SKKA IDT ALERT- 05/2022 DT 15TH JANUARY 2022

Introduction of Interest Calculator in GSTR-3B

KEY HIGHLIGHTS

- **Functionality of interest calculator will be introduced in GSTR-3B where system will calculate minimum interest required to be paid by taxpayer in case of delayed filing of return or in case of delayed disclosure of tax liability.**

- **In case of delayed disclosure of liability, the taxpayer will be required to give tax period wise break up of liability to allow the system to compute interest.**

- **The interest liability will be auto populated in Table 5.1 of GSTR-3B for next tax period.**

- **The PDF of Filed GSTR-3B will now also consist of details of system computed interest whenever applicable.**

INTRODUCTION

Section 39 of CGST Act,2017 requires a taxpayer to furnish a monthly return in which he is required to disclose a summary of inward and outward supplies of goods and service or both, Input Tax Credit availed, *tax payable and tax paid* in form GSTR-3B by 20th of next month.

Therefore, a taxpayer is required to discharge his tax liability for a tax period at the time of filing GSTR-3B.

If the taxpayer fails to discharge his tax liability within time prescribed then interest will be imposed under section 50 of CGST Act,2017.

An extract of section 50 of CGST Act, 2017 is given below:

"Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent., as may be notified by the Government on the recommendations of the Council":

[Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be payable on that portion of the tax which is paid by debiting the electronic cash ledger.]

Scenarios where interest is applicable:

Interest liability can arise in cases of either of the following, or both:

*i. **Delayed filing of return***: If the present GSTR-3B is filed after the '*due date'*, then interest will be applicable at prescribed rate of interest from the '*due date'* of GSTR-3B for relevant period i.e., till the date of filing of the return.

*ii. **Delayed declaration of liability***: If the liability pertaining to *previous tax-periods* is discharged in the present GSTR-3B, then interest will be leviable from the '*due date'* of return for the said previous period till the date of declaration of the liability in the return.

iii. Others such as availment of ineligible ITC, reversal of common ITC upon final calculation under Rule 42/43 of CGST Rules, 2017 beyond the statutory time period, non payment to supplier within 180 days of invoice date but availment of ITC thereon leading to reversal as per section 16(2) of the Act etc.

Interest calculator Introduced by GSTN:

As payment of interest is a statutory compliance so to ease the compliance for taxpayers interest calculator is being released in GSTR-3B. This functionality will assist taxpayers in calculating the interest applicable for delayed filing of returns. Taxpayers will have to verify and discharge the correct interest liability as per law.

Auto-population of system computed interest:

✓ This new functionality will compute the ***minimum*** interest applicable based on the values declared by the taxpayers in GSTR-3B for a particular tax-period. **This system computed interest will be auto-populated in Table-5.1 of GSTR-3B for the next tax-period**, the way it is done for the *Late fees* at present.

✓ The system computed interest values will be auto-populated in next GSTR-3B return and will be kept editable, initially. However, the system generated PDF of filed GSTR-3B will contain both values: the *System computed* interest, and the *user paid* interest values.

Formula to used by system to compute interest:

$$\text{Interest liability} = \text{Tax liability} \times \frac{\text{Number of days since the } \textit{Due date} \text{ till the } \textit{actual} \text{ date of filing GSTR-3B}}{\text{Number of days in the year}} \times \text{Rate of interest}$$

Illustration:

A monthly taxpayer is filing GSTR-3B for the tax period of *October 2021*. In the said GSTR-3B, the taxpayer has declared the following values in Table-3.1 of GSTR-3B:-

Nature of supplies	Taxable value	Integrated tax	Central tax	State/UT tax	Cess
a) Outward taxable supplies (other than zero rated, nil rated and exempted)	10,00,000	90,000	45,000	45,000	2,80,000
(b) Outward taxable supplies (zero rated)	5,00,000	45,000			1,40,000
(c) Other outward supplies (Nil rated, exempted)	10,000				
(d) Inward supplies(liable to reverse charge)	2,00,000	12,000	6,000	6,000	0
(e) Non-GST outward supplies	1,00,000				
Total tax liability		**1,47,000**	**51,000**	**51,000**	**4,20,000**

However, these consolidated tax liability values consist of not only for *October 2021* but also for previous tax-periods of *July*, *August & September 2021*.

Hence, for the purposes of proper interest calculation, the taxpayer would be expected to declare the following tax-period wise break-up in GSTR-3B for *October 2021*, in the following manner:

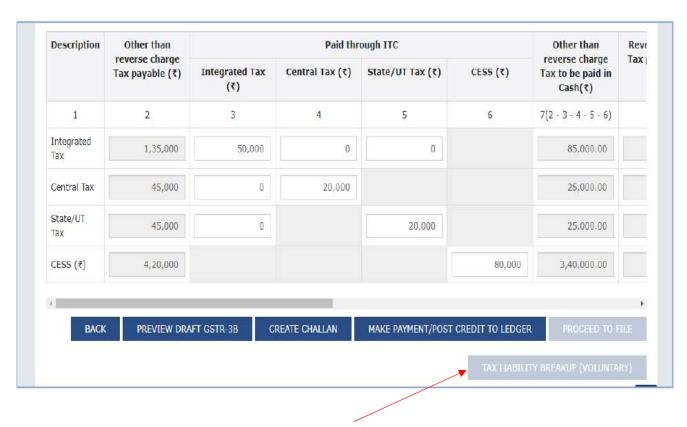| Tax period	Integrated tax	Central tax	State/UT tax	Cess
October 2021	1,00,000	40,000	40,000	4,00,000
September 2021	40,000	8,000	8,000	20,000
August 2021	5,000	3,000	3,000	0
July 2021	2,000	0	0	0
Total	**1,47,000**	**51,000**	**51,000**	**4,20,000**

Thus by the above mechanism of bifurcation of liability will ease the calculation of interest by the system.

Furnishing tax-period wise break-up in GSTR-3B:

The return in FORM GSTR-3B, as it is now, allows taxpayers to discharge tax liability for previous tax-periods also, in addition to the tax liability for the present period. However, the tax-period wise break-up of the tax liability is not available in GSTR-3B. Thus, for computing the exact interest liability, the information regarding the tax-period wise break-up of the consolidated tax liability declared by the taxpayer would be required by the system.

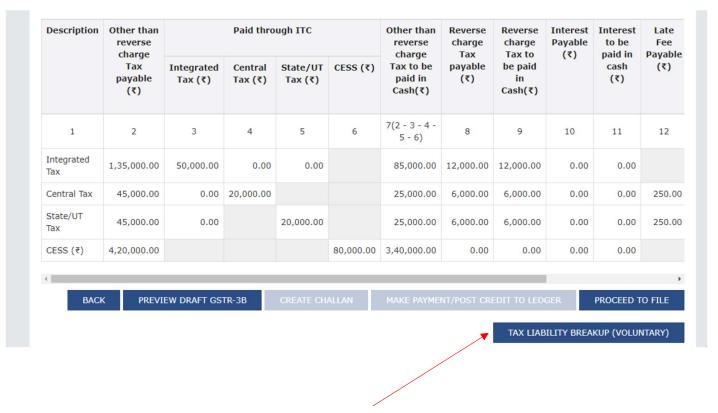In view of above a **new button** has been added in GSTR-3B, Called **Tax Liability Break up (Voluntary),** and data is to be entered by clicking this button only by those taxpayers who are *making payment* for liability pertaining to *earlier tax periods* in present GSTR-3B.

✓ This button will appear in GSTR-3B on the payment page, below the **Table 6.1 – Payment of tax**.
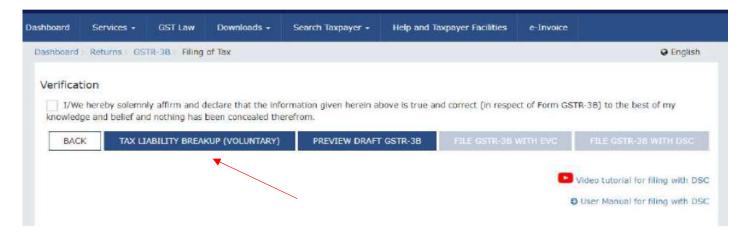

Button is disabled

✓ The *Tax Liability Break-up (Voluntary)* button will be **enabled** *only* **after clicking the** '*Make payment/Post credit to ledger*' button. In other words, break-up of the tax period wise values can be furnished by the taxpayers after making payment of the liability for this period.

Description	Other than reverse charge Tax payable (₹)	Paid through ITC				Other than reverse charge Tax to be paid in Cash(₹)	Reverse charge Tax payable (₹)	Reverse charge Tax to be paid in Cash(₹)	Interest Payable (₹)	Interest to be paid in cash (₹)	Late Fee Payable (₹)
		Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)						
1	2	3	4	5	6	7(2 - 3 - 4 - 5 - 6)	8	9	10	11	12
Integrated Tax	1,35,000.00	50,000.00	0.00	0.00		85,000.00	12,000.00	12,000.00	0.00	0.00	
Central Tax	45,000.00	0.00	20,000.00			25,000.00	6,000.00	6,000.00	0.00	0.00	250.00
State/UT Tax	45,000.00	0.00		20,000.00		25,000.00	6,000.00	6,000.00	0.00	0.00	250.00
CESS (₹)	4,20,000.00				80,000.00	3,40,000.00	0.00	0.00	0.00	0.00	

| BACK | PREVIEW DRAFT GSTR-3B | CREATE CHALLAN | MAKE PAYMENT/POST CREDIT TO LEDGER | PROCEED TO FILE |

TAX LIABILITY BREAKUP (VOLUNTARY)

Button has been enabled
After clicking "Make payment/Post credit to ledger"

✓ This button will also appear on the filing page of GSTR-3B

| Dashboard | Services ▾ | GST Law | Downloads ▾ | Search Taxpayer ▾ | Help and Taxpayer Facilities | e-Invoice |

Dashboard Returns GSTR-3B Filing of Tax   ⊘ English

Verification

☐ I/We hereby solemnly affirm and declare that the information given herein above is true and correct (in respect of Form GSTR-3B) to the best of my knowledge and belief and nothing has been concealed therefrom.

| BACK | TAX LIABILITY BREAKUP (VOLUNTARY) | PREVIEW DRAFT GSTR-3B | FILE GSTR-3B WITH EVC | FILE GSTR-3B WITH DSC |

▶ Video tutorial for filing with DSC
⊙ User Manual for filing with DSC

✓ If the taxpayers click on this button, they will be provided with an option of declaring tax period wise break-up of the tax liability discharged by them in this GSTR-3B. The values could be declared head-wise, and the total value for all the tax-periods put together should be equal to the tax liability paid in the GSTR-3B.

Breakup of tax liability

HELP

Period	Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)	Action
October 2021	1,00,000.00	40,000.00	40,000.00	4,00,000.00	
September 2021 ▾	40,000.00	8,000.00	8,000.00	20,000.00	▬
August 2021 ▾	5,000.00	3,000.00	3,000.00	0.00	▬
July 2021 ▾	2,000.00	0.00	0.00	0.00	● ▬

SAVE

Verification

☐ I/We hereby solemnly affirm and declare that the information given herein above is true and correct (in respect of Form GSTR-3B) to the best of my knowledge and belief and nothing has been concealed therefrom.

| BACK | TAX LIABILITY BREAKUP (VOLUNTARY) | PREVIEW DRAFT GSTR-3B | FILE GSTR-3B WITH EVC | FILE GSTR-3B WITH DSC |

✓ On clicking the *Save* button, the option to *File* GSTR-3B through EVC or DSC will be enabled.

Dashboard : Returns : GSTR-3B : Filing of Tax   ⊕ English

Breakup of tax liability

HELP

Period	Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)	Action
October 2021	1,00,000.00	40,000.00	40,000.00	4,00,000.00	
September 2021 ▾	40,000.00	8,000.00	8,000.00	20,000.00	▬
August 2021 ▾	5,000.00	3,000.00	3,000.00	0.00	▬
July 2021 ▾	2,000.00	0.00	0.00	0.00	● ▬

SAVE

Verification

☑ I/We hereby solemnly affirm and declare that the information given herein above is true and correct (in respect of Form GSTR-3B) to the best of my knowledge and belief and nothing has been concealed therefrom.
Authorised Signatory *

ANGAD ARORA ▾

| BACK | TAX LIABILITY BREAKUP (VOLUNTARY) | PREVIEW DRAFT GSTR-3B | FILE GSTR-3B WITH EVC | FILE GSTR-3B WITH DSC |

Auto-population of interest:

- The interest values computed above will be auto-populated in the ***Table 5.1 – Interest and Late fee for previous tax period*** of GSTR-3B of the next tax-period. The break-up and the manner of *interest* computation can be viewed by clicking the System Generated *GSTR-3B* button on this page.

- To begin with, system will not stop the users from changing the system computed interest values. However, the system will ***warn the taxpayers on downward editing*** of the interest values in any tax head. On ***downward editing*** of values, the concerned **cell will become Red** and the system computed values will also be shown during mouse hovering to caution the taxpayer from making a mistake.

- If the taxpayer attempts to file GSTR-3B with the *downward* edited values, the interest tile would become *Red,* and the system will provide a Warning regarding the same to the user. However, despite these warnings, the system will not stop the taxpayers from filing their GSTR-3B with changed values.

GSTR-3B filing:

After the filing, the PDF of the filed GSTR-3B is generated by the system, which can be downloaded by the users. In this PDF document, in addition to the information presently shown, the PDF will also consist of information pertaining to *system computed interest* in case it is applicable in that GSTR-3B. This information will include the head-wise details of computation of interest, for all the tax-periods on which interest is applicable.

Our comments:

GST Network, which provides technology backbone for the indirect tax regime, will shortly release interest calculator functionality in monthly tax payment form GSTR-3B to help taxpayers in calculating interest for delayed tax payment. To allow the system to calculate interest the taxpayer will be required to provide tax period wise breakup of their tax liability. If tax period wise break up of tax liability is not provided, then by default interest (if applicable) will be calculated by system assuming that entire tax liability is for current tax period. Initially the system will allow the taxpayer to edit the interest liability from what has been computed by system. Also, in future the system might not allow the taxpayer to declare an amount of interest liability less than system i.e., the taxpayer might be required to pay the minimum amount of interest computed by the system. Therefore, the taxpayers are advised to File their GSTR-3B as per prescribed time and discharge their tax liability pertaining to a tax period in GSTR-3B of that period to avoid any interest liability. Also, it has been stated in the release by GSTN that in case a prior period tax liability has been discharged in GSTR 3B of subsequent month whether by cash or by utilising ITC, interest will be payable on the total amount of such liability and not on the cash element only. In our view the above would lead to litigation as one may argue that there was sufficient running balance available in ITC ledger and hence no interest shall be payable on such delayed payment of tax also. We need to wait and watch how things unfold in the coming days.

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