

HC: Refund/Adjustment Allowed for Forced Deposit

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REFER THE DECISION OF THE HON'BLE CHHATTISGARH HIGH COURT IN THE CASE OF

Siddhant Steels v. State of Chhattisgarh - [2025] 177 taxmann.com 628

Siddhant Steels, a GST assessee, faced an **inspection by the department** during which officials alleged tax liability. Under pressure, the assessee ended up **depositing ₹12 lakhs**, although the actual liability determined was only **₹1.08 lakhs**.

The assessee later approached the High Court, contending that the excess payment was made **under duress** and requested that the **excess deposit be adjusted** against future liability or refunded.

The Court noted:

- Payments made during inspection proceedings often reflect **coercion or duress**, and hence, cannot be treated as voluntary.
- The **actual liability was only ₹1.08 lakhs**, while a much higher sum was collected.
- The assessee's plea was reasonable that the **excess amount should not be retained** by the department unjustly.

Accordingly, the Chhattisgarh High Court held that the **excess deposit of tax, if any, must be adjusted at the stage of final adjudication or against any existing/future dues** of the assessee.

Key Takeaway

1. **Excess payment under duress is not voluntary.**
2. **Such excess must be refunded or adjusted against future liabilities.**
3. **Department cannot unjustly retain money beyond actual liability.**

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