

**Interest on unpaid penalty can be applied retrospectively, and no separate demand notice is required to be issued by SEBI, once the liability is crystallized in the adjudication order**

The Supreme Court in the case of **Jaykishor Chaturvedi vs SEBI [Civil Appeal Nos. 1551 - 1553 of 2023]** dated **July 15, 2025**, has held that no separate demand notice is required to be issued by SEBI, after the liability is crystallized in the adjudication order. Thus, the interest on unpaid penalty amounts can be applied retrospectively, and the defaulter's liability to pay interest shall accrue from the date of expiry of the period specified in the assessment order.

The Apex Court observed that under section 220(1) read with section 28A of the SEBI Act, 1992, the interest becomes payable upon failure to meet the demand within the prescribed time. Hence, the appellant's failure to comply within the specified time rendered them 'defaulters' under Section 220(4) of the Income Tax Act, 1961, justifies the accrual of interest from the expiry of the 45-day compliance period.

The Apex Court further observed that where the original adjudication order under the SEBI Act does not specify any time for payment, the period of 30 days under Section 220 of the Income Tax Act should be deemed to apply for making the payment, failure of which would trigger the liability to pay interest. Thus, the adjudication officer's order, which specified payment within 45 days, effectively operates as a notice of demand, rendering any separate demand notice redundant.

The Apex Court also observed that when a penalty is imposed, a specific period is granted for compliance. If the payment is not made within that stipulated period, the delay deprives the Revenue of the timely use of funds that rightfully belong to the public exchequer. Therefore, the accrual of interest upon default is automatic and flows from the nature of the liability, serving to compensate for the time value of money and the disruption caused by delayed payment, rather than to impose an additional punitive burden.

Insofar as the issue whether the interest was payable from the date of expiry of the period mentioned in the assessment notice, or the demand notice, the Court observed that the demand notices merely reiterated the earlier demand and did not create a fresh liability, and therefore, interest has accrued from the expiry of the 45-day compliance period following the adjudication orders of 2014. The Court concluded by saying that defaulters' tactics to delay the payment indefinitely under the guise of awaiting formal orders undermine the efficacy of the enforcement framework, resulting in a loss to the revenue.

**Link**

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