



## ERGO

*Analysing developments impacting business*

### NO LEVY OF INTEREST ON DELAYED PAYMENT OF TAX THROUGH ITC

27 August 2020

Section 50 of the Central Goods and Services Tax Act 2017 (CGST Act) was amended<sup>1</sup> to provide that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the relevant period furnished after the due date, except after commencement of any proceedings under section 73 or section 74 of the CGST Act in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger. The amendment ensured that the taxpayers are not saddled with unnecessary interest liability on the amount paid through electronic credit ledger. After a gap of one year, the Government has now notified<sup>2</sup> the said amendment to be effective from 1 September 2020.

In a more welcoming move, the Central Board of Indirect tax and Customs (CBIC) has issued a press release assuring that, while the above amendment is effective prospectively, the Central or the State tax administration would not make any recovery for past period as well, as decided by the GST Council in its 39<sup>th</sup> Meeting.

#### Comments:

While there is no doubt that the notification as well as the press release comes as much desired relief for the taxpayers, it is pertinent that the taxpayer be cautious while discharging such past period liabilities, especially, in absence of any guidelines as to how the credit would be apportioned. It is also to be seen as to whether tax authorities would entertain any refund application for the interest paid on the delayed payment of tax by debiting the electronic credit ledger.

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#### Footnotes:

1. Vide Section 100 of the Finance Act 2019
2. Notification No. 63/2020-Central Tax dated 25 August 2020