

CBIC: Recovery of interest on GST on net cash liability w.e.f. 01.07.2017

Central Board of Indirect Taxes & Customs (CBIC) vide **F. No. CBEC-20/01/08/2019-GST dated September 18, 2020** has provided the Administrative instructions for recovery of interest on net cash tax liability w.e.f. July 01, 2017.

Based on the recommendations of the 35th meeting of the GST Council held on June 21, 2019 the provision of section 50 was amended vide section 100 of the Finance (No. 2) Act, 2019 to provide for charging interest on the net cash tax liability. The said amendment was to be made effective from a date to be notified by the Government. Accordingly, the said provision was made effective vide notification No. 63/2020 Central Tax dated August 25, 2020, w.e.f. September 01, 2020.

The GST Council, in its 39th meeting, held on March 14, 2020 recommended interest to be charged on the net cash tax liability w.e.f. July 01, 2017 and accordingly, recommended the amendment of section 50 of the CGST Act retrospectively w.e.f. July 01, 2017. The retrospective amendment in the GST laws would be carried out in due course through suitable legislation.

Post issuance of notification 63/2020 Central Tax dated August 25, 2020, there were apprehensions raised by taxpayers that the said notification is issued contrary to the Council's recommendation to charge interest on net cash liability w.e.f. July 01, 2017. Consequently, a press release, dated August 26, 2020 was issued to clarify the position. Further, in order to implement the decision of the Council in its true spirit, and at the same time working within the present legal framework, it has been decided to address the issue through administrative arrangements, as under:

- First, for the period July 01, 2017 to August 31, 2020, field formations in your jurisdiction may be instructed to recover interest only on the net cash tax liability (i.e. that portion of the tax that has been paid by debiting the electronic cash ledger or is payable through cash ledger); and
- Second, wherever SCNs have been issued on gross tax payable, the same may be kept in Call Book till the retrospective amendment in section 50 of the CGST Act is carried out.

Contact Us:

Delhi

A-15, Second Floor, Hauz Khas, New Delhi - 110016 (India)

Ph: +91,011 41655801, 41655802

Fax: +91 11 26567540

Bangalore

No 5A, Second Floor, 6th Main, KHB Colony

Basaveshwaranagar Bangalore 560079

Ph: +91 80 42064178

Pune

Office No- 2A, Kalashree Apartment

Opposite Bank of Maharashtra , Karve Road

Pune 411004 (India)

Ph: +91 020 25435788

E-mail:- snr@snr.company

[Click here](#) to unsubscribe for SNR Update

For private circulation only among clients and associates

<http://www.snr.company/>