

Payment of interest on TDS refund amount [Civil Appeal No.6301 of 2011]

Central Board of Direct Taxes (CBDT) vide Circular No. 11 dated April 26, 2016, in view of the order of the Supreme Court in the matter of Tata Chemicals Limited [2014-11-0226-164-NJRS Citation], has provided that a resident deductor is entitled to the refund of the tax deposit under section 195 of the Income Tax Act 1961 along with the interest amount under section 24AA of the said Act payable from the date of payment of such tax.

In the said case, the Supreme Court has held that the refund payable by the department is a debt owed to the assessee. The Government cannot shrug of its apparent obligation to reimburse the deductors lawful monies with the accrued interest for the period of undue retention of such monies. The obligation to refund money received and retained without right implies and carries with it a right of interest.