

# TAX INFO

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Latest update on GST Law: Information regarding **Interest in GST to be levied on net liability** based on the **Notification No. 63/2020 dated 25.08.2020**.

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## Interest in GST to be levied on net liability

As per **Notification No. 63/2020 dated 25.08.2020**, the provisions of Section 100 of the Finance (No. 2) Act, 2019 shall come into force **w.e.f. 01.09.2020**.

As per **Section 100 of Finance (No. 2) Act, 2019**, proviso is inserted in Section 50 of CGST Act, 2017 which give effect that interest in GST to be levied on net tax liability. The proviso is as follows:

“Provided that the interest on tax payable in respect of supplies made during a tax period furnished after the due date in accordance with the provisions of Section 39, except where such return is furnished after commencement of any proceedings under Section 73 or Section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.”

Thus concluded that Interest on Net Tax Liability w.e.f. 01.09.2020 but prior to this Interest needs to be calculated on Gross Tax Liability means without giving effect of ITC available in his credit ledger.

It is worthwhile to submit here that in **39<sup>th</sup> GST Council Meeting**, the Finance Minister of our country announced that the law would be amended and “Interest for delay in payment of GST to be charged on the net cash tax liability” and also announced that the provision would be amended retrospectively i.e. from 01.07.2017.

The same verdict was given by **Madras High Court in case of Refex Industries Limited and Ors. Vs Assistant Commissioner of CGST & Central Excise & Ors.** The extract of the same has been reproduced:

The above proviso, as per which interest shall be levied only on that part of the tax which is paid in cash, has been inserted with effect from 01.08.2019, but clearly seeks to correct an anomaly in the provision as it existed prior to such insertion. It should thus, in my view, be read as clarificatory and operative retrospectively.

In view of the FM announcement after 39<sup>th</sup> GST Council meeting and Hon,ble Madras High Court Judgement, the CBIC has issued a **Press Release dated 26.08.2020** which assures that **no recoveries shall be made for the past period** as well by the Central and State tax administration in accordance with the decision taken in the 39<sup>th</sup> GST Council Meeting. This will ensure full relief to the taxpayers as decided by GST Council. Finally, it can be concluded that **Interest on Net Tax Liability under GST** since beginning i.e. 01.07.2017

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