IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD

THE HON'BLE THE ACTING CHIEF JUSTICE P. SAM KOSHY

AND

THE HON'BLE SRI JUSTICE NARSING RAO NANDIKONDA

WRIT PETITION No.25987 of 2025
(CNR No. HBHC010503372025)

Reserved on: 29.07.2026 ***Pronounced on : 05.11.2026***
Uploaded on: 05.11.2026

Between:

Mr.K.Mohanlal **...Petitioner**

AND

The Deputy Commissioner of Income Tax and others

...Respondents

ORDER: *(per the Hon'ble Sri Justice Narsing Rao Nandikonda)*

Heard ***Mr. A.V.A.Shiva Kartikeya***, learned counsel for the petitioner; and ***Ms.B.Sapna Reddy,*** learned Senior Standing counsel for Income Tax Department appearing for respondents. Perused the record.

2. This Writ Petition is filed to declare the inaction of the respondents in granting a refund of interest payable to the petitioner, in an amount of Rs.9,21,528/- as arbitrary, illegal

and violative of the principles of natural justice as well as the provisions of the Income Tax, 1961 and consequently direct the authorities to grant refund of Rs.9,21,528/- to the petitioner at the earliest.

3. The brief facts of the case are that the petitioner is an individual engaged in the business of exchanging cut and mutilated currency notes with effect from 01.04.2007. Earlier, petitioner worked as a part-time Club Boy in the Reserve Bank of India Sports and Recreation Club, Hyderabad and was also a member of the Welfare Association formed by persons engaged in the said business. During March 2011, the petitioner received old and mutilated currency notes worth Rs.14,00,000/- from M/s. Kethwani Brothers, Delhi, in three instalments, namely, Rs.3,00,000/- on 16.03.2011, Rs.5,50,000/- on 19.03.2011 and Rs.5,50,000/- on 21.03.2011, for exchange. After exchanging the notes, the petitioner arranged to return the amount to the said firm through M/s. Andhra Express Service Transport, Hyderabad, on 24.03.2011.

4. On 24.03.2011, the Assistant Commissioner of Prohibition and Excise Enforcement, Hyderabad, raided the premises of M/s. Andhra Express Service Transport and seized the aforesaid amount while it was being transported to Delhi. The seized cash was subsequently handed over to the Assistant Director of Income Tax, Investigation Unit-2(3), Hyderabad, who examined the petitioner on the same day under Section 131 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act'). On 25.03.2011, the Income Tax authorities conducted a search of the petitioner's residential premises between 12.30 a.m. and 01.30 a.m. No incriminating material was found during the search. However, the panchanama erroneously recorded that the aforesaid cash had been seized during the search of the petitioner's residence, whereas, in fact, the same had already been seized by the Prohibition and Excise authorities on 24.03.2011 from the premises of M/s. Andhra Express Service Transport.

5. In response to the query regarding the source of the seized amount, the petitioner submitted a detailed explanation vide letter dated 07.07.2011, enclosing copies of

the relevant cash book entries and confirmation letters issued by M/s. Kethwani Brothers, Delhi. The petitioner filed his return of income for the Assessment Year 2011-2012 on 03.11.2011, declaring a total income of Rs.1,14,000/-, comprising Rs.42,000/- from house property and Rs.72,000/- from business. During the assessment proceedings, the Assessing Officer again called upon the petitioner to furnish the relevant particulars, which were duly furnished. The Assessing Officer also examined the Managing Partner of M/s.Kethwani Brothers, Delhi, and the representative of M/s. Andhra Express Service Transport, Hyderabad. The former confirmed having sent the cut and mutilated currency notes to the petitioner for exchange, while the latter confirmed that the cash had been seized from the transport premises by the Prohibition and Excise authorities. However, without furnishing copies of their statements to the petitioner, the Assessing Officer completed the assessment under Section 143(3) of the Act, vide order dated 28.03.2013, treating the entire seized amount as the petitioner's income.

6. Aggrieved by the assessment order, the petitioner preferred an appeal before the Commissioner of Income Tax

(Appeals)-3, Hyderabad, which was dismissed vide order dated 17.05.2019.

7. Questioning the said order, the petitioner preferred a further appeal before the Income Tax Appellate Tribunal, Hyderabad, in I.T.A. No.1023/Hyd/2019.

8. During the pendency of the appeal, the Central Government introduced the Direct Tax Vivad se Vishwas Scheme, 2020, with the object of resolving pending tax disputes, reducing litigation and providing certainty to taxpayers. The scheme was enacted as the ***Direct Tax Vivad se Vishwas Act, 2020*** (hereinafter referred to as 'the ***DTVSV Act***'). The DTVSV Act provides for settlement of disputes relating to disputed tax, interest, penalty and fee under the provisions of the Income Tax Act, 1961. Section 2(1)(j) of the DTVSV Act defines 'disputed tax' and provides the manner in which the amount payable by an assessee is to be determined.

9. Learned counsel for the petitioner submits that Section 7 of the DTVSV Act provides that any amount paid pursuant to a declaration made under Section 4 shall not be

refundable. However, the Explanation thereto clarifies that where an assessee has, before filing such declaration, paid any amount towards tax arrears in excess of the amount payable under Section 3, the assessee shall be entitled to a refund of the excess amount, though without interest under Section 244A of the Act.

10. In order to put an end to the pending litigation and buy peace with the Revenue, the petitioner opted for the DTVSV Scheme and submitted Forms 1 and 2 on 10.06.2020, seeking adjustment of the tax liability against the seized amount of Rs.14,00,000/- and refund of the balance amount. Pursuant thereto, the Designated Authority issued Form 3 on 30.04.2021, determining the amount payable by the petitioner under the DTVSV Act at Rs.3,52,775/-. The petitioner accordingly withdrew the pending appeal before the Income Tax Appellate Tribunal on 25.08.2021 and subsequently submitted Form 4 on 16.10.2021.

11. Even prior to the issuance of Form 3, the petitioner had submitted a representation dated 24.06.2019 before the Assessing Officer, requesting adjustment of the outstanding

tax liability against the seized amount and refund of the balance, together with applicable interest. Subsequently, vide representations dated 29.01.2021 (submitted on 04.02.2021) and 26.02.2021 (submitted on 28.02.2021), the petitioner requested the concerned authorities to adjust the tax liability determined under the DTVSV Act against the seized amount and refund the balance of Rs.10,47,225/-.

12. Despite the issuance of Form 3 and the petitioner's subsequent withdrawal of the appeal and submission of Form-4, the authorities failed to process the refund. The petitioner therefore submitted a further representation dated 11.06.2021 before the 3rd respondent. Thereafter, the 3rd respondent, vide letter dated 17.12.2021, directed the 2nd respondent to examine the matter and pass appropriate orders. Pursuant thereto, the petitioner again requested the 2nd respondent on 06.01.2022 to issue the refund. However, vide communication dated 17.01.2022, the 1st respondent rejected the petitioner's request on the ground that Form 4 had not been filed and that the process under the DTVSV Act had not been completed. The said communication was issued

without verifying the records, as the petitioner had already submitted Form 4 on 16.10.2021.

13. The petitioner brought the aforesaid factual position to the notice of the 2nd respondent through a representation dated 10.02.2022, requesting issuance of Form 5 and consequential release of the balance refund. However, no action was taken, compelling the petitioner to approach this Court by filing W.P. No.14146 of 2022, seeking refund of Rs.10,47,225/- along with applicable interest. During the pendency of the said writ petition, the learned counsel appearing for the respondents informed this Court that the authorities had taken a decision on 12.03.2024 to grant a refund of Rs.11,51,560/-, comprising the principal amount of Rs.10,47,225/- and interest of Rs.1,04,335/-. Accordingly, this Court, vide order dated 14.03.2024, closed the writ petition, directing the respondents to release the aforesaid refund within thirty days. However, the petitioner's right to question the computation of interest was expressly reserved, with liberty to submit an appropriate representation before the respondents.

14. The petitioner submits that the respondents have erroneously calculated the interest payable at Rs.1,04,335/-, as against Rs.10,25,863/- allegedly payable under Section 244A of the Act. According to the petitioner, the total amount refundable, including interest, works out to Rs.20,73,088/-. After deducting the amount of Rs.11,51,560/- already refunded, the balance amount payable is Rs.9,21,528/-. In this regard, the petitioner submitted detailed representations dated 03.05.2024, 10.12.2024, 16.08.2025 and 18.08.2025, requesting the respondents to release the balance amount of Rs.9,21,528/-. However, the respondents have neither considered the said representations nor passed any orders thereon.

15. The petitioner contends that, having adjusted the tax liability determined under the DTVSV Act against the seized amount of Rs.14,00,000/- and refunded the balance principal amount, the respondents cannot arbitrarily deny the petitioner's claim for the balance interest allegedly payable under Section 244A of the Act. The action of the respondents in withholding the balance amount, without considering the petitioner's representations and the statutory

entitlement claimed by him, is arbitrary, unreasonable and contrary to law and therefore the petitioner is seeking a direction the respondents to release the said amount and prays this Court to allow the writ petition.

16. Per contra, learned Senior Standing Counsel for the Income Tax appearing for the respondents has filed counter affidavit and contended that the petitioner voluntarily opted for ***Vivad se Vishwas Scheme (DTVSV, 2020)*** under Section 7, once declaration is made and settled, no further claim can be raised except refund of excess principal tax amount paid before declaration. Interest u/s 244A is specifically excluded in Explanation to Section 7 of the DTVSV Act. The relevant extract of Section 7 of the DTVSV Act, 2020 is reproduced below:

> *"7. Any amount paid in pursuance of a declaration made under section 4 shall not be refundable under any circumstances.*
>
> *Explanation.--For the removal of doubts, it is hereby clarified that where the declarant had, before filing the declaration under sub-section (1) of section 4, paid any amount under the Income-tax Act in respect of his tax arrear which exceeds the amount payable under section 3, he shall be entitled to a refund of such excess amount, but shall not be entitled to interest on such excess amount under section 244A of the Income-tax Act."*

17. Therefore, the claim for interest under Section 244A of the Income Tax Act, 1961, falls outside the scope of the DTVSV Act. Learned Senior Standing Counsel further contended that the Department has already refunded an amount of Rs.11,51,560/-, comprising Rs.10,47,225/- towards principal and Rs.1,04,335/- towards interest, vide order dated 12.03.2024 passed under Section 154 of the Income Tax Act, 1961, in F.No. ACIT-3(1)/VsVS/154/2023-24. It is submitted that the refund was computed strictly in accordance with the provisions of Section 132B(4) read with Section 7 of the DTVSV Act. The repeated representations made by the petitioner seeking further interest are contrary to the statutory provisions.

18. Learned Senior Standing Counsel further contended that this Court, in the earlier W.P. No.14146 of 2022, vide order dated 14.03.2024, had already recorded that the refund, together with applicable interest, had been issued vide order dated 12.03.2024 passed under Section 154 of the Income Tax Act, 1961, and observed that nothing further remained to be adjudicated in the said writ petition. However, the petitioner was granted liberty to dispute the computation

of interest. It is contended that the present writ petition is repetitive in nature, does not disclose any fresh cause of action and is founded on an untenable claim.

19. Learned Senior Standing Counsel further submitted that the petitioner's reliance on the principle of approbate and reprobate is wholly misplaced, as the Revenue has acted strictly in accordance with the applicable statutory provisions. Though Section 244A of the Income Tax Act, 1961, provides for payment of interest on refunds, the Explanation to Section 7 of the DTVSV Act specifically bars the grant of any further interest on refunds arising out of excess payments under the said Act. Therefore, the petitioner's claim for further interest under Section 244A of the Income Tax Act, 1961, is not only repetitive but also falls outside the purview of the Direct Tax Vivad Se Vishwas Act, 2020, and is consequently unsustainable in law. In view of the foregoing submissions, learned Senior Standing Counsel prayed that the writ petition be dismissed *in limine.*

20. Heard the contentions and rival contentions of both the parties and perused the material on record. The petitioner

contends that an amount of Rs.14,00,000/- was seized during the search and seizure operation conducted on 24.03.2011 and that, after adjusting the amount of Rs.3,17,446/-, an excess amount of Rs.10,82,554/- remained with the Department. It is the petitioner's specific contention that he is entitled to a refund of the said amount along with statutory interest. The Assessing Officer granted a refund of Rs.11,51,560/-. However, the learned counsel appearing for the petitioner contended that the petitioner is entitled to interest amounting to Rs.22,57,125/-, as detailed in the calculation statement furnished by him.

21. It is pertinent to note that the petitioner claims interest under two distinct statutory provisions, namely, Section 132B(4) and Section 244A of the Income Tax Act, 1961. The claim under Section 132B(4) relates to the interest payable on the amount seized, whereas the claim under Section 244A relates to the interest payable on the excess amount retained by the Department after completion of the assessment.

22. According to the petitioner, the Department granted a refund of Rs.11,51,560/- by adding interest to the excess

amount of Rs.10,47,225/-. However, the petitioner claims that he is entitled to interest of Rs.1,46,145/- for the period from 24.03.2011, i.e., the date of seizure, till 28.06.2013, covering a period of 27 months, which is stated to be the date of completion of assessment.

23. Though the petitioner has referred to 28.06.2013 as the relevant date, the assessment order, admittedly, was passed on 28.03.2013. In this regard, it is relevant to observe that the interest under Section 132B(4) is payable from the expiry of 120 days from the date of execution of the last of the authorisations for search under Section 132(1) till the date of completion of the regular assessment. Therefore, after excluding the initial period of 120 days from the date of search, the petitioner would be entitled to interest under Section 132B(4) only for the period commencing from 24.07.2011 till 28.03.2013, i.e., the date of completion of the assessment. Consequently, the calculation furnished by the petitioner under Section 132B(4), to the extent that it claims interest beyond the aforesaid period, cannot be accepted.

24. Coming to the claim for interest under Section 244A of the Act, the same operates in respect of the post-assessment period, commencing from the date on which the assessment is completed and the excess amount becomes refundable, until the actual date of refund.

25. Once the regular assessment is completed, the seized amount, to the extent it is found to be in excess of the tax liability, ceases to retain its character as an amount seized during the search and is treated as an excess amount retained by the Department and refundable to the assessee. Consequently, the assessee becomes entitled to interest under Section 244A for the period commencing from the completion of the assessment till the actual date of refund, subject to the statutory provisions governing such entitlement.

26. Admittedly, the Department has granted a refund to the petitioner. However, the dispute is with regard to the proper computation of the statutory interest payable on the amount retained by the Department and the period for which such interest is payable.

27. In this context, it is pertinent to observe that there cannot be any overlapping of the periods for which interest is claimed under Sections 132B(4) and 244A of the Act. The statutory framework governing the Direct Tax Vivad Se Vishwas Act, 2020, also contemplates that, where a refund arises pursuant to a declaration made under the said Scheme, the assessee would not be entitled to interest under Section 244A for the period up to the date of settlement. However, where there is a delay in releasing the refund even after the settlement under the Scheme has attained finality, the assessee would be entitled to statutory interest, subject to the applicable provisions of law, for the period of such delay.

28. It is also well settled that an assessee may be entitled to interest under both Sections 132B(4) and 244A in respect of the same seized amount, provided that the respective periods are distinct and do not overlap. In other words, while Section 132B(4) governs the period commencing from the expiry of 120 days from the date of search till the completion of the regular assessment, Section 244A governs the subsequent period commencing from the completion of the assessment

till the actual grant of refund, subject to the applicability of the respective statutory provisions. Thus, the two provisions operate in different fields and ensure that the assessee is compensated for the period during which the amount remained with the Department, without any duplication of interest.

29. In the present case, there is no dispute with regard to the seizure of the amount during the search operation or the fact that an excess amount remained with the Department. The controversy is confined to the quantum of statutory interest payable to the petitioner and the proper computation thereof under the aforesaid provisions.

30. In view of the aforesaid circumstances, and having regard to the fact that the entitlement to refund of the excess amount is not in dispute, the petitioner is entitled to claim statutory interest in accordance with Sections 132B(4) and 244A of the Act, for their respective periods of operation. Therefore, the contention advanced by the learned Senior Counsel appearing for the Department that the petitioner's claim for interest under Section 244A is repetitive in nature

and that the same falls outside the purview of the Direct Tax Vivad Se Vishwas Act, 2020, cannot be accepted in its entirety.

31. However, the contention of the learned Senior Standing Counsel for the Department that there cannot be a repetitive or overlapping claim for interest deserves acceptance to that limited extent. Nevertheless, such a contention cannot defeat the petitioner's substantive entitlement to statutory interest under Section 132B(4) from the expiry of 120 days from the date of search till the date of completion of the assessment and under Section 244A from the date of completion of the assessment till the actual date of refund, subject to the applicability of the relevant statutory provisions.

32. In view of the foregoing discussion, we are of the considered opinion that the writ petition deserves to be allowed and is, accordingly, allowed. The respondents are directed to verify the amount already refunded to the petitioner and compute the balance statutory interest, if any, payable under Sections 132B(4) and 244A of the Income Tax Act, 1961, in accordance with the respective periods specified

hereinabove, without any overlapping or duplication of interest.

33. The respondents shall undertake the aforesaid exercise, make the necessary calculations and release the balance amount payable to the petitioner, as expeditiously as possible, preferably within a period of eight (8) weeks from the date of receipt of a copy of this order.

34. Accordingly, the instant writ petition is allowed. There shall be no order as to costs.

All pending miscellaneous applications, if any, shall stand closed.

P. SAM KOSHY, ACJ

NARSING RAO NANDIKONDA, J

Date: 05.11.2026
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