

# Interest on Delayed GST Payment will now be calculated on Net Tax Liability

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- The CBIC said GST laws, as of now, permit interest calculation on delayed GST payment on the basis of Gross Tax Liability

## GST

Interest payable on delayed payment of GST will henceforth be calculated on Net Tax Liability and the law is being amended to give effect to it, the Central Board of Indirect Taxes and Customs (CBIC) said on Saturday.

Amid worry in the industry regarding CBIC's recent directive to field formations to begin recovery of about Rs.46,000 crore of unpaid interest on delayed GST payment, the CBIC, in a series of tweets, clarified that the central and several state governments have prospectively amended the GST Acts to collect interest on Net Tax Liability.

The CBIC said GST laws, as of now, permit interest calculation on delayed GST payment on the basis of gross tax liability. This position has been upheld in the Telangana High Court's decision dated April 18, 2019.

"In spite of this position of law and Telangana High Court's Order, the Central Government and several State Governments, on the recommendations of the GST Council, amended their respective **CGST/SGST Acts** to charge interest on delayed GST payment on the basis of net tax liability," the CBIC said.

"Such amendment will be made prospectively. The States of Telangana and West Bengal are in the process of amending their State GST Acts. After the process of amendment is complete, the changed provisions can be put in operation for the entire country," it added.

Businesses, other than those under the composition Scheme, registered under Goods and Services Tax (GST) have to file returns (**GSTR-1**) showing Tax Liability by 11th of following month and pay taxes by filing **GSTR-3B by 20th**.

There have been cases where GST assesses have paid taxes after due date but did not pay the interest due on account of delayed payment.

There were doubts on whether the interest was to be paid on Gross tax liability or net tax liability. The CBIC had said that interest was to be paid on tax liability either through cash or utilization of Input tax credit.