Amendment in GST law notified for levying interest on net cash liability

Taxpayers who paid interest on gross liability can seek refund from July 2017

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The Finance Ministry has notified amendment in Central Goods and Services Tax (CGST) Act to facilitate charging of interest on net cash (tax) liability, retrospectively. To ensure smooth implementation, States will also be required to amend the State Goods and Services Tax (SGST) Act and notify it at the earliest.

Experts feel that such a notification will give a big relief to assesses. The net cash liability is arrived at after deducting input tax credit from gross GST liability.

The tax is deposited along with returns within the prescribed timeline, after which the assessee is required to pay interest on cash liability.

“With this notification, notices will not be issued for recovery on gross tax liability for any tax period. Further, taxpayers who had already paid interest on the gross tax liability will ideally be entitled for refund of the interest paid since July 1, 2017,” Aditya Singania, Partner at Singhania’s GST Consultancy & Co, said.

Net cash liability is arrived at after deducting input tax credit from gross GST liability.

“Entitled for refund

However, one must exercise caution in discharging interest on the gross tax liability where the invoices/debit notes of a certain tax period have been uploaded in the returns of the subsequent tax period, he said. “In fact, interest needs to be paid on gross tax liability where such return is furnished after the commencement of any proceedings under Section 73 or Section 74 in respect of the said tax period,” he added.

A long-drawn issue

Interest on net cash liability has been a long-drawn issue. In its meeting on June 21, 2019, the GST Council recommended interest to be charged on net cash tax liability, with effect from a date to be notified by the government.

For this, an amendment was made through the Finance Act, 2019.

In a meeting held on March 14, 2020, the Council recommended interest to be charged on net tax liability with effect from July 1, 2017.