Interest rates under GST

As per Notification No.13/2017 – Central Tax dated 28th June 2017; the following interest rates have been notified for different cases under GST.

Interest on Late payment of GST @ 18%:

As per section 50 (1), when the supplier fails to deposit the GST liability either fully or partially within due date should pay interest @ 18% on the unpaid amount.

Interest on undue or excess claim of ITC @ 24%:

As per section 50 (3), when the recipient claims undue or excess claim of ITC and reduces his tax liability, interest @ 24% is to be paid on such undue or excess claim of ITC.

The recipient cannot claim ITC that is not uploaded in the return by the supplier within the prescribed time. So it is necessary to rectify the errors or omissions in Invoice or Debit Note, made by the supplier, within the prescribed time to claim the ITC.

Interest on undue or excess reduction in Output tax liability @ 24%:

As per section 50 (3), when the supplier reduces undue or excess output tax liability, interest @ 24% is to be paid on such undue or excess reduction of tax.

The supplier cannot reduce the output tax liability for any sales return by the recipient unless such recipient uploads the credit note, within the prescribed time.

Interest on Refund by the Department @ 6%:

As per section 54 (12), when the refund by any order is the subject matter of any appeal or further proceedings or any other proceedings which are pending, the Commissioner may withhold the refund if he is of opinion that the refund may affect the revenue.

Interest @ 6% will be given to the taxable person on such refund which is withheld based on the above, if the result of the appeal or further proceedings causes the refund.

Interest on Delayed Refunds @ 6%:

As per section 56, Interest @ 6% will be given on the refund, claimed by any person of any tax or interest or any other amount, if the same is not paid within 60 days from the date of application for such refund by the applicant. Interest will be payable from the date immediately after expiry of the 60 days from the date of application for refund. The application for the same may be made within two years.

Interest on Delayed Refunds @ 9%:

As per proviso to section 56, when the refund arises from an order by the authority or court and when the same is not paid within 60 days from the date of receipt of application filed after that order, interest @ 6% will be given from the date immediately after the expiry of the said 60 days.

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