

Indirect Tax - Interest Calculation



GST

Interest Payable to Department [Amount × Rate × Period]: Rate always @18% p.a.

Scenario	Amount Net Tax Liability*/Gross Tax Liability**	Period	
		From	Day next to the Due Date of Payment of Tax
Delayed Payment of Tax		To	Date of Payment of Tax

*If both of the following conditions are fulfilled interest shall be calculated on **net tax liability**:

- Return has been **filed belatedly for the said tax period** for which tax is due **and**
- Proceeding u/s 73/74 has not been initiated.

If tax is **paid through return of other tax periods or proceeding has been initiated u/s 73/74 interest shall be calculated on **gross tax liability**.

Example

Details of Tax liability for the month of February are as follows:

- Liability on Output - ₹ 1,50,000 and RCM Liability - ₹ 40,000
- ITC Balance - ₹ 70,000
- Cash ledger balance of ₹ 20,000 is lying from the month of Feb to April.

Case 1: Calculate the interest payable if return for Feb month is filed on 17th April.

Case 2: Calculate the interest payable if return for Feb month is filed on 20th march, but failed to report above liability in the same, now it has reported in the return of march filed on 17th April.

Solution to Case 1

Due date for filing return of Feb month - 20/03, Interest shall be payable from 21/03 to 17/04.

Interest shall be [(₹ 1,50,000 - ₹ 70,000) + ₹ 40,000] - [₹ 20,000] × 18% × 28/365 = ₹ 1,381.

Solution to Case 2

Interest shall be (₹ 1,50,000 + ₹ 40,000) × 18% × 28/365 = ₹ 2,624.

Utilisation of Wrongly Availed ITC	Excess ITC Utilised	From	Day next to the Date of utilisation
		To	Date of Reversal of such ITC or payment of tax
Final Assessed Tax > Provisional Tax	Differential Amount	From	Day next to the Due Date of Payment of Tax
		To	Date of Payment of Tax

Interest Receivable from Department [Amount × Rate × Period]

Scenario	Amount	Rate	Period	
Delay in Refund beyond 60 Days	Amount of Refund	6%	<u>From</u> Day next to the end of 60 days from date of receipt of application <u>To</u> Date of Refund	
Final Assessed Tax < Provisional Tax	Differential Amount	6%		
Delay in Refund beyond 60 Days [Refund granted by order of Court/Tribunal]	Amount of Refund	9%		
Refund of Pre deposit	Amount of Pre deposit	9%	From	Date of Payment of Pre Deposit
			To	Date of Refund

Customs

Interest to be paid to Department [Amount × Rate × Period]: Rate always @15% p.a.

Scenario	Amount	Period	
Goods not cleared from warehouse within 90 days (by person other than 100% EOU, EHTPU, STPU)	Customs Duty Payable	From	91 st Day from order for warehousing for P.O.
		To	Date of Payment
Final Assessed Duty > Provisional Duty	Differential Amount	From	1 st Day of month of provisional assessment
		To	Date of Payment
Excess Drawback Received (Only CMA)	Excess Drawback paid	From	Day next to Date of receipt of drawback
		To	Date of Payment

Interest Receivable from Department [Amount × Rate × Period]: Rate always @6% p.a.

Scenario	Amount	Period	
Delay in Refund beyond 3 months from	Amount of Refund	From	Day next to the end of 3 month from date of receipt of application
		To	Date of Refund
Delay in Refund beyond 3 months (due to order of court/tribunal/authority)	Amount of Refund	From	Day next to the end of 3 month from date of order
		To	Date of Refund

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Final Assessed Tax < Provisional Tax	Differential Amount	From	Day next to end of 3 months from the final assessment
		To	Date of Refund
Delay in Drawback beyond 1 month (Only CMA)	Drawback Unpaid	From	Day next to the end of 1 month from filing claim
		To	Date of Refund