GSTAT

State Bench Agra

Division Bench Court No. Court I

APL/177/AGR/2026

M/S OM TEXTILES MILLS **.....Appellant**

Versus

COMMISSIONER OF STATE TAX, COMMISSSIONER OF STATE TAX, LUCKNOW & ORS. **.....Respondent**

Quorum

Hon'ble Ajeet Singh, Member(Judicial)
Hon'ble Vivek Kumar, Member (Technical)

Counsel for Appellant
MURLI MANOHAR AGRAWAL

Counsel for Respondent
MUKESH KUMAR, D.C./ SR

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. : ZA090401026000215H **Date of order :** 30/10/2026

1.	GSTIN/Temporary ID/UIN - 09AABFO6939K1ZQ	
2.	Appeal Case Reference no. - APL/177/AGR/2026	Date - 26/03/2026
3.	Name of the appellant - M/S OM TEXTILES MILLS , OMTEXTILEMILLS@GMAIL.COM , 9412278403	
4.	Name of the respondant - 1. Shri Prakash Yadav Joint Commissioner(IT) State Tax Headquarters Lucknow , ctithqlu-up@nic.in , 7235002314 2. COMMISSIONER OF STATE TAX	
5.	Order appealed against - AD0912241384717	
	(5.1) Order Type - Refund Order	
	(5.2) Ref Number - ZD0907252702190	Date - 28/07/2025

6.	Personal Hearing - 30/10/2026 06/10/2026 19/08/2026 12/08/2026 04/08/2026 29/07/2026 23/07/2026 20/05/2026
7.	Status of Order under Appeal - Reject - Order under Appeal is annulled
8.	Order in brief - The present second appeal is allowed. The impugned order dated 07.08.2025 passed by the First Appellate Authority is hereby set aside.
Summary of Order	
9.	If demand order then whether demand quantified: No

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	0	AGRA BENCH

Place :AGRA

Date : 30.10.2026

Signature

AGRA Sandeep Yadav

Designation : Stenographer/Law researcher

Jurisdiction :Agra

ORDER

Per. Vivek Kumar (Technical Member)

Om Textiles Mills

Vs

Commissioner State Tax (U.P)

APL/177/AGR/2026

(Passed on 30th day of October, 2026)

1. The present second appeal has been preferred by M/s Om Textiles Mills against the order dated 23.07.2025 passed by the learned First Appellate Authority in Appeal No-AD0912241384717/Date 29-12-2024, whereby the appellant's claim for interest on the refund of tax was rejected. For brevity here-in-after in the order appellant and respondent will be addressed as taxpayer and revenue, respectively.
2. The brief facts of the case are that the adjudicating authority, vide order dated 05.07.2024 passed under Section 73 of the Central Goods and Services Tax/ State Goods and Services Tax Act, 2017, hereinafter referred to as "the Act", raised an additional tax demand of Rs. 1,18,26,516/- against the appellant. The aforesaid amount was deposited by the appellant through the Electronic Credit Ledger.
3. Aggrieved by the order of the adjudicating authority, the appellant preferred an appeal before the Additional Commissioner, Grade-II (Appeals). The First Appellate Authority, vide order dated 03.10.2024, allowed the appeal and set aside the additional tax demand of Rs. 1,18,26,516/-.
4. Consequent upon the aforesaid appellate order, the appellant submitted an online application for refund on 19.12.2024. The adjudicating authority sanctioned the refund/re-credit of Rs. 1,18,26,516/- vide order dated 27.02.2025. However, no interest was granted on the amount so refunded/re-credited.
5. The taxpayer, being aggrieved by the denial of interest, preferred an appeal before the First Appellate Authority. The said appeal was dismissed vide the impugned order dated 23.07.2025. Hence, the present second appeal has been preferred before this Tribunal.
6. Shri M.M. Agrawal, learned charted accountant/ authorised representative appearing on behalf of the appellant, reiterated the grounds of appeal and submitted that the impugned order is erroneous, unjustified and based upon an incorrect interpretation and application of the statutory provisions.
7. Learned representative submitted that the additional tax demand of Rs. 1,18,26,516/- had been deposited by the appellant through the Electronic Credit Ledger and that the entire demand was subsequently set aside by the First Appellate Authority. Consequently, the amount deposited by the appellant became refundable.
8. It was contended that the statutory requirement of depositing a specified percentage of the disputed tax as pre-deposit for filing an appeal cannot be interpreted to mean that an appellant who deposits the entire disputed tax demand loses the right to claim interest on a refund subsequently found due under the law.

9. Learned representative submitted that the statutory pre-deposit is a condition for availing the appellate remedy and is intended, inter alia, to secure the statutory stay against recovery of the balance disputed demand during the pendency of the appeal. It does not relieve a taxpayer of the statutory liability to pay the tax and applicable interest where the demand is ultimately upheld. Conversely, where the demand is set aside and the amount deposited becomes refundable, the mere fact that the taxpayer had deposited the entire demand cannot operate as a legal bar to a claim for interest under the applicable provisions.
10. It was further contended that no distinction could be drawn merely on the ground that the disputed tax had been deposited through the Electronic Credit Ledger rather than the Electronic Cash Ledger. According to learned authorised representative, the amount had been debited from the appellant's available input tax credit and remained unavailable for utilisation by the appellant until it was restored through the refund/re-credit process.
11. Learned authorised representative accordingly prayed that the impugned order be set aside and the respondent be directed to grant interest in accordance with the applicable provisions of the Act.
12. Shri Mukesh Kumar, learned authorised representative appearing on behalf of the Department, supported the impugned order and reiterated the findings recorded by the First Appellate Authority.
13. It was submitted that the appellant was required to deposit only the prescribed statutory pre-deposit for filing the appeal but had deposited the entire disputed tax demand. It was further contended that the refund/re-credit had been granted through FORM GST PMT-03 and that no liability to pay interest arose on the amount so re-credited.
14. Learned authorised representative accordingly prayed that the present second appeal be dismissed.
15. Having heard the rival submissions and examined the material available on record, the following questions arise for determination:

(i) Whether the appellant is entitled to interest under Section 56 of the Act where the refund, being otherwise admissible, is not granted within the prescribed period of sixty days.

(ii) Whether the appellant's claim for interest can be rejected merely because the amount was originally deposited through the Electronic Credit Ledger and subsequently restored through FORM GST PMT-03.

(iii) Whether an appellant who deposits the entire disputed tax demand, instead of merely depositing the statutory pre-deposit, is thereby disentitled from claiming interest when the demand is subsequently set aside and the amount becomes refundable.

Discussion and findings

16. Before starting discussion and determining the points in dispute it is better to revisit statutory provisions regarding refund and interest payable thereon
17. **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 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).

18. In the case in hand the first appellate authority has mentioned in his order that appellant filed application No. AA091024049632D on 9.10.2024 in GST RFD-01 seeking refund/recredit while recredit of the said amount through GST PMT03 was sanctioned through an order dated 17-12-2024. As per the appellate order adjudicating authority in his report has admitted that some delay occurred due to excessive workload in the office. Department has nowhere controverted this fact and hence we are of the opinion that due to delay in sanctioning refund provisions of section 56 are applicable.
19. The next question is whether the appellant's claim can be rejected merely because the amount was deposited through the Electronic Credit Ledger rather than the Electronic Cash Ledger.
20. The Act recognises electronic ledgers as statutory mechanisms for recording and discharging tax liabilities, subject to the conditions prescribed in the Act and the rules. Section 49 deals with payment of tax, interest, penalty, fees and other amounts through the prescribed electronic ledgers. The use of a particular ledger must, therefore, be examined in the context of the nature of the liability and the statutory provisions governing the relevant payment.
21. In the present case, the amount of Rs. 1,18,26,516/- was debited from the appellant's Electronic Credit Ledger against the disputed demand raised under Section 73. The demand was subsequently set aside, and the amount was restored to the appellant through the refund/re-credit process.
22. In our considered opinion, the mode of payment, by itself, cannot be treated as a conclusive ground for denying interest where the amount was lawfully applied towards the disputed tax demand, the demand was subsequently set aside and the amount became refundable under the Act.
23. The appellant's input tax credit represents an amount available for utilisation in accordance with the statutory scheme. When such credit is debited towards a tax demand and the underlying demand is subsequently set aside, the consequential restoration of the amount must be examined in accordance with the applicable provisions governing refund and re-credit.
24. As in case of payment through cash ledger tax payer is not able to utilise that cash amount till refund is granted and credited to his account, similarly in case of payment through credit ledger the input tax credit debited for payment can not be used for any dues till the refund is sanctioned and credited to the credit ledger. So, in both the cases taxpayer is deprived to use the cash or credit used for payment of tax which ultimately was set aside. Department has failed to highlight any such provision which gives

the right to deny interest on delayed sanction of refund if the demand created was paid through credit ledger.

25. It is pertinent to mention here that regardless of whether the created demand is paid through cash ledger or the credit ledger, the amount is received by the concerned government, and the taxpayer is deprived of its use.
26. We, therefore, hold that the appellant's claim for interest cannot be rejected merely on the ground that the disputed tax was originally deposited through the Electronic Credit
27. Now we come to the point that if a tax payer deposits entire tax and interest- rather than just the minimum mandatory pre deposit for the purpose of filing appeal. Does it forfeit his entitlement to get interest that would otherwise be payable on a delayed refund.
28. Section 107(6) of the Act prescribes the statutory pre-deposit required for filing an appeal before the First Appellate Authority. In the case of an appeal involving a disputed tax demand, the provision requires payment of the prescribed percentage of the disputed tax, subject to the applicable statutory ceiling and other conditions.
29. Section 107(7) provides that, upon compliance with the conditions specified in Section 107(6), recovery of the balance amount of tax in dispute shall be deemed to be stayed till disposal of the appeal.
30. A conjoint reading of these provisions makes it clear that the statutory pre-deposit and the stay of recovery of the balance disputed demand are separate but connected aspects of the appellate mechanism. The prescribed pre-deposit is the amount required to satisfy the statutory condition for filing the appeal, while the statutory consequence of such deposit is that recovery of the remaining disputed amount stands stayed during the pendency of the appeal.
31. The statutory provision does not prohibit an appellant from depositing the entire disputed tax demand. Nor does it provide that, where the appellant deposits an amount exceeding the prescribed pre-deposit, such excess deposit shall be treated as a voluntary relinquishment of any right to refund or interest that may otherwise arise under the Act.
32. The distinction becomes particularly significant when the legal consequences of an appellate decision are considered. If the demand is confirmed, the amount payable must be determined in accordance with the order and the applicable provisions concerning tax, interest and penalty. Where the amount has not been paid within the prescribed period, interest may continue to accrue in accordance with Section 50, as applicable.
33. Therefore, a taxpayer may reasonably choose to deposit the entire disputed demand rather than confine the deposit to the statutory pre-deposit, particularly where the taxpayer seeks to avoid further consequences arising from the continued non-payment of an amount that may ultimately be held payable. Such payment, when lawfully made, cannot be treated as a waiver of the right to seek refund and interest if the demand is subsequently set aside.
34. In our considered opinion, the statutory pre-deposit is not a ceiling on the amount that an appellant may deposit. It is the prescribed minimum payment required for invoking the appellate remedy and obtaining the statutory protection contemplated under Section 107(7). It cannot be interpreted as conferring an advantage upon an appellant who deposits only the prescribed pre-deposit while depriving another appellant of the right to claim statutory interest merely because the latter deposits the entire disputed demand.

35. Consequently, the finding of the First Appellate Authority that the appellant is not entitled to interest merely because it deposited the entire disputed tax instead of only the prescribed pre-deposit is legally unsustainable.
36. We accordingly hold that depositing the entire disputed tax demand does not, by itself, extinguish the appellant's entitlement to interest on the amount subsequently found refundable**.** The entitlement must be determined in accordance with the applicable statutory provisions governing refund and interest.

Order

37. In view of the foregoing discussion, the present second appeal is **allowed**. The impugned order dated 07.08.2025 passed by the First Appellate Authority is hereby set aside.
38. It is held that the appellant does not lose its entitlement to claim statutory interest merely because it deposited the entire disputed tax demand instead of only the prescribed pre-deposit. It is further held that the appellant's claim cannot be rejected merely because the disputed amount was deposited through the Electronic Credit Ledger and subsequently restored through FORM GST PMT-03.
39. Appellant is directed to present the copy of this order along with the calculation of interest payable before the proper officer and the proper officer shall examine the calculation within three weeks from the date of application and will disburse interest payable accordingly to the bank account provided by the taxpayer.
40. Present Appeal filed by the taxpayer is disposed of accordingly. No order as to cost.
41. No interim application is pending in the appeal.
42. Order Pronounced in the open court on this 30th day of October 2026.
43. Order be communicated to all concerned, as per rules.

(Ajeet Singh)

(Vivek Kumar)

Dated: 30.10.2026