

CHAPTER 10

PAYMENT OF TAX

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

M/s. Daksha Enterprises has made a cash deposit of INR 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of INR 2,000 for minor head "Interest" under the major head "SGST". State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest.

Solution

The Registered person is allowed to transfer the amount available under any minor head of a major head to any of the minor head of the same or other major head as per Section 49(10) of the CGST Act vide Form PMT-09.

Therefore, in the given case, amount of INR 10,000 available under minor head 'tax' of major head 'SGST' can be utilised for payment of liability of INR 2,000 under minor head 'interest' of the same major head, **after making a due transfer entry using Form GST PMT-09 from the minor head of 'tax' to 'interest'**.

Concept Problem 2

Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 20XX on 15th April, 20XX. The prescribed due date to file the said GSTR3B was 20th February, 20XX. 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, 20XX. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok. Ignore the effect of leap year, if applicable in this case.

Solution

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. Alok is as under:-

Period of delay = 21st February, 20XX to 15th April, 20XX = 54 days.

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

Concept Problem 3

M/s ABC Ltd., have filed their GSTR 3B for the month of July, 20XX within the due date prescribed under Section 39 i.e., 20.08.20XX. Post filing of the return, the registered person has noticed during September 20XX that tax dues for the month of July, 20XX have been short paid for INR 40,000. M/s ABC Ltd., has paid the above shortfall of INR 40,000, through GSTR 3B of September 20XX, filed on 20.10.20XX [payment through Cash ledger - INR 30,000 and Credit ledger INR 10,000].

Examine the Interest payable under the CGST Act, 2017.

What would be your Solution if, GSTR 3B for the month of July 20XX has been filed belatedly on 20.10.20XX and the self-assessed tax of INR 40,000/- has been paid on 20.10.20XX [payment through electronic cash ledger - INR 30,000 and electronic credit ledger INR 10,000]

Notes:

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.20XX for the above short fall

- No other supply has been made nor tax payable for the month of July, 20XX other than INR 40,000/- missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

Solution

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, M/s ABC Ltd., has defaulted in making the payment for INR 40,000 on self-assessment basis in the return for the month of July, 20XX. 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 M/s ABC Ltd., is as under:

Period of delay = 21st August, 20XX to 20th October, 20XX = 61 days

Hence, amount of interest = INR 40,000 x 18% x 61/365 = INR 1,203

Alternatively, if M/s ABC Ltd., have filed the return for the month of July, 20XX on 20.10.20XX, beyond the stipulated due date of 20.08.20XX and if the self-assessed tax for July, 20XX has been paid on 20.10.20XX, 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 20XX till 20th October 20XX = 61 days

Amount of Interest = INR 30,000 x 18% x 61/365 = INR 902

Concept Problem 4

Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner?

Solution

Every registered person, shall avail the input tax credit through a return filed u/s 39 of CGST Act, 2017. ITC availed shall be credited to electronic credit ledger u/s 41 of the CGST Act, 2017 on a provisional basis.

As per provisions contained in 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 unutilized amount.

Concept Problem 5

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 account and 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.

Solution

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/ UTGS 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 suo-moto on the common portal from “interest” to “tax” head and tax liability be paid.

Concept Problem 6

PPC Ltd., has availed Input Tax credit for 54,000/- IGST during February 20XX on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is 45,000/- as per the bill received. GSTR 1 uploaded by the supplier for the above supply indicates 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of PPC Ltd., on the common portal?

Solution

PPC Ltd., have accounted and paid 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for 54,000/-.

As per section 49(2) of CGST Act, 2017 “The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41.”

Accordingly, electronic credit ledger of PPC Ltd., shall be updated with a value of 54,000/- as per self- assessed return to be filed for February 20XX, though the input tax credit shown by the supplier is only for 45,000/-.

Concept Problem 7

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, 20XX within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 20XX, which have been finalised during May 20XX. 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.

Solution

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 IGST 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 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.

Concept Problem 8

How many types of electronic ledger/register are there?

Solution

- Electronic cash ledger
- Electronic credit ledger
- Electronic liability register

Concept Problem 9

What are the main features of GST payment process?

Solution

This Question Bank is meant for Nov 2022 exams and must be read with our Lectures (Regular or Fast Track) as many additional concepts are covered in class. We do lots of written practice in class & Kishan Sir personally evaluates grand Mock Test. Must cover GST Chalisa Handwritten Notes as well.

The main features of GST payment process are as follows:-

- i) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- ii) Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- iii) Convenience of making payment online;
- iv) Realtime data for tax collection in electronic format;
- v) Faster remittance of tax revenue to the Government Account;
- vi) Paperless transactions;
- vii) Speedy Accounting and reporting;
- viii) Electronic reconciliation of all receipts;
- ix) Simplified procedure for banks;
- x) Warehousing of Digital Challan.

Concept Problem 10

Are principles of unjust enrichment applicable for payment made under GST?

Solution

Yes, as per Section 49(9) of the CGST Act, 2017 every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

Concept Problem 11

State the name of output tax under GST, where any of the input tax credit under GST can be availed?

Solution

IGST, CGST, SGST, UTGST i.e. all input tax credit can be availed against output tax liability known as IGST.

Concept Problem 12

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 20XX 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:

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

Solution

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:-

- a. Internet Banking through authorised banks;
- b. Credit card or Debit card through the authorised bank;
- c. National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or

- d. Over the Counter payment through authorised 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.

- i) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- ii) Challan is valid for a period of 15 days.
- iii) 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.

Concept Problem 13

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 INR 13,500. Out of the total bills paid by her, one bill for INR 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 INR 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.

Solution

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.

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 INR 2,700 on security service through electronic cash ledger.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 14 [RTP May 2020]

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?

Solution

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: -

- i) self -assessed tax and other dues for the previous tax periods have to be discharged first;
- ii) the self -assessed tax and other dues for the current period have to be discharged next;
- iii) 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.