CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHANDIGARH

REGIONAL BENCH - COURT NO. I

Customs Appeal No. 60490 of 2025

[Arising out of Order-in-Appeal No. LUD-EXCUS-001-APP-52-2025 dated 18.02.2025 passed by the Commissioner of CGST (Appeals), Ludhiana]

M/s Hindustan Distributors **......Appellant**
SCO 136, Top Floor
Sector 24-D, Chandigarh 160023

VERSUS

Commissioner of Customs, Ludhiana **......Respondent**
Customs, House, ICD-GRFL Complex
G.T. Road, Sahnewal
Ludhiana

WITH

Customs Appeal No. 60519 of 2025

[Arising out of Order-in-Appeal No. LUD-EXCUS-001-APP-149-2025 dated 26.05.2025 passed by the Commissioner of Customs (Appeals), Ludhiana]

M/s Hindustan Distributors **......Appellant**
SCO 136, Top Floor
Sector 24-D, Chandigarh 160023

VERSUS

Commissioner of Customs, Ludhiana **......Respondent**
Customs, House, ICD-GRFL Complex
G.T. Road, Sahnewal
Ludhiana

APPEARANCE:

Shri Aman Garg and Shri Aryan Bindal, Advocates for the Appellant

Shri Naman Jain(Special Counsel) with Ms. Keerti Sandhu, Authorized Representatives for the Respondent

CORAM: HON'BLE MR. S. S. GARG, MEMBER (JUDICIAL)

FINAL ORDER NO. 60550-60551/2026

DATE OF HEARING: 24.07.2026
DATE OF DECISION:21.08.2026

These two appeals are directed against the two different impugned orders passed by the Commissioner (Appeals), CGST, Ludhiana, whereby the learned Commissioner (Appeals) has upheld the Order-in-Original and rejected the appeal of the appellant. As the issue involved in both the appeals is regarding the grant of interest on redemption fine deposited by the appellant. The details of both the appeals are given here in below:

Appeal No.	Order-In-Original dated	Refund
C/60490/2025	30.01.2024	Rs. 18,00,000/-
C/60519/2025	16.10.2024	Rs. 27,00,000/-

Since the issue involved in both the appeals are identical, therefore for the sake of convenience, I take the facts of the appeal No. C/60490/2025 as a lead case.

2. Briefly stated, the facts of the case are that the appellant is a proprietorship firm engaged in importing iron and steel products,

which fell under the 'freely importable' category. The Director General of Foreign Trade (DGFT), vide Notification No. 38/2015-2020 dated 05.02.2016, suddenly imposed a Minimum Import Price (MIP) restriction. The appellant filed Bill of Entries bearing Nos. 4386116, 4386114, and 4386117 on 26.02.2016. On the same day, a query was raised under the EDI system. The appellant replied on 01.03.2016, submitting that the restrictive Notification should not apply to their case. Aggrieved by the initial adjudication, the appellant filed an appeal before the Commissioner (Appeals), who vide Order-in-Appeal dated 27.07.2023, set aside the confiscation and redemption fine of Rs. 18 lakh, but upheld the penalty. Consequently, the appellant filed a refund claim for the Rs. 18 lakh on 23.08.2023. The respondent, vide Order-in-Original dated 30.01.2024, sanctioned the refund of Rs. 18 lakh but rejected the claim for interest under Section 27A of the Customs Act, holding that interest is not payable as the matter was sub-judice before the Commissioner (Appeals) and the refund was sanctioned within three months from the date of the application.. Aggrieved by the said order, the appellant filed the appeal before the Commissioner (Appeals) and the Commissioner (Appeals) dismissed the same. Hence, the present appeal.

3. Heard both the parties and perused the material on record.

4. The learned Counsel for the appellant submits that the impugned order is not sustainable in law and is liable to be set aside as the same has been passed without properly appreciating the facts,

the law, and binding judicial precedents. He further submits that in the present case, the department took the view that the goods were liable to be confiscated and therefore imposed a redemption fine under Section 125 of the Customs Act, 1962 along with a penalty, and the appellant got the goods redeemed on payment of such amounts. Thereafter, they contested the confiscation, and the redemption fine was set aside by the learned Commissioner (Appeals) in respect of the three bills of entry, and subsequently, the penalty was also set aside by the CESTAT. He further submits that after the decision of the CESTAT, neither the confiscation was sustainable nor any fine was payable, and whatever amount was paid was never legally due.

4.1 The Department has retained the said amount for such a long period of time which was never payable, and therefore, the appellant is entitled to interest for such retention period. He further submits that the respondent has wrongfully invoked the provisions of Section 27 and Section 27A of the Customs Act, 1962, which are applicable only in the case of refund of duty or interest. Whereas, the present case relates to the refund of a redemption fine which was never legally payable, and therefore, the denial of interest by relying on Section 27A is wholly unsustainable in law. He further submits that the interest compensatory in nature and the Department is liable to pay interest for the period during which the Department has enjoyed the money of the appellant. In support of his submissions, he relied upon the following decisions:

- ***Commissioner of C.Ex. Chennai-II Vs. Ucal Fuel System Ltd. – 2014 (306) ELT 26 (Mad)***
- ***M/s Parle Agro Pvt. Ltd. vs. Commissioner of CGST, Noida – 2022 (380) ELT 219 (Tri.-All).***

5. On the other hand, the learned Special Counsel appearing on behalf of the respondent has vehemently argued and defended the impugned order on the ground that the Department has complied with the requirements of Section 27A of the Customs Act, 1962. He submitted that the amount was refunded within the stipulated period without interest because the appellant was not entitled to interest on the redemption fine. He further submitted that there is no provision in the Customs Act for the grant of interest except under Section 27A of the Act, according to which interest becomes payable only if the refund is not granted within a period of three months from the date of receipt of the refund application. In support of his submissions, he relied upon the following decisions:

- ***M/s HLG Trading Vs. Principal Commissioner of Customs, Chennai -2026 (38) Centax 158 (Mad).***
- ***M/s Ajay Industrial Corporation Ltd. Vs. Deputy Commissioner of Customs, CRC-I, JNCH, Nhava Sheva, Raigad (2024) Centax 396 (Bom.)***
- ***M/s Union of India Vs. Orient Enterprises 1998 (99) ELT 193 (S.C.)***
- ***Commissioner of Customs (Preventive) Vs. Daleep Kumar Verma (2024) 24 Centax 397 (Meghalaya).***

- ***India Carbon Ltd. vs. State of Assam (SC) 1997 AIR Supreme Court 3054 1997 (6) SCC 479.***

6. I have considered the submissions of both parties and perused the material on record. The sole issue involved in both appeals relates to the non-sanction of interest on the refund amount, which was denied primarily on the ground that there is no specific provision for the grant of interest on the refund of a redemption fine under Section 27A of the Customs Act, 1962. Further, I find that the learned Commissioner (Appeals) has denied the interest on the ground that the appellant failed to mention the specific statutory provision under which they are entitled to interest on the refund of a redemption fine. This issue has been considered by various Benches of this Tribunal. Notably, the Division Bench of CESTAT, Allahabad, in the case of *M/s Parle Agro Pvt. Ltd.*, dealt with an identical issue under the Central Excise Act, 1944. The provisions of Section 11B of the Central Excise Act and Section 27A of the Customs Act, 1962, are *pari materia*. The Division Bench of the Tribunal, after examining in detail the submissions of both sides and relying upon the decisions of the Hon'ble Apex Court in the case of *M/s Sandvik Asia Ltd. Vs. Commissioner of Income Tax-I, Pune* – 2007 (8) S.T.R. 193 (S.C.) and *M/s Riba Textiles Pvt. Ltd., Village Chidana Vs. Commissioner of Central Excise and ST, Panchkula* – 2020-TIOL-932-CESTAT-CHD, has observed as under:

> *30. In the present case, the provisions of Section 11B of the Excise Act would not be applicable. This is for the reason that the*

appellant was not claiming refund of duty. The applicant, as noticed above, had claimed refund of the revenue deposit. Such a finding has also been clearly recorded by the Tribunal in the order dated 31-1-2017, which order has attained finality.

31. Section 11D of the Excise Aet deals with duties of excise collected from the buyer to be deposited with Central Government. It provides that every person who is liable to pay duty and has collected any amount in excess of the duty assessed from the buyer of such goods In any manner as representing duty of excise, shall forthwith pay the amount so collected to the credit of the Central Government.

32. Section 11DD of the Excise Act deals with interest on the amount collected in excess of the duty. It provides that where an amount has been collected in excess of the duty from the buyer of such goods, the person who is liable to pay such amount shall, in addition to the amount, be liable to pay Interest at such rate not below ten per cent., and not exceeding thirty-six per cent per annum, as is for the time being fixed by the Central Government, by notification in the Official Gazette.

33. There is no provision in the Excise Act, which deals with refund of revenue deposit and so rate of interest has not been prescribed, when revenue deposit is required to be refunded.

34. to be able to have some guidance regarding the rate of interest in case revenue deposit has to be *refunded, the aid of the interest provisions under Section 11AA (which deals with interest on delayed payment of duty), Section 11BB (which deals with interest on delayed refunds under Section 11B(2) and Section 11DD (which deals with interest on the amount collected in excess of the duty) can be taken.*

Further, the Tribunal has also held as under:

39. In this connection reference can also made to the decision of the Allahabad High Court in Pace Marketing Specialties and Ebiz. Com Private Limited, wherein after making reference to the decision of the Supreme Court in Sandvik Asia Lid., the High Court granted Interest at the rate of 12% per annum in matters relating to refund of amount deposited during investigation and adjudication.

40. In Riba Textiles, the Tribunal also granted interest at the rate of 12% on refund of amount deposited during investigation and ar the time of entertaining the stay application.

41. In view for the aforesald decisions, and the fact that the rate of interest varies from 6% to 18% in the aforesaid Notifications issued under Sections 11AA, 11BB, 11DD and 11AB of the Excise Act, the grant of interest @ 12% per annum seems to be appropriate.

42. Thus, for the reason stated above, Excise Appeal No. 70628 of 2019 is allowed and the order dated 28-5-2019, passed by the Commissioner (Appeals) is modified to the extent that interest shall be granted to the appellant @ 12% instead of

> *@6% from the date of deposit till the date of payment. Excise Appeal No. 70674 of 2019 filed by the Principal Commissioner for setting aside the order dated 28-5-2019, passed by the Commissioner (Appeals) is dismissed.*

This decision of the Tribunal has been upheld by the Allahabad High Court reported in 2025 (37) Centax 217.

7. Further, I find that the Allahabad High Court in the case of ***M/s Pace Marketing Specialties Vs. Commissioner of Central Excise – 2011 (274) E.L.T. 13 (All.)*** followed the decision of the Hon'ble Apex Court in the case of ***M/s Sandvik Asia Ltd***. (Cited Supra) and granted interest @ 12% per annum in matters relating to refund of amount deposited during investigation and **adjudication**.

8. Similarly, this Tribunal in the case of ***M/s Riba Textile*** (cited Supra) granted 12% interest on the amount deposited during investigation and at the time of entertaining the stay application. The Punjab and Haryana High Court upheld the tribunal's decision in *Commissioner of Central Excise, Panchkula Vs. M/s Riba Textiles Limited* (CEA No. 8 of 2022, decided on March 14, 2022), affirming entitlement to 12% annual interest on delayed refunds from the date of deposit until realization. This judgment serves as a binding precedent for granting 12% per annum interest on delayed refunds. Further, I find that the decision relied in the impugned order and by the Special counsel (Cited Supra) are not applicable to the facts and circumstances of the case because all those decisions pertains to grant of interest under Section 27A of the Customs Act 1962,

whereas the present appeals, it is the revenue deposit which the appellant was compelled to pay in order to redeem the goods. Since, the interest is compensatory in nature, therefore, the Department is liable to pay the interest on the said amount for the period, the amount remained deposited with the Department.

9. In view of the facts and circumstances and relying upon the judgment of Division Bench of the Tribunal in the case of ***M/s Parle Agro Pvt. Ltd.*** (cited Supra) upheld by the Allahabad High Court and **M/s Riba Textiles Ltd.** (Cited Supra), I set aside the impugned order and allowed the appeals of the appellant and hold that the appellant is entitled to interest @ 12% from the date of the revenue deposit till the actual payment.

Both the appeals are accordingly allowed.

(Order pronounced in the open court on 21.08.2026)

(S. S. GARG)
MEMBER (JUDICIAL)

Kailash