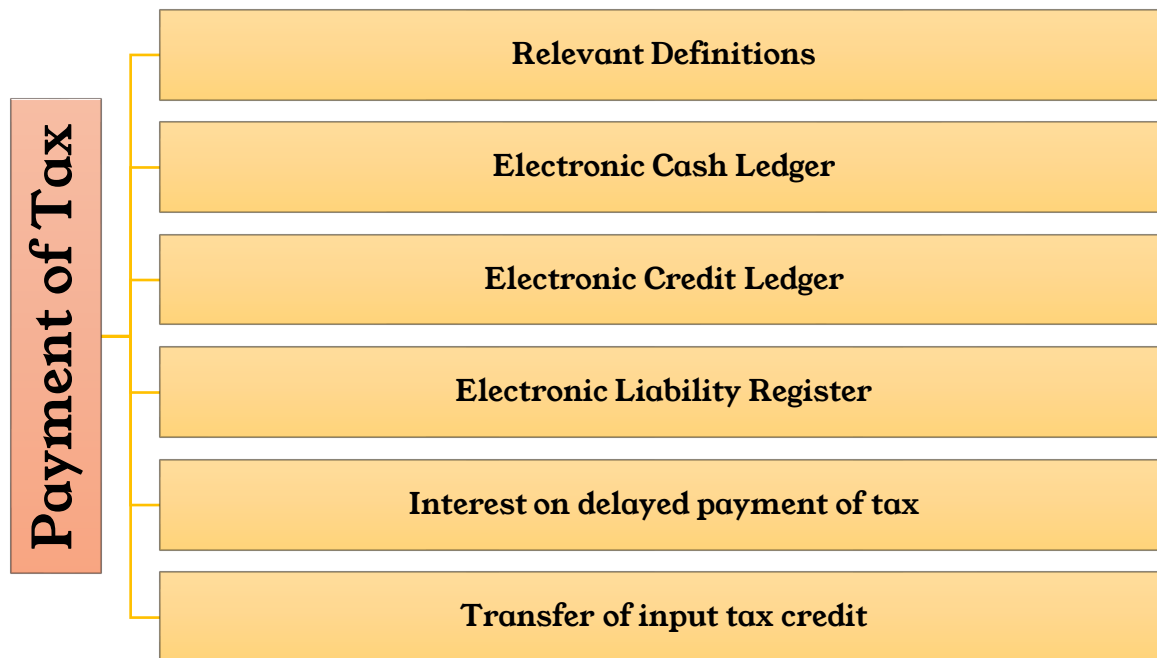




PAYMENT OF TAX

1.CHAPTER OVERVIEW



2.INTRODUCTION

Under GST regime, following payments are required to be made:

- Integrated Goods and Service Tax
- Central Goods and Service Tax
- State Goods and Service Tax
- Interest, penalty, fee and other payments.

These payments are to be made by way of E-ledgers which is a unique feature of GST.



Once a taxpayer is registered on common portal (GSTN), three e-ledgers (Cash & Input Tax Credit ledger and an Electronic Tax Liability register) will be automatically opened and displayed on his dash board at all times.

The tax due under GST regime can be paid either

- by cash (electronic cash ledger) or
- through utilization of input tax credit (electronic credit ledger).

Section 49 to 53 of CGST Act read along with Chapter IX – Payment of Tax of CGST Rules prescribes the provisions relating to payment of tax.

Bird's eye view of coverage under these sections is as under-

- a) section 49 discusses the three ledgers namely the electronic cash ledger, electronic credit ledger and electronic liability register,
- b) section 50 discusses about the interest on delayed payment of tax.
- c) the manner of transfer of ITC is laid down in section 53.

By virtue of section 20 of IGST Act, these provisions have also been made applicable for IGST Law.

3. PAYMENT OF TAX, INTEREST, PENALTY AND OTHER AMOUNTS [SEC 49]

3.1. ELECTRONIC CASH LEDGER [SEC 49 (1) & (3) R /W RULE 87]

The Electronic Cash Ledger contains a summary of all the deposits/payments made by a taxpayer. Electronic Cash Ledger is maintained in

- Form GST PMT-05
- on the GST Portal
- for each person liable to pay tax, interest, penalty, late fee etc.

The amount available in the Electronic Cash Ledger can be utilized for payment of any liability towards tax, interest, penalty, fees or any other amount in the prescribed manner.

In the ledger, information is kept minor head-wise for each major head. The ledger is displayed major head-wise i.e., IGST, CGST, SGST/UTGST, and CESS. Each major head is divided into five minor heads: Tax, Interest, Penalty, Fee, and Others.



A registered taxpayer can make cash deposits in the recognized Banks through the prescribed modes to the Electronic Cash Ledger using any of the Online or Offline modes permitted by the GST Portal. The Cash deposits can be used for making payment(s) like tax liability, interest, penalties, fee, and others.

Facility to transfer an amount from one (major or minor) head to another (major or minor) of same GSTIN or to Distinct Person under same PAN [Sec 49(10)]

A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for, -

- a. integrated tax, central tax, State tax, Union territory tax or cess; or
- b. integrated tax or central tax of a distinct person as specified u/s 25(4) or 25(5), in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act:

Provided that no such transfer under clause (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

Thus, the amount available in the electronic cash ledger can be utilised for payment of any liability for the major and minor heads. For instance, if the registered person has made a deposit of tax erroneously i.e. by virtue of human error, under a particular head instead of a specific head, the same can be transferred to the respective intended head vide Form GST PMT-o9.

This Form can be used either for

- a) transfer of erroneous deposits under any minor head of a major head to any other minor head of same or other major heads or
- b) for any of the amounts already lying unutilised under any of the minor heads in Electronic Cash ledger.

For instance, a registered person has deposited a sum of INR 1,000 under the head of “Interest” column of CGST & INR 1,000 under the head of “Interest” column of SGST, instead of the head “Fee”. Such amount can be transferred using Form GST PMT-o9 for making a transfer to the head “Fee”.

The said transfer is required using the above Form, because when the Registered person has to make the remittance of Tax/Interest/Penalty/ Fee/ Other amount at a stage “Offset Liabilities” in any of the GST Returns/ Forms for Tax payments through Electronic Cash Ledger, adequate amount should be available under the respective head of account.



Further section 49(10) also allows transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the CGST Act or the Integrated Goods and Services Tax Act, 2017 (“the IGST Act”) of a distinct person.

The section 53A of CGST Act and 17A of IGST Act provides for transfer of amount between Centre and States in accordance with section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.

Modes of deposit in Electronic Cash Ledger

A. Online Payment i.e. E-Payment

- i) Internet Banking
- ii) Credit/Debit Cards

B. Offline Payment

- i) National Electronic Funds Transfer (‘NEFT’) / Real Time Gross Settlement (‘RTGS’)
- ii) Over the Counter (OTC) – maximum 10,000 per challan per tax period by cash, cheque or demand draft.

KEY NOTES:

The limit of 10,000 per challan per tax period by cash, cheque or demand draft paid Over the Counter shall not be applicable on deposits to be made by

a) Proper officer or any other officer authorized

- to recover outstanding dues including attachment proceedings or sale of moveable/ immoveable properties or
- to collect the amount by way of cash/cheque/demand draft during any investigation/enforcement activity/any ad hoc deposit

b) Government Departments

c) Persons notified by Commissioner.

Procedure involved in making payment of tax by challan

- Manual or physical challans are not allowed under the GST regime. It is **mandatory to generate challans online** on GST common portal.
- There is a **single challan** prescribed for all taxes, fees, penalty, interest and other payments to be made under the GST regime.



- An e-challan generated through GST common portal remains **valid for a period of 15 days**. Every challan carries a unique CPIN (Common Portal Identification Number). **CPIN is a 14-digit unique number** allotted by the system on successful generation of a challan by a taxpayer.
- On successful credit of amount in the concerned (Central/State) Government account maintained in the authorized bank, a Challan Identification Number (CIN) will be generated by the collecting bank which will be indicated in the challan.
- On receipt of CIN from the collecting bank, the said amount is credited into electronic cash ledger of the person on whose behalf the deposit is made and GST common portal will generate a receipt to this effect.
- If CIN is not generated even after making payment, the person making the deposit or the person on whose behalf the deposit has been made, can make a representation in prescribed Form through GST common portal.
- Date of credit into the treasury of the State Government/Central Government is deemed to be the date of deposit and not the actual date of debit to the amount of the taxable person.
- In case any discrepancy is noticed in electronic cash ledger, the registered person shall communicate the same to the officer exercising jurisdiction in the matter, through GST common portal in the prescribed form.

The Term relevant for the challan

a) **E-FPB stands for Electronic Focal Point Branch** - These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India transaction.

The E-FPB will have to open accounts under each major head for all government. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB.

b) **CPIN stands for Common Portal Identification Number** - It is created for every challan successfully generated by the taxpayer. It is a 14- digit unique number to identify the challan. CPIN remains valid for a period of 15 days.

c) **CIN or Challan Identification Number** - It is generated by the bank, once payment in lieu of a generated challan is successful. It is a 17- digit number i.e. 14 digits CPIN plus 3-digit bank code.

CIN is generated by the authorized banks/ Reserve bank of India (RBI) when payment is actually received by such authorized bank/ Reserve bank of India (RBI) and credited in the relevant government account held with them. It is an indication that the payment has been



realized and credited to the appropriate government account. CIN is communicated to the taxpayer as well as to GSTN by the authorized bank.

d) Bank Reference Number - It is the transaction number given by the bank for a payment against a challan.

3.2. ELECTRONIC CREDIT LEDGER [SEC 49 (2), (4) & (5) R /W RUL E 86]

Input Tax Credit as self-assessed in

- monthly returns will be reflected in the ITC Ledger; and
- can be used to make payment of **TAX ONLY**;
- and not any other amounts such as interest, penalty, fees etc.

Set-Off Order is as follows: [Section 49, 49A and 49B read with Rule 88A of CGST Rules, 2017]

Particulars	IGST Liability	CGST Liability	SGST Liability	Remarks
IGST credit	1st	2nd or 3rd	2nd or 3rd	ITC of IGST to be exhausted first , then only ITC of CGST or SGST/UGST can be utilized.
CGST credit	2nd	1st	Not allowed	
SGST credit	2nd	Not allowed	1st	

Manner of utilization of ITC

Payment for	First set off from ITC of	Then set off from ITC of	Then set off from ITC of
IGST Liability	IGST	CGST	SGST
CGST Liability	IGST	CGST	NA
SGST Liability	IGST	SGST	NA

Important Points

- 1) Available IGST credit in the credit ledger should first be utilized towards payment of IGST.

Remaining ITC of IGST, if any, can be utilized towards the payment of CGST and SGST/UTGST in any order and in any proportion, i.e. ITC of IGST can be utilized either against CGST or SGST.



2) Entire ITC of IGST is to be fully utilised first before the ITC of CGST or SGST/UTGST can be utilized.

3) Available CGST Credit in the credit ledger shall first be utilized for payment of CGST. Remaining amount if any, will be utilized for payment of IGST

4) Available SGST /UTGST credit in the credit ledger shall first be utilized for payment of SGST/UTGST.

Remaining amount if any, will be utilized for payment of IGST, only when credit of CGST is not available for payment of IGST.

5) If IGST liability exceeds ITC of IGST, while paying outward tax liability of IGST, first ITC of IGST shall be used; then ITC of CGST shall be used and if ITC of CGST is fully utilized, then ITC of SGST/UTGST shall be used; in that order.

Thus, SGST/ UTGST to be used for payment of IGST only when credit of CGST is not available.

6) Cross-utilization of credit is available only between

➤ IGST and CGST and

➤ IGST and SGST/UTGST.

7) CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

What happens if the taxable person files the return but does not make payment of tax?

In such cases, the return is not considered as a valid return. Section 2(117) defines a valid return to mean a return on which self-assessed tax has been paid in full.

It is only the valid return that would be used for allowing ITC to the recipient. In other words, unless the supplier has paid the entire self-assessed tax and filed his return and the recipient has filed his return, the ITC of the recipient would not be confirmed.

Conditions of use of amount available in electronic credit ledger [Rule 86A]

In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

[Discussed in detail in Chapter 7: Input Tax Credit]



Restrictions on use of amount available in electronic credit ledger [Rule 86B]

Rule 86B restricts the amount available in electronic credit ledger which a registered person can use to discharge his output tax liability to 99% of such tax liability in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds INR 50 lakh.

[Discussed in detail in Chapter 7: Input Tax Credit]

Common Points for Electronic Cash & Credit Ledger

- i) Where a person has claimed refund of any amount from the electronic cash or credit ledger, the said amount shall be debited to the electronic cash or credit ledger.
- ii) If the refund so claimed is rejected, either fully or partly, the amount debited earlier, to the extent of rejection, shall be credited to the electronic cash or credit ledger by the proper officer by an order made in prescribed form.
- iii) **Discrepancy in the liability/credit/cash ledger** - The registered person should report any discrepancy through common portal in GST PMT -04.

4. ELECTRONIC LIABILITY REGISTER [SEC 49 (7), (8) & (9) R/W RULE 85]

All liabilities of a taxable person will be recorded and maintained in a separate electronic register called electronic liability register.

Amounts that will be debited to electronic liability register

The electronic liability register of a person shall be debited by:

- i) The amount payable towards tax, interest, late fee or any other sum payable as per Return.
- ii) Amount of tax and interest as a result of mismatch.
- iii) Any other amount payable under the Act.
- iv) The amount of tax, interest, late fee or any other sum payable as determined by proper officer in pursuance of any proceedings under the Act.

It is to be noted that

- payment of every liability of registered person as per his return shall be made by
- debiting either electronic credit ledger or electronic cash ledger, as the case may be; and



- electronic liability register shall be credited accordingly.

KEY NOTE: While filing the **GST Return** ('GSTR 3/GSTR 3B'), if balance in electronic liability ledger is **debit**, the return is **invalid**.

Order of discharge of tax and other dues

- 1) Self -assessed tax and other dues for the **previous tax periods** have to be discharged first.
- 2) Self -assessed tax and other dues for the **current period** have to be discharged next.
- 3) The liability if any, arising out of **demand notice and adjudication proceedings** comes last.

KEY NOTE: This sequence has to be mandatorily followed.

KEY NOTE: The expression "other dues" referred above mean interest, penalty, fee or any other amount payable under the Act or the Rules made thereunder.

Presumption that incidence of tax is passed on [Section 47(9)]

Sub-section (9) contains a deeming clause. This part of the section provides that when a taxable person has paid the GST under the corresponding Act, the taxable person is deemed to have passed on the incidence of such payment of tax to the recipient of such goods and /or services.

Thus, if tax has been paid under the CGST Act, then the taxable person is deemed to have passed on the incidence of such payment of CGST to the recipient. This is subject to the contrary being proved. This concept is relevant in case of Section 54 dealing with "Refund of

5. HOW DO THE NEW PAYMENT SYSTEMS BENEFIT THE TAXPAYER AND THE COMMERCIAL TAX DEPARTMENT?

Benefits to Taxpayer: -

- a) No more queues and waiting for making payments as payments can be made online 24 X 7.
- b) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- c) Instant online receipts for payments made online.
- d) Tax consultants can make payments on behalf of the clients.
- e) Single challan form to be created online, replacing the three or four copy Challan.
- f) Greater transparency.

**Benefits to the Commercial Tax Department:**

- a) Revenue will come earlier into the Government Treasury as compared to the old system.
- b) Logical tax collection data in electronic format.
- c) Speedy accounting and reporting.
- d) Electronic reconciliation of all receipts.
- e) Warehousing of digital challan.

6. INTEREST ON DELAYED PAYMENT OF TAX [SECTION 50]

Interest is payable in following 3 circumstances:

- i) Delay in payment of tax, in full or in part within the prescribed period (*discussed later*)
- ii) ~~Undue or excess claim of input tax credit under section 42(10)~~

Input tax credit wrongly availed and utilized at rate not exceeding 24% as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.

- iii) ~~Undue or excess reduction of output tax liability under section 43(10).~~

Proviso to Section 50 lays down that the

- interest on tax payable in respect of supplies made during a tax period and declared in the return for that period
 - furnished after the due date in accordance with the provisions of section 39
 - shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.
- It is relevant to note here that tax payable on reverse charge basis also carries interest for the period of the delay in remittance of tax and input tax credit cannot be used to pay the same (i.e., tax payable under reverse charge has to be paid in cash).

However, if taxpayer files the Return u/s 39 on time and there is short payment of GST liability, in that case interest is payable on gross shortfall of GST liability paid.

A. When interest is payable?

Interest is payable in case of delay in payment of tax, in full or in part within the prescribed period.



B. Rate of interest

The rate of interest shall be notified by the Government on the basis of recommendation of the Council. However, such rate to be notified shall not exceed 18% in case of belated payment of tax i.e., on failure to pay tax (or part of tax) to the Government's account. [Notification No. 13/2017 CT dated 28.06.2017 has notified the rate of interest as 18% per annum].

C. Computation of period for calculation of interest

The period of interest will be from the date following the due date of payment to the actual date of payment of tax.

D. Other relevant points relating to interest

- The term "tax" here means the tax payable under the Act or Rules made thereunder.
- The payment of interest in case of belated payment of tax should be made voluntarily i.e., even without a demand.
- The interest payable under this section shall be debited to the Electronic Liability Register.
- The liability for interest can be settled by adjustment with balance in Electronic Cash Ledger but not with balance in electronic credit ledger.

7. TRANSFER OF INPUT TAX CREDIT [SEC 53 OF CGST ACT AND SEC 18 OF IGST ACT]

If the amount of CGST is utilised towards dues of IGST then, in terms of section 53 of the CGST Act, there shall be reduction in the amount of CGST, equal to the credit so utilized, and the Central Government shall transfer such amount equivalent to the amount so reduced in CGST account to the IGST account.

Similarly, if the amount of IGST is utilised towards dues of CGST/UTGST then, in terms of section 18 of the IGST Act, there shall be reduction in the amount of IGST, equal to the credit so utilized, and the Central Government shall transfer such amount equivalent to the amount so reduced in IGST account to the CGST/UTGST account.

However, if the amount of IGST is utilised towards dues of SGST then, in terms of section 18 of the IGST Act, there shall be reduction in the amount of IGST, equal to the credit so utilized, and will be apportioned to the appropriate State Government and the Central Government shall transfer the amount so apportioned to the account of the respective State Government.