Vodafone Idea Limited v. Assistant Commissioner of Income Tax, Circle 78(1), New Delhi & Ors.

TDS Refund with Interest under Sections 244A & 244A(1A) and Adjustment against Outstanding Demands.

Date of Order: August 18, 2026
Case Law No: GIB-DHC-2026-103
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

BACKGROUND

The Income Tax Appellate Tribunal had allowed the assessee's appeals for various assessment years and the Assessing Officer subsequently passed appeal-effect orders determining substantial amounts refundable. Despite these orders, the refunds were not released. The Department insisted upon Form 26B, and the forms were rejected by referring to outstanding demands relating to the assessee and sister TANs.

The Department defended its action by relying upon its practice and an SOP issued by the Centralized Processing Cell (TDS), contending that outstanding demands against associated TANs prevented processing of the refund. The assessee contended that Sections 200A and 201 operated in different fields and that Form 26B was not applicable once refund had arisen pursuant to an assessment or appellate order.

COURT OBSERVATIONS

The Court examined Sections **200A and 201**, Rule 31A and Form 26B and held that Section 201 deals with assessment of TDS, whereas Section 200A concerns adjustment of TDS before assessment at the CPC level. Rule 31A and Form 26B relate to that adjustment mechanism.

The Court held that once a competent Assessing Officer has made an assessment under Section 201, or an appellate authority has passed an order giving rise to a refund, the refund becomes a **vested and crystallised right** of the assessee, subject to the Department's right to challenge the order in accordance with law. Such refund does not become subordinate to Section 200A or Rule 31A.

The Court further held that the Assessing Officer or CPC cannot compel the assessee to furnish Form 26B once the refund arises pursuant to an assessment under Section 201 or an appellate order. Any withholding or adjustment has to be supported by a legally passed order under **Section 245**.

Since the Department could not produce any order under Section 245 authorising withholding or adjustment, the Court held that reliance on outstanding demands against the assessee's PAN or sister TANs was legally untenable. The action was held to be arbitrary and violative of **Articles 14, 19(1)(g) and 300A of the Constitution**.

FINAL VERDICT

The writ petitions were **allowed**. The respondents were directed to pay **₹53,09,56,470/- along with applicable interest under Sections 244A and 244A(1A)** on or before 30.09.2026. If the amount was not credited by that date, the entire amount would carry additional interest at **1% per month over and above the statutory interest**.