

Centre to raise Rs.46,000 Crore as late GST payment interest

Nirbhay Kumar, IANS Updated: 12 Feb 2020, 04:54 PM IST

- **Tax experts disputed the number saying govt had promised to hand-hold the taxpayers at the time of migration to the new indirect tax regime by waiving off interest, penalties for filing their tax returns**
- **Moreover, the levying of interest would trigger huge litigations with taxpayers challenging the demand**

NEW DELHI: The government has discovered a new revenue stream to make up for the shortfall in GST collection and is looking to collect Rs.46,000 crore as interest on late payment of tax.

Tax experts disputed the number saying government had promised to hand-hold the taxpayers at the time of migration to the new indirect tax regime by waiving off interest and penalties for filing their tax returns. Further, it has now resorted to extremely harsh measures to boost its tax kitty.

Moreover, the levying of interest would trigger huge litigations with taxpayers challenging the demand.

A.K. Pandey, Special Secretary and Member, Central Board of Indirect Taxes and Customs in a letter to all the principal chief commissioners and central tax commissioners has said that the law cast liability on the taxpayers to assess and pay the interest on delayed payment of tax.

"Further, interest payable on such delayed payment of tax can be recovered under the provisions of section 79 of the CGST Act read with section 75 (12) which provides for various methods by which the proper officer shall proceed to recover any amount which is payable to the government," Pandey said in his letter seen by IANS.

As per the letter, the Principal ADG (systems) on 1 Feb 2020 generated and shared the GSTIN wise list of the registered persons who have not discharged the due interest liability while filing their GSTR 3B returns belatedly. On perusal of said report, it was observed that the interest amounting to Rs.45,996 crores remains unpaid to the government on account of delayed payment of tax.

The report has been shared on SFTP portal for initiating the process of recovery of such unpaid interest as per the provisions of section 79 read with section 75 (12) of the CGST Act.

But, in the meantime, doubts have been raised by the field formations whether the interest has to be paid on the gross tax liability or on the net cash liability.

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"In this regard, the provisions of Section of Section 50 are very clear that interest liability is required to be paid on the tax liability that is paid belatedly, either through cash or through utilization of Input Tax Credit (ITC). In other words, interest is required to be paid on total tax amount of tax liability as shown in Form GSTR 3B," the CBIC letter said.

"In view of the above, you are requested to look into the issue personally and to urge field formations under your jurisdiction for making recovery of applicable interest from identified taxpayers and to furnish weekly report of GSTIN wise recovery of interest made in this regard," it directed.

Rajat Mohan, Senior Partner, AMRG & Associates said that that the move is against the taxpayers who had been promised hand-holding and support at the time of roll-out of the GST.

"It is demotivating for the taxpayers. If at all, the government wants to levy interest on delayed payment of tax it should be on net tax liability and not the gross tax liability," he said.

A senior state GST officer said that the letter had been received but expressed reservations over the way the amount of interest on late payment of tax has been arrived.