

NEWSFLASH

**Interest on delayed payment of GST
applicable on Net Cash Liability to be
effective from 1 September 2020**

August 2020

Central Board of Indirect Taxes and Customs ('CBIC') vide Notification No. 63/2020–Central Tax dated 25 August 2020 has given effect to the provisions of section 100 of the Finance (No. 2) Act, 2019 for amending Section 50 of the Central Goods and Services Tax Act, 2017 from 1 September 2020.

In terms of the said amendment, interest on delayed payment of GST shall be levied on net tax liability after giving effect to input tax credit utilized for payment of taxes i.e. on GST portion discharged in cash.

It may be noted that GST Council in its 39th Meeting held on 14 March 2020 recommended that amendment in Section 50 of the CGST Act, 2017 would be made applicable retrospectively i.e. 1 July 2017.

Considering the GST Council's decision to apply the amendment retrospectively CBIC has issued a press Release on 26 August 2020. CBIC clarified that the said amendment in the law relating to interest on delayed payment of GST has been made effective prospectively i.e. w.e.f. 1 September 2020 citing technical limitations. CBIC has assured that no recoveries of interest shall be made for the past period by the Central and State tax administration.

Nangia Andersen LLP's Take

This amendment would come as a relief to tax payers amidst the COVID pandemic. However, this would be a hardship on the compliant taxpayers who have discharged interest on the gross tax liability. As the amendment has been made prospectively, such taxpayers also may not be eligible to claim refunds of the excess interest paid on the gross tax liability.

Link : <https://bit.ly/2EvYfZD>

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