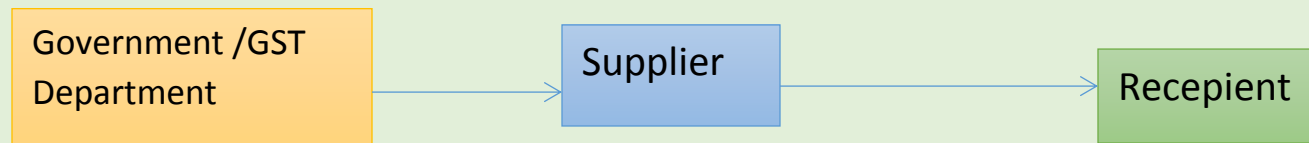


Treatment of Interest at various places under GST



Role of Interest between Supplier and Recipient		
Types of interest	Type : 1 Interest on Loan/ Advance/ Deposits (But Not Credit Card Charges)	Type 2: Interest on Delayed / deferred Consideration
Goods and Services	It is a Supply of Service. For Example Mr. X extending deposits to bank and bank pays interest on it. Then supplier is Mr. X and Recipient is Bank	Any Interest/ Late fee/ Penalty for delayed payment or deferred payment. Such Interest will take the color of main supply i.e. if main supply is a supply of goods then interest will also be treated supply of goods and same for the supply of service.
Supply	It is a supply because- <ul style="list-style-type: none"> - it involves in an activity which is “deposit with bank” - It is in the course or furtherance of business and - Consideration is interest. 	Depend upon the main transaction if main transaction is supply then interest will also be treated as supply.
Place of Supply	Section 12 (2),(12) or Section 13(2),(8) of IGST as the case may be.	Depend upon the Main supply
Taxable Person	<p>*Aggregate turnover: will also include outward supply of Interest Service.</p> <p>*Applicable Limit: Where Goods and interest Services both are supplied from the states other than 10 specified states then Limit of Rs. 40 Lakh will be Applicable other-wise limit of Rs 20 lakh will be applicable.</p>	<p>*Aggregate turnover: will also include outward supply of Interest Service.</p> <p>*Applicable Limit: 10 /20/40 lakh as the case may be to be decided as per main supply. [Interest is not classified independently, it is a part of main supply]</p>
Exemption	Interest on Loan/ Advance/ Deposits exempted from GST.	Interest will be taxable or exempted it depends upon the treatment of Main Supply.
Computation	<p>Regular Scheme: The Interest will be excluded i.e. No GST on It.</p> <p>Composition Scheme:</p> <p>*The Interest amount will not be included in any calculation.</p> <p>*A person dealing in Interest & Supply of</p>	<p>Regular Scheme: Where Main Supply is taxable then interest would be taxable but interest will always be considered as inclusive of GST.</p> <p>Composition Scheme: Includible in Turnover and liable to Applicable</p>

	goods is also eligible for Goods Focused Composition Scheme.	Rate of GST in Composition Scheme.
NCM/RCM	Not applicable as interest is not liable to GST	Depend upon the main supply
Time of Supply	Not applicable as interest is not liable to GST	Time of supply will be the date of actual payment of such interest.
Invoice	Bill of supply is issued due to exempted supply of service.	Main invoice was issued for main supply and for interest a debit note (Supplementary invoice) is to be issued.
Manner of Payment of GST	NO GST on it, so no question of payment.	GST to be paid normally based on time of supply
ITC	For ITC Purpose this interest shall be treated as non-exempted service and no reversal of proportionate ITC shall be there. However for banking sector it will remain be exempted supply.	Allowance of ITC regarding interest will depend upon allowance of ITC on main supply.

Role of Interest Between Taxable Person and GST Department

Basis	In Case of Demand			In Case of Refund		
Causes of Interest	*Delayed payment of output tax, Input tax under RCM, TDS, TCS *Interest on "Amount in Excess of Tax"	*ITC wrongly availed or otherwise became ineligible or *Wrongly distributed by ISD to recipient units.	In case of Provisional Assessment	Refund Amount get delayed	Refund of Pre-deposit Amount	Refund in case of provisional Assessment
Period Of Interest	From the due date till the date of payment	Generally From the date of availment to the date of payment	From the due date till the date of payment	From 61 st day of filling application till the date of payment	From the date of Deposit till the date of Payment	From 61 st day of finalization till the date of refund.
Rate	18%, 24%	18%, 24%	18%	6%, 9%	6%	6%
Value for Interest	Gross value, Net value as the case may be u/s 50.	Gross value	Differential Amount	Gross Amount+ Interest (if Any)	Pre-Deposit amount	Differential Amount

Some Other Points Related to treatment of interest between Taxable Person and GST Department**1. IGST Chapter**

- Interest on IGST will also be apportioned between CG & SG/UT.
- No Interest will be payable where tax deposited due to Intra/ Inter Confusion.

2. Demand/ Recovery Chapter:

- Interest will be payable even it is not mentioned in order
- Proceedings can be initiated only for interest also.
- Where amount of tax modified in appeal then interest will also calculated on modified value.

3. Appeal Chapter

- **Pre Deposit:**

Admitted Liability :- Tax + Interest + Penalty

Disputed Liability:- 10% of Tax only (Not of Interest and Penalty)

4. Penalty Chapter

- For release of goods Interest is not required to be paid.
- Only payment of Penalty is sufficient to release the goods.

5. Misc. Chapter

- Interest will be rounded off to Rs.1