

**Answer:**

A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax. Due date of payment is 20th May, 20XX.

Period for which interest is due = 21st May, 20XX to 31st July, 20XX = 72 days

Thus, interest liability = Rs. 1,50,000 x 24% x 72/365 = Rs. 7,101 (approx.)

**Question 4**

MTP Aug'18, PYP May '18

When shall the interest be payable by a registered person under section 50 of the CGST Act, 2017 and what is the maximum rate of interest chargeable for the same? **5 Marks**

**Answer:**

As per section 50 of the CGST Act, 2017, interest is payable in the following cases: -

- failure to pay tax, in full or in part within the prescribed period,
- undue or excess claim of input tax credit,
- undue or excess reduction in output tax liability.

The maximum rate of interest chargeable for the same is as under-

- (i) 18% p.a. in case of failure to pay full/part tax within the prescribed period
- (ii) 24% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

**Question 5**

MTP March'18

What is an electronic cash ledger? Enumerate the modes of making deposit in the electronic cash ledger. **3 Marks**

**Answer:**

Electronic cash ledger is maintained in prescribed form for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

The deposit can be made through any of the following modes, namely: -

- (i) Internet Banking through authorized banks;
- (ii) Credit card or Debit card through the authorized bank;
- (iii) NEFT or RTGS from any bank; or
- (iv) Over the Counter payment through authorized banks for deposits up to ₹ 10,000/- per challan per tax period, by cash, cheque or demand draft [Section 49 of the CGST Act read with rule 87 of the CGST Rules].

**Question 6**

MTP March 22, May '20

Mr. Piyush, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2024 on 15th April, 2024. The prescribed due date to file the said GSTR 3B was 20th February, 2024. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15th April, 2024. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Piyush. Ignore the effect of leap year, if applicable in this case. **4 Marks**

**Answer:**

Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax. Thus, the amount of interest payable by Mr. Piyush is as under: -

Period of delay = 21st February, 2024 to 15th April, 2024 = 54 days

Hence, amount of interest = ₹ 36,500 × 18% × 54/365 = ₹ 972

**Question 7**

MTP Oct '18

How does the new payment system benefit the taxpayer & the Commercial Tax Department?

3 Marks

**Answer:**

The new payment system benefits the taxpayer and the commercial tax department in the following ways: -

**Benefits to Taxpayer: -**

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

**Benefits to the Commercial Tax Department: -**

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.
- Note - Any three points each may be mentioned for Tax payer and Commercial Tax Department.

**Question 8**

MTP Aug '18

Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.'s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager?

4 Marks

**Answer:**

The advice given by tax manager is valid in law. Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.

**Question 9**

RTP Nov '18

Explain the order in which liability of taxable person has to be discharged under GST laws.

**Answer:**

Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:



- self-assessed tax and other dues for the previous tax periods have to be discharged first.
- self-assessed tax and other dues for the current tax period have to be discharged next.
- Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 is to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last. This sequence has to be mandatorily followed.

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

**Question 10**

RTP Nov '19

**Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so?**

**Answer:**

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under: -

- self-assessed tax and other dues for the previous tax periods have to be discharged first;
- the self-assessed tax and other dues for the current period have to be discharged next;
- Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.

Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period.

**Question 11**

RTP May '23

**State the order in which every taxable person discharges his tax and other dues under GST law, as provided under section 49 of the CGST Act, 2017.**

**Answer:**

Section 49 of the CGST Act, 2017 stipulates that every taxable person shall discharge his tax and other dues under the GST law in the following order, namely: -

- self-assessed tax, and other dues related to returns of previous tax periods;
- self-assessed tax, and other dues related to the return of the current tax period;
- any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74.

**Question 12**

PYQ Nov '20

**Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017.**

**5 Marks**

**Answer:**

*The order of discharge of tax and other dues as per provisions of section 49(8) of the CGST Act, 2017 is as under: -*

- self-assessed tax and other dues related to returns for the previous tax periods should be discharged first.
- the self-assessed tax and other dues for the current period should be discharged next.



- c. Lastly, any other amount payable including demand determined under section 73 or section 74 should be discharged.

**Question 13**

PYQ Nov '19

State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder.

5 Marks

**Answer:**

The items to be debited to electronic liability register of the taxable person are as under: -  
all amounts payable towards tax, interest, late fee and any other amount as per return filed;

1. Currently GST portal does not allow filing of returns without payment of tax.
  - a. all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;
  - b. the amount of tax and interest as a result of mismatch.
  - c. any interest amount that may accrue from time to time.

**Note:** Any three points may be mentioned out of the above mentioned four points.

**Question 14**

PYQ Nov '18

Electronic cash ledger balance of ₹5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST.

3 Marks

**Answer:**

The said statement is False.

Amount available under one major head cannot be utilized for discharging the liability under any other major head.

**Question 15**

PYQ Nov '18

Ms. Jimmy wants to adjust input tax credit for payment of interest, penalty and payment of tax under reverse charge. Explain whether she can do so.

3 Marks

**Answer:**

The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger which may be used for making any payment towards output tax. "Output tax" inter alia excludes tax payable on reverse charge basis.

Thus, Ms. Jimmy cannot adjust input tax credit for payment of interest, penalty as also for payment of tax under reverse charge.

**Question 16**

PYQ Nov '22

Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹4,000 was lying unutilized under the head of 'Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?

3 Marks

**Answer:**

A registered person is allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger, using specified form.

It can transfer any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the electronic



cash ledger.

Therefore, in the given case, amount of ₹ 5,000 available under minor head 'fee' of major head 'cess' and ₹ 4,000 available under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST' using specified form.

**Moderate**

**Question 1**

**RTP May'19**

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- Are manual challans allowed under GST?
- What is the validity period of the challan?
- Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

**Answer:**

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely: -

- Internet Banking through authorized banks;
- Credit card or Debit card through the authorized bank;
- National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- Over the Counter payment through authorized banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

**Thus, offline mode is also permitted under GST subject to specified conditions.**

- Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- Challan is valid for a period of 15 days.
- 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 the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

**Question 2**

**MTP Oct '22, RTP Nov'20**

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹13,500. Out of the total bills paid by her, one bill for ₹15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹2,700. Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services. Do you think Suhasini is right? Explain with reasons assuming provisions of rule 86B are not applicable. **4 Marks**

**Answer:**

The amount available in the electronic credit ledger, i.e. ITC may be used for making



any payment towards output tax [Section 49(4)]. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)].

Therefore, ITC cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Suhasini is wrong and she will need to pay the GST of ₹2,700 on security service through electronic cash ledger.

**Question 3**

MTP Oct'21

M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2023 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalized during May 2023. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard. **4 Marks**

**Answer:**

Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in prescribed manner.

Accordingly, as per the combined reading of the above provisions, late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger. Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

**Question 4**

MTP Oct'18

**What is CIN?****5 Marks****Answer:**

- (i) CIN is challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan
- (ii) The new payment system benefits the taxpayer and the commercial tax department in the following ways: -

**Benefits to Taxpayer: -**

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

**Benefits to the Commercial Tax Department: -**

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.



- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.

**Note** - Any three points each may be mentioned for Tax payer and Commercial Tax Department.

### Question 5

MTP Nov'21

Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of accountant claim a refund for the remittance of amount deposited under head "interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

4 Marks

**Answer:**

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/UTGST and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head "tax" and claim a refund for the remittance of amount deposited under head "interest". Rather, using the Form GST PMT 09, such amount can be transferred so-moto on the common portal from "interest" to "tax" head and tax liability be paid

*As per amendment- 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;
- b) or integrated tax or central tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25, 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

### Question 6

MTP April '22

Raghav Ltd., have filed their GSTR-3B for the month of July, 2023 within the due date prescribed under Section 39 i.e. 20.08.2023. Post filing of the return, the registered person has noticed during September 2023 that tax dues for the month of July, 2023 have been short paid for ₹ 40,000. Raghav Ltd., has paid the above shortfall of ₹ 40,000, through GSTR-3B of September 2023, filed on 20.10.2023 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017. What would be your Answer if, GSTR-3B for the month of July 2023 has been filed belatedly on 20.10.2023 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2023 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

**Notes:**

- ✓ There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2023 for the above short fall
- ✓ No other supply has been made nor tax payable for the month of July, 2023 other than ₹ 40,000/- missed out to be paid on forward charge basis.



✓ Ignore the effect of leap year, if applicable in this case.

**Answer:**

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, Raghav Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July, 2023. Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

**Thus, the amount of interest payable by Raghav Ltd., is as under: -**

Period of delay = 21st August, 2023 to 20th October, 2023 = 60 days

Hence, amount of interest = ₹ 40,000 × 18% × 60/365 = ₹ 1,184

Alternatively, if Raghav Ltd., have filed the return for the month of July, 2023 on 20.10.2023, beyond the stipulated due date of 20.08.2023 and if the self-assessed tax for July, 2023 has been paid on 20.10.2023, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st August 2023 till 20th October 2023 = 60 days

Amount of Interest = ₹ 30,000 × 18% × 60/365 = ₹ 888

### Question 7

RTP May '22

Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 86B of the CGST Rules, 2017. Are there any exceptions to rule 86B? If yes, state the exceptions.

**Answer:**

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under: -

(i) Payment of Income Tax more than ₹ 1 lakh

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than ₹ 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under section 139(1) of the said Act has expired

- The registered person or
- The karta/proprietor/the managing director of the registered person;
- Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

(ii) Receipt of refund of input tax credit of more than ₹ 1 lakh

Rule 86B may not apply whereby registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized input tax credit under the following:

- zero-rated supplies made without payment of tax
- Inverted duty structure

It is pertinent to note that refund should have been received in the preceding financial year.

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability. If the registered person has paid more than 1% of total output tax liability using electronic cash ledger up to the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.



It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(iv) Specified registered person:

Rule 86B would not be applicable in case of below-mentioned registered person:

- Government Department; or
- a public sector undertaking; or
- a local authority; or
- a statutory body.

However, Commissioner or an officer authorized by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

### Question 8

PYQ Nov '22

Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B. **5 Marks**

Answer:

Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person. Exceptions to rule 86B are as follows:

1. Where the said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.
2. Where the registered person has received a refund of more than ₹ 1 lakh in the preceding FY on account of unutilized ITC in case of
  - (i) zero rated supplies made without payment of tax or
  - (ii) inverted duty structure.
3. Where the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, up to the said month in the current FY.
4. Where the registered person is Government Department, Public Sector Undertaking, Local authority or Statutory body. Said restriction may be removed by Commissioner/ authorized officer after required verifications and safeguards.

### Question 9

PYQ May '23

Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

Sr. No.	Particulars	Amount (₹)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4.	Tax due for the month of June	35,000
5.	Liability arising out of demand notice u/s 73	48,000

Mr. Manik wants to clear his liability of demand notice u/s 73 first.

Discuss the provision of order of discharge of GST liability u/s 49 (8) of the CGST Act & advice to Mr. Manik. **5 Marks**

Answer:

The order of discharge of GST liability under section 49(8) of the CGST Act is as under: *VG Sir*



- (i) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- (ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- (iii) any other amount payable including demand determined under section 73 or section 74,

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice u/s 73 first.

The order of discharge of liability of Mr. Manik will be as under:

1. Tax, interest and penalty for the month of May, ` 30,000
2. Tax due for the month of June, ₹35,000
3. Liability arising out of demand notice u/s 73, ` 48,000

### Question 10

PYQ May'23

"Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger." State the grounds (as guided by CBIC) on which the reasons for such belief must be based on.

5 Marks

Answer:

The reasons for such belief must be based on one or more of the following grounds:

1. The credit is availed by the registered person on the invoices/debit notes issued by a supplier, who is found to be non-existent or is found not to be conducting any business from the place declared in registration.
2. The credit is availed by the registered person on invoices/debit notes, without actually receiving any goods and/or services.
3. The credit is availed by the registered person on invoices/debit notes, the tax in respect of which has not been paid to the Government.
4. The registered person claiming the credit is found to be non-existent or is found not to be conducting any business from the place declared in registration.
5. The credit is availed by the registered person without having any invoice/debit note or any other valid document for it.



## Multiple Choice Questions

## Question 1

MTP Oct'19

What is the due date for payment of tax for a normal taxpayer?

- a) Last day of the month to which payment relates
- b) Within 10 days of the subsequent month
- c) Within 20 days of the subsequent month
- d) Within 15 days of the subsequent month


## Question 2

MTP Oct'23

Balance in electronic credit ledger can be utilized against payment of \_\_.

- a) output tax
- b) interest
- c) penalty
- d) late fees


1	2
c	a

CA VIVEK GABA

