

# **PAYMENTS & REFUNDS UNDER GST**

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# Introduction

- payment of tax, interest, penalty, fee and other amounts.
- levy of interest on delayed payment of tax.
- Tax Deduction at Source(TDS).
- **Tax Collected at Source (TCS)**
- **Transfer of Input Tax Credit (ITC)**

# Modes of Payment under GST

- i. Through **internet banking** including by using Credit card (CC) /Debit cards (DC)
  - ii. Over The Counter-**OTC** Payment (Limit to be fixed)
  - iii. Through National Electronic Fund Transfer (**NEFT**) / Real Time Gross Settlement (**RTGS**).
- The **date of credit** to the account of the appropriate Government shall be deemed to be the **date of deposit** in the electronic cash ledger.

# **Taxpayer wise Electronic Ledgers**

- i. Electronic Liability register:
- ii. Electronic credit ledger:
- iii. Electronic cash ledger:

# Taxpayer wise Electronic Ledgers contd.

- Details in these ledgers will get auto populated from the returns filed.
- Both the **ITC ledgers and the cash ledger** will be utilized by the taxpayer **for discharging the tax liabilities** of the returns and others liabilities arising out of Demand / Appeal Orders.
- These ledgers would be **updated in real time** on an activity / action by the taxpayer in connection with these ledgers.
- **Balance**, if any, in the cash or credit ledgers **may be refunded** in accordance with the provisions of section 54 and the amount collected as CGST/SGST shall stand reduced to that extent.

# Rules for Utilization of Amount in Electronic Ledger

- Amount available in the electronic cash ledger under respective minor head may be used for making any payment towards:
  - tax,
  - interest,
  - penalty,
  - Fees, or
  - any other amount payable.
- Amount available in the electronic credit ledger may be used for making any payment towards:
  - **OUTPUT** tax. (NEW ADDITION IN THE FINAL LAW)

# ITC Utilization Rules

**ITC Utilization shall be made in the following order:**

- **Section 49 (5) (a)**

1. IGST credit to set-off IGST liability.
2. IGST credit, if available, to set-off CGST liability, if any.
3. IGST credit, if available, to set-off SGST liability, if any.

**Section 49 (5) (b) in CGST Act**

4. CGST credit to set-off CGST liability.
5. CGST credit, if available, to set-off IGST liability, if any.

**Section 49 (5) (c) in SGST/UTGST Act**

6. SGST/UTGST credit to set-off SGST/UTGST liability.
7. SGST/UTGST credit, if available to set-off IGST liability, if any.

**Section 49 (e & f):** No cross utilization of credit between CGST &

# Rules for Discharging Liability

- **Rules shall be applicable, in the following order for discharging liability of tax & other dues**
  1. self-assessed tax, and other dues related to returns of **previous tax periods**.
  2. self-assessed tax, and other dues related to return of **current tax period**.
  3. **any other amount** payable under the Act or the rules made thereunder including the demand determined under section 73 or 74 (assessment/adjudication order).
- Person who has paid the tax shall (unless the contrary is proved) **be deemed to have passed on the full incidence** of such tax to the recipient.



# Interest on Delayed Payment of Tax

- Interest shall be payable at a **specified rate** in case where a person, who fails to pay the tax or any part thereof for the period for which the tax or any part thereof remains unpaid.
- Interest shall be calculated **from the first day** such tax was due to be paid.
- Interest at the prescribed rate (**higher rate not exceeding 18%**) shall be payable in case where taxable person makes an **undue or excess claim of ITC** under section 42(10) or undue or excess reduction in output tax liability under 43(10) on such undue or excess claim.
  - Rules to be provided for calculation of period & manner.

# Provisions of TDS

- **When applicable:**
  - Total value of supply under a contract exceeds [Rs. 2.5 lakh] (excluding tax).
- **Who shall be the deductor?**
  - i. The Central / State Government department,
  - ii. Local authority, or
  - iii. Governmental agencies, or
  - iv. Persons / category of persons as may be notified.
- **Rate of TDS:**
  - 1% from the payment made or credited to the supplier.
- **Proviso:- No such deduction to be made if location of supplier and place of supply different from the place of registration of recipient.**

# Provisions of TDS....cont.

- **Time-limit for Payment:**
  - **Within 10 days** after the end of the month in which such deduction is made.
- **Certificate to the deductee:**
  - Deductor is required to furnish to the deductee a **certificate** mentioning therein:
    - i. the contract value,
    - ii. rate of deduction,
    - iii. amount deducted,
    - iv. amount paid to the appropriate Government and
    - v. such particulars as may be prescribed in this behalf.

# Provisions of TDS....contd.

- Time limit to furnish such certificate & penalty thereof:
  - within 5 days of crediting the amount to the appropriate Government.
  - If failed to furnish, he shall be liable to pay a late fee, a sum of **Rs. 100 / day** from the day after the expiry of 5 day period until the failure is rectified.
  - Amount of fee payable shall **not exceed Rs. 5,000/-**.

# Provisions of TDS....contd

- **Claiming credit of TDS:**
  - Amount of TDS to be reflected in return of deductor.
  - Deductee shall claim credit, in his electronic cash ledger, of the amount of TDS.
- **Interest liability on deductor:**
  - If any deductor fails to pay amount of TDS, he shall be liable to pay:
    - ✓ Interest in accordance with the provisions of section 45 and
    - ✓ The amount of tax deducted.

# Provisions of TDS....contd.

- **Determination of Liability under this Section:**
  - To be made in terms of Section 73 & 74
- **Refund on account of TDS:**
  - The refund to the deductor or the deductee arising on account of excess or erroneous deduction shall be dealt with in accordance with the provisions of section 54:
  - Provided that no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee

# Provisions of TCS

- **When applicable:**
  - Supplies made thorough E-Commerce Operator not being an agent where consideration with respect to such supplies is to be collected by the operator.
- **Who shall Collect the Tax (TCS)?**
  - E Commerce Operator
- **On What?**
  - On the net value of taxable supplies of goods and services supplied through it
- **Rate of TCS:**
  - At such rate not exceeding 1% as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it where consideration is to be collected by the operator

Mr. Vinay Dua is a trader who sells his ready-made clothes online on Amazon India. He receives an order for Rs 10, 000 inclusive of tax and commission. Amazon charges a commission of Rs 200. Amazon would, therefore, need to deduct 1% tax (TCS) on the amount, including the money paid as commission (Rs. 200) and GST ( Rs. 1800 when GST @18%). Amazon would thus be deducting tax for Rs 100 (1% of Rs. 10000).



# Provisions of TCS...cont

- **Time-limit for Payment:**
  - **Within 10 days** after the end of the month in which such deduction is made.
- Monthly & Annual Statement to be furnished by the E Commerce Operator
- If discrepancies noticed after furnishing returns (other than on account of scrutiny/audit etc), he shall rectify the mistake in the returns for the month during which such omission was noticed. ( Section 52 (6). However no such rectification after returns for the month of September following the Financial Year is filed.
- Credit to be claimed by the supplier in cash ledger

# Transitional Provisions w.r.t. Payment of Tax

- If any amount becomes **recoverable as a result of appeal, revision, review or reference**, the same shall be recoverable as an arrears of tax under this Act .
- In pursuance of an **assessment or adjudication proceedings instituted, before or after implementation of GST**, under earlier law, any amount becomes recoverable from taxable person, the same shall be recoverable as an arrears of tax under this Act.
- **Any return** furnished under the earlier law is **revised** and in pursuance of such revision, any amount becomes recoverable from taxable person, the same shall be recoverable as an arrears of tax under this Act.

**Amount recovered as arrears of Revenue as above will not be admissible as Input Tax Credit**

# GST REFUNDS

Refunds in GST can be claimed in the following scenarios :

- Excess balance in Electronic Cash Ledger
- On Account of Export of Services - With Payment of Tax
- On Account of Supplies made to SEZ Unit/ SEZ Developer (With Payment of Tax)
- Exports of Goods / Services - Without Payment of Tax, i.e., ITC Accumulated)

- ITC Accumulated due to Inverted Tax Structure
- On account of Supplies made to SEZ Unit/ SEZ Developer (Without Payment of Tax)
- On account of Refund due to Deemed Export
- On account of Assessment /Provisional Assessment / Appeal
- Excess payment of tax
- Any other reason

# Refunds cannot be claimed in the following scenarios

1. No Refund of Unutilized ITC is allowed in cases where the Goods are exported out of India are subjected to [Export Duty](#). ( Section54(3)).
2. No refund of ITC is allowed if the supplier of the Goods or Services or both [avails of drawback or refund of IGST paid](#) on such supplies.
3. No refund on [closing stocks](#) ( accumulated ITC on account of relatively low volume of output supplies to in-ward supplies)

# Scrutiny of Refund Application

- Verify Whether the refund application in RFD-01 A is filed on Common Portal
- Relevant Debit Entry is made in the Electric Credit Ledger/ Cash Ledger
- Verify Whether the outward sales are reported in GSTR3B and GSTR1 return of the relevant period (R1 vs 3B)
- Whether any input credit is claimed for the goods mentioned in Section 17(5)

- In case the refund is due to inverted tax structure, verify whether the statement 1 is submitted or not ( refund Calculation Statement)
- Ensure that the statement in 1A is submitted which contains invoice wise details ( Rule 89(2)h))
- Ensure that statement 3 ( invoice details ) & 3A ( Calculation of Refund amount) are filed in case of Exports without payment of Tax
- In case of refund due to supplies made to SEZ unit or developer with payment of tax, statement 4 and in case of without payment of tax statement 5A have to be filed by the Refund applicant.

# Examination of certain issues while verifying Refund of ITC

- Verify whether the relevant invoices on which the ITC claimed by the refund applicant are reported and the corresponding tax is paid by the supplier (2A vs 3B)
- Verification of GSTR 2A of the refund applicant with reference to the GSTR 3B of the supplier for the corresponding period
- Verify the e-way bill details relating to the invoices issued by the supplier on which ITC is claimed



# Refund of TDS Amounts

- While sanctioning refunds of TDS amounts due to excess balance in cash ledger, verify whether the refund applicant has filed all the returns and discharged the liability accordingly up to the date of the refund application (Refund period is not applicable to the refund reason of excess balance in cash ledger)
- A circular dated 25.06.2019 has been issued wherein it was instructed to conduct scrutiny of the refund sanction orders and conduct audit based on the result of the scrutiny
- It was instructed to audit all the refund applicants relating to refund sanction orders of TDS amounts.

## QUICK EVALUATION

- M/s. ABC TRADERS SGST liability of Rs.5 Lakhs set off with CGST ITC. Is it Correct or Not.
- The purchases of M/s. CRI PUMPS reflects in his GSTR-1 Return (True/False)
- The M/s. INDIA CEMENTS LTD., want to pay Rs.15 Lakhs over the counter. Is it permissible under GST Act? (Yes / No).
- M/s. GSK INFRASTRUCTURE paid a tax of Rs.35 Lakhs through NEFT on 01.02.2020 which was realised on 03.02.2020. Which is the date of deposit in the Electronic Cash Ledger?

- While discharging the liability, the registered Tax Payer has to discharge his liability of payment determined under Section 73 or 74 on top priority. (True / False)
- TDS rate is @2% under both SGST and CGST. (True / False)
- No refund is available on Closing Stocks. (True / False)
- Inverted Duty Structure Means: Lower rate of Tax on Inputs and Higher rate of tax on outputs. (True / False)
- CIN stands for?
- CPIN remains valid for a period of 20 days. (True / False)



TIME FOR CHANGE

*Thank you*