

F. No. CBEC- 20/01/08/2019-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
GST Policy Wing

Room No. 159A,
North Block, New Delhi,
Dated: 18th September, 2020

To,
The Principal Chief Commissioners / Chief Commissioners / Principal Commissioners /
Commissioners of Central Tax (All)
The Principal Director Generals / Director Generals (All)

Madam / Sir,

**Subject: Administrative instructions for recovery of interest on net cash tax liability
w.e.f. 01.07.2017 -reg.**

Based on the recommendations of the 35th meeting of the GST Council held on 21st June, 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 the 25th August, 2020, **w.e.f. 01.09.2020**.

2. The GST Council, in its 39th meeting, held on 14th March, 2020 recommended interest to be charged on the net cash tax liability w.e.f. 01.07.2017 and accordingly, recommended the amendment of section 50 of the CGST Act retrospectively w.e.f. 01.07.2017. The retrospective amendment in the GST laws would be carried out in due course through suitable legislation.

3. Post issuance of notification 63/2020 – Central Tax dated the 25th August, 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. 01.07.2017. Consequently, a press release, dated 26.08.2020 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:

a. For the period 01.07.2017 to 31.08.2020, 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

b. 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.

4. Difficulty, if any, in the implementation of these instructions may please be brought to the notice of the Board.

Yours faithfully,


18/09/2020

(Yogendra Garg)

Pr. Commissioner

y.garg@nic.in

Copy to:

The Joint Secretary, GST Council Secretariat, with a request to circulate to all the States for information and necessary action.