observations of the Hon'ble Delhi High Court in Bansal International is reproduced here under:

"13. It is sought to be urged before us by Revenue, that a proviso operates only when an order is passed by an Appellate Tribunal or Appellate Authority and the interest shall run only from the date when an application is preferred for seeking refund and therefore according to Ms Desai after the appellate order was passed in favour of the petitioner, fresh application for refund was filed on 11.05.2023 and the interest would be payable from that date. We must reject the said argument as this is not the scheme of the statute and it is trite position in law that when a statute specify or regulate the payment of interest, it must necessarily abide by all the stipulations therein and here when Section 56 contemplate two different contingencies; the first being the amount not being refunded in 60 days of filing of an application, under sub-section (1) of Section 54, and the second contingency being that the amount not being refunded within 60 days from the date of the application filed consequent to an order passed by the adjudicating Authority or the Appellate Authority or the Appellate Tribunal or Court and it having attained finality. However, the legislature was conscious of the two different situations, as it granted 9% interest in the proviso, when consequent to an order being passed by an Appellate Authority, a fresh application for refund has been made and the amount is not paid within 60 days. In any case, a conjoint reading of Section 56, the first part along with the proviso and specifically read with the explanation, make it evidently clear that the legislature intended to give the status of an order in original as passed under Sub-section (5) by the proper officer, to the order passed by the Appellate Forum and therefore, the interest which is liable to be paid shall be governed by clause (1) as well as by the proviso and if from the date of the original order, if amount was not refunded within 60 days from the date of the first application, it shall carry an interest of 6% and also if upon the order being passed by the Appellate forum if the refund is not disbursed within a period of 60 days, it shall carry an interest at the rate of 9%.

14. *This is how the Delhi High Court has also interpreted the aforesaid provision, when the question arose before it in respect of the interpretation and the applicability of Section 56 of the CGST Act and in no uncertain words, on the plain reading of Section 54 along with Section 56, somehow similar arguments advanced, came to be rejected. The relevant observation of the Division Bench of the Delhi High Court, interpreting the effect of the proviso to the said section, is to be found recorded in the following paragraphs.*

"30. Thus, the proviso to Section 56 of the CGST Act must not be read as replacing the main clause or diluting its import; it merely addresses a situation which is covered by the main clause.

31. *It is important to note that the rate of interest as specified in the main provision of Section 56 of the CGST Act and the proviso to Section 56 of the CGST Act is materially different. Whereas, the main provision of Section 56 of the CGST Act provides for an interest at the rate not exceeding 6% per annum, the proviso to Section 56 of the CGST Act stipulates interest at the rate not exceeding 9% per annum.*
32. *The learned counsel also informed this Court that the interest at the rate of 6% per annum and 9% per annum has been notified for the purposes of Section 56 of the CGST Act and the proviso to the said section, respectively. Thus, there are two separate rates of interest specified under Section 56 of the CGST Act. The interest at the rate of 6% is payable for the period commencing from a date immediately after expiry of sixty days from the date of an application under Section 54(1) of the CGST Act, however, this rate is enhanced for the period covered under the proviso to Section 56 of the CGST*

Act. The proviso to Section 56 of the CGST Act expressly provides that an interest at the rate of 9% per annum would be payable from the date immediately after the expiry of sixty days from the receipt of an application, which is filed as a consequent to an order passed by the Appellate Authority, Adjudicating Authority, Appellate Tribunal or a court that has attained finality. This clearly indicates that if a person's claim for refund is a subject matter of further proceedings, which finally culminate in orders upholding the applicant's entitlement, and yet the payment is not made within a period of sixty days from an application filed pursuant to such orders, the person is required to be compensated at a higher rate of interest, of 9% per annum. This higher rate of interest would run from the date immediately after the expiry of sixty days of the filing of such an application - that is, the application filed pursuant to the orders of the appellate fora and not the first application.

33. *It is clear from a plain reading of Section 56 of the CGST Act that whereas the main provision of Section 56 of the CGST Act refers to the rate of interest applicable on the amount of refund due, which remains unpaid even after sixty days from the date of application for refund; the proviso provides for an increased rate of interest for the period that commences from the date immediately after the expiry of sixty days from the date of application which is filed pursuant to the claim for refund attaining finality in appellate proceedings. Section 56 of the CGST Act, thus, works as follows. The applicant claiming a refund is entitled to interest at the rate of 6% per annum from a date immediately after the expiry of sixty days from making an application under Section 54(1) of the CGST Act. However, if a person's claim is denied (or if granted is not accepted by the Revenue) and the order of the Adjudicating Authority is carried in appeal to the Appellate Authority or to the Appellate Tribunal/ High Court, which finally upholds the claim, the applicant may have to file a second application to secure the refund. If such application for refund filed by the person consequent to succeeding before the Appellate Authority, Appellate Tribunal or court, is not processed within a period of sixty days of filing the application, the applicant would be entitled to a higher rate of 9% per annum commencing from the date immediately after the expiry of sixty days of his application filed pursuant to the appellate orders. However, this does not mean that the rate of 6% per annum is not payable for the period commencing from the date immediately after expiry of sixty days from his first application till sixty days after filing of his second application pursuant to the appellate orders. In 25 another words, the proviso merely enhances the interest payable to a person for the period commencing from the date immediately after sixty days from the date of his application filed pursuant to its entitlement to refund claim attaining finality."*

3. Punjab and Haryana High Court: SBI Cards & Payment Services Ltd. v. Union of India reported in (2023) 3 Centax 217 (P&H.)

1. In SBI Cards & Payment Services Ltd. v. Union of India, the Hon'ble Punjab and Haryana High Court considered a claim for interest on a refund that had been paid pursuant to judicial proceedings.
2. The Department had rejected the interest claim on the ground that the refund had been made within sixty days of the application filed following the Court's order. The High Court held that the objection was not sustainable and directed payment of interest with reference to the original refund application, applying Sections 54 and 56 and the principle laid down by the Supreme Court in Ranbaxy Laboratories.

3. The relevance of SBI Cards lies in its rejection of the very argument advanced by the respondent in the present appeals: that processing the consequential application within sixty days is sufficient to defeat the claim for interest for the earlier period. The judgment supports the conclusion that the original application remains relevant for calculating ordinary statutory interest.

4. Bombay High Court: Lupin Limited v. Union of India reported in 2025) 33 Centax 282 (Bom.)

1.The issue was considered directly under the GST legislation by the Hon'ble Bombay High Court in Lupin Limited v. Union of India, reported in 2025 (102) G.S.T.L. 151 (Bom.).

2. In that case, the refund claims had initially been sanctioned only in part. The appellate authority subsequently modified the original orders and allowed the remaining claims. The Department contended that the taxpayers were not entitled to interest for the period preceding the consequential refund applications because the refunds were processed within sixty days of those applications. The relevant portion of the judgment is extracted here under for ready reference:

"13. It is sought to be urged before us by Revenue, that a proviso operates only when an order is passed by an Appellate Tribunal or Appellate Authority and the interest shall run only from the date when an application is preferred for seeking refund and therefore according to Ms Desai after the appellate order was passed in favour of the petitioner, fresh application for refund was filed on 11.05.2023 and the interest would be payable from that date. We must reject the said argument as this is not the scheme of the statute and it is trite position in law that when a statute specify or regulate the payment of interest, it must necessarily abide by all the stipulations therein and here when Section 56 contemplate two different contingencies; the first being the amount not being refunded in 60 days of filing of an application, under sub-section (1) of Section 54, and the second contingency being that the amount not being refunded within 60 days from the date of the application filed consequent to an order passed by the adjudicating Authority or the Appellate Authority or the Appellate Tribunal or Court and it having attained finality. However, the legislature was conscious of the two different situations, as it granted 9% interest in the proviso, when consequent to an order being passed by an Appellate Authority, a fresh application for refund has been made and the amount is not paid within 60 days. In any case, a conjoint reading of Section 56, the first part along with the proviso and specifically read with the explanation, make it evidently clear that the legislature intended to give the status of an order in original as passed under Sub-section (5) by the proper officer, to the order passed by the Appellate Forum and therefore, the interest which is liable to be paid shall be governed by clause (1) as well as by the proviso and if from the date of the original order, if amount was not refunded within 60 days from the date of the first application, it shall carry an interest of 6% and also if upon the order being passed by the Appellate forum if the refund is not disbursed within a period of 60 days, it shall carry an interest at the rate of 9%."

3. The Hon'ble High Court rejected that interpretation. On a conjoint reading of Sections 54 and 56, it held that the sixty-day period under the main provision must be computed from receipt of the original application under Section 54(1). The fresh application filed after an appellate order is required for procedural convenience and for bringing the appellate relief into the refund system. It does not replace the original application for calculating ordinary interest.

4. The Court further distinguished the two statutory contingencies: ordinary interest at 6% under the main provision and enhanced interest at 9% under the proviso, where the consequential refund is not made within sixty days. The Court directed payment of the applicable interest in accordance with that interpretation.
5. The ratio of Lupin Limited is directly applicable to the present appeals. Here, too, the Department rejected the original refund claims, the First Appellate Authority set aside the rejection orders, and the refunds were subsequently sanctioned upon consequential applications. The respondent's contention that timely processing of those consequential applications extinguishes the earlier interest liability is contrary to the interpretation adopted by the Bombay High Court.

5. Telangana High Court: Qualcomm India Private Limited v. Deputy Commissioner (ST) reported in (2024) 17 Centax 482 (Telangana)

1. The Hon'ble High Court for the State of Telangana, in Qualcomm India Private Limited v. Deputy Commissioner (ST) and Others, considered the same issue of delayed refunds following the reversal of original rejection orders in appellate proceedings.
2. The Court held that the taxpayer's entitlement to interest could not be defeated merely because the proper officer had passed an incorrect order which was subsequently reversed in appeal. It explained that Section 56 provides for ordinary interest at 6% per annum from the expiry of sixty days after the first application under Section 54(1), provided the application is accompanied by the prescribed documents under Section 54(4) read with Rule 89.
3. The Court further held that, if the consequential application filed after the taxpayer succeeds in appeal is not processed within sixty days, the enhanced rate of 9% may apply under the proviso. The availability of that enhanced rate does not mean that ordinary interest is unavailable for the earlier period.
4. This judgment reinforces the conclusion that the Department's liability to pay statutory interest cannot be determined solely by reference to the date of the consequential application. The original application remains material for the calculation under the main provision of Section 56.

6. Bombay High Court: Altisource Business Solutions India Pvt. Ltd. v. Union of India

1. The position was reaffirmed by the Hon'ble Bombay High Court in Altisource Business Solutions India Pvt. Ltd. v. Union of India, Writ Petition No. 5312 of 2024 and connected petitions, decided on 30 September 2025.
2. In that case, the taxpayer's original refund application was rejected in September 2020. The appellate authority allowed the appeal in October 2023, following which a consequential refund application was filed in November 2023. The refund was sanctioned and paid within sixty days of the consequential application, but interest for the earlier period was denied.
3. The High Court, following Lupin Limited, rejected the Department’s contention and directed payment of interest at 6% per annum from the expiry of sixty days after the respective original refund applications. It also clarified that the higher rate under the proviso applies to the separate contingency contemplated by that provision.

4. The factual and legal similarity between Altisource and the present appeals is particularly significant. In both cases, the Department relied on payment within sixty days of the consequential applications to deny interest for the earlier period, notwithstanding that the original refund rejections had been set aside in appeal. The Bombay High Court held that such reasoning was unsustainable.

7. Consideration of the Department's reliance on Willowood Chemicals

1. We also have examined the contention of the learned Authorized representative that the entitlement to refund, as well as the consequential entitlement to interest, must necessarily be determined with reference to the statutory scheme enacted by the Legislature and the statutory scheme governing refunds must be strictly adhered to while determining the liability to pay interest on delayed refunds in the light of the judgment of the Hon'ble Supreme Court in Willowood Chemicals case. The submission, in substance, is that the grant of interest if any from the date of original application amounts to granting a relief which is not contemplated by the applicable provisions of the Act and virtually travelling beyond the statutory framework.
2. Having considered the submission, we are of the view that that judgment does not directly govern the precise controversy arising for consideration in the present appeal. In Willowood Chemicals, the controversy before the Hon'ble Supreme Court was essentially confined to the rate of interest payable on delayed refunds under Section 56 of the CGST Act, 2017, particularly the applicability of the main provision prescribing interest at a rate not exceeding six per cent, as against the proviso providing for interest at a rate not exceeding nine per cent in the circumstances specified therein. The Hon'ble Supreme Court concluded that the case before it were governed by the main provision and not by the proviso.
3. The question arising in the present appeal, however, is materially different. It concerns the point of commencement of the period for computation of interest, namely, whether interest is payable with reference to the date of the original application for refund or only from the date of the subsequent application filed pursuant to the order of the appellate authority allowing the refund claim.
4. It is pertinent to observe that the question as to the rate of interest payable and the question as to the date from which the period of delay is to be reckoned are distinct legal issues. A determination of the former does not, by itself, resolve the latter. The judgment in Willowood Chemicals cannot, therefore, be treated as having conclusively decided the controversy presently before us, since the specific question now arising was not the issue adjudicated by the Hon'ble Supreme Court in that case.
5. We are conscious of the principle affirmed in the aforesaid judgment that the grant of interest on delayed refunds must be governed by the applicable statutory provisions. Nevertheless, the applicability of that principle to the present case requires an independent examination of the relevant provisions of Section 54 and Section 56 of the CGST Act, 2017, the nature and effect of the original refund application, the terms of the order passed by the appellate authority, and the legal necessity, if any, for filing a subsequent application to obtain the refund sanctioned in appeal.
6. Accordingly, while the decision in Willowood Chemicals may be relied upon for the general proposition that statutory provisions govern the entitlement to interest on delayed refunds, it does not furnish a direct answer to the question whether the period for computation of such interest must commence from the original refund application or from the subsequent application filed after the

appellate order. That question must be determined independently on the language of the applicable statutory provisions and the relevant judicial precedents bearing directly upon the issue.

VII. APPLICATION OF THE PRECEDENTS TO THE PRESENT CASE

1. The above judgments, read together, establish a consistent approach to the statutory scheme governing delayed refunds:

(a) Ranbaxy Laboratories establishes that statutory interest is linked to the date of the refund application rather than the date on which the refund order is ultimately made.

(b) Lupin Limited applies the principle directly to Sections 54 and 56 of the CGST Act and holds that the consequential application does not replace the original application for calculating ordinary interest.

(c) Bansal International v. Commissioner of DGST and Another held that the petitioner's entitlement to interest cannot be defeated merely because the proper officer passed an incorrect order which was subsequently rectified in appellate proceedings.

(d) Qualcomm India Private Limited confirms that the taxpayer's interest entitlement is not defeated merely because the original rejection is subsequently reversed in appeal.

(e) SBI Cards & Payment Services rejects the argument that payment within sixty days of a consequential application extinguishes the entitlement to interest for the earlier period.

(f) Altisource Business Solutions India reaffirms the same position in circumstances closely comparable to those before this Tribunal.

(g) Willowood Chemicals requires the rate of interest to be determined strictly in accordance with Section 56, distinguishing the ordinary rate under the main provision from the enhanced rate under the proviso.

2. Rule 93 governs re-credit of the amount debited from the electronic credit ledger in the circumstances specified therein, including rejection of a refund claim, through the prescribed procedure.
3. Rule 93 primarily concerns the treatment of the amount debited from the electronic credit ledger. It does not prescribe an independent commencement date for interest on delayed refunds. That question is governed by Section 56, read with the applicable rules.
4. Consequently, Rule 93 cannot be interpreted as postponing the commencement of interest until the date of a consequential application where the original refund claim has ultimately been allowed in appellate proceedings.
5. The Explanation to Rule 93 of the CGST Rules, 2017. Rule 93 deals with the re-credit of an amount debited from the electronic credit ledger in respect of a rejected refund claim. The Explanation provides that, for the purposes of that rule, a refund shall be deemed to be rejected if the appeal is finally rejected or if the claimant gives an undertaking in writing to the proper officer that no appeal will be filed.
6. The important implication is that the original rejection is not treated as final for the purposes of Rule 93 merely because the original authority has rejected the claim, while the appeal against that rejection

remains pending. Where an appeal is pursued, the rule links the deemed rejection to the final outcome of the appeal.

7. This supports the appellant's argument that the original refund claim continues to have legal significance during the appellate process. The subsequent application filed after the favourable appellate order is a procedural step for obtaining the refund allowed on appeal; it does not necessarily replace the original application for every purpose under Section 56.
8. We are conscious that Rule 93 principally governs re-credit of the electronic credit ledger and does not expressly prescribe the date from which interest under Section 56 becomes payable. Accordingly, the Explanation cannot, by itself, be treated as conclusively determining the commencement of interest. Its relevance lies in demonstrating that the original refund claim retains legal significance during the appellate process and that the filing of a consequential application does not, merely by reason of its subsequent date, extinguish the earlier claim.
9. When Rule 93 is read harmoniously with Sections 54 and 56, the statutory scheme supports the conclusion that the date of the consequential application cannot automatically replace the date of the original application for every purpose. The precise commencement of interest must nevertheless be determined under Section 56, taking into account the completeness of the original application and the applicable statutory conditions.
10. The Explanation to Rule 93, read with CBIC Circular No. 111/30/2019-GST dated 3rd October 2019, further supports the conclusion that the original refund claim retains legal significance during the appellate process. While the consequential application is required to facilitate implementation of the favourable appellate order, it does not, merely by being filed later, extinguish the accrued entitlement to interest under Section 56. The Circular clarifies that, where an appeal is filed against rejection of a refund claim, the amount debited from the electronic credit ledger is not re-credited until the appeal is finally rejected. It further provides that, upon receipt of a favourable appellate order, the taxpayer must file a fresh application under the category “Refund on account of assessment/provisional assessment/appeal/any other order” to obtain the refund allowed by that order. Since the amount debited against the original claim has not been re-credited, a second debit is not required when filing the consequential application.
11. In the present case, the original refund applications were rejected, but those rejection orders were set aside by the First Appellate Authority. The refunds were thereafter sanctioned and disbursed. The Department’s contention that interest is not payable because the principal refunds were sanctioned within sixty days of the consequential applications cannot be accepted as a complete answer to the claim.
12. We accordingly hold that the appellant is entitled to ordinary statutory interest at the notified rate of 6% per annum on the qualifying refund amounts, commencing immediately after expiry of sixty days from receipt of the respective original refund applications and continuing until actual disbursement, subject to verification of the completeness of the applications and the other statutory conditions.

VIII. CONSIDERATION AND FINDINGS

Question No.1

Whether an appellant whose original refund claim was rejected but subsequently allowed by the First Appellate Authority is entitled to interest under Section 56 of the CGST Act from the expiry of sixty days after receipt of the original refund application, notwithstanding that the principal refund was sanctioned within sixty days of the consequential application?

Answer: In the affirmative, subject to the original application being complete in all respects and the other statutory conditions being satisfied. The conclusion follows from Sections 54 and 56, the Explanation to Section 56, and the interpretation adopted in Lupin Limited, Qualcomm India Private Limited, SBI Cards & Payment Services, Bansal International and Altisource Business Solutions India. The principle in Ranbaxy Laboratories reinforces the linkage between statutory interest and the original refund application, while Willowood Chemicals requires the applicable rate to be determined strictly in accordance with the statutory provisions.

Question No. 2

Whether the filing of a consequential refund application pursuant to an appellate order constitutes a fresh starting point for the entire interest calculation, or whether such application is primarily intended to facilitate implementation of the appellate order and disbursement of the refund already claimed?

Answer: Negative. It facilitates implementation of the appellate order and does not, by itself, extinguish the interest entitlement under the main provision.

Question No. 3

Whether the Department's sanction and payment of the refund within sixty days from the consequential application disentitle the appellant from receiving interest under the main provision of Section 56 for the period commencing after the expiry of sixty days from the original refund application?

Answer: Negative. Timely payment does not extinguish ordinary interest accrued under the main provision.

Question No. 4

Whether the proviso to Section 56 provides an independent enhanced rate of interest for the qualifying period following the consequential application, extinguishes the entitlement to interest under the main provision for the earlier period?

Answer: Negative. The proviso to Section 56 does not extinguish the earlier entitlement to interest at 6%. It provides for an enhanced rate of 9% for the qualifying subsequent period. Where the consequential refund is granted within sixty days, the enhanced rate may not become payable, but that circumstance does not, by itself, extinguish the earlier entitlement under the main provision. Consequently, the appellant's claim, if otherwise established, is limited to ordinary interest at the notified rate for the period of qualifying delay under the main provision of Section 56.

IX. FINAL ORDER

1. For the reasons stated above, the appeals are allowed. The impugned orders, insofar as they reject the appellant's claim for interest on delayed refunds solely on the ground that the principal refunds were sanctioned within sixty days from the consequential applications filed pursuant to the appellate orders, are set aside.
2. It is held that the appellant is entitled to statutory interest under Section 56 of the CGST/APGST Acts, 2017, at the notified rate of 6% per annum on the qualifying refund amounts, reckoned from the day immediately following the expiry of sixty days from receipt of the respective original refund applications, subject to verification of their completeness under Section 54 read with Rule 89 and the other applicable statutory conditions.
3. The proper officer shall calculate the interest separately for each of the eight refund claims, taking into account:

(a) the date of receipt of the original refund application;

(b) whether the original application was complete in all respects and accompanied by the prescribed documents;

(c) the amount of refund ultimately sanctioned and actually disbursed;

(d) the date immediately following the expiry of sixty days from receipt of the original application;

(e) the date of actual disbursement of the principal refund; and

(f) the applicable notified rate of interest and any period lawfully excluded under the relevant statutory provisions.

4. The consequential exercise shall be completed within eight weeks from the date of receipt of this order, and the interest found payable shall be disbursed to the appellant in accordance with law.

Bhaskara Reddy Vemireddy

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(Bhaskar Reddy Vemireddy)

SATISH KUMAR AGRAWAL

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(SH SATISH AGRAWAL)