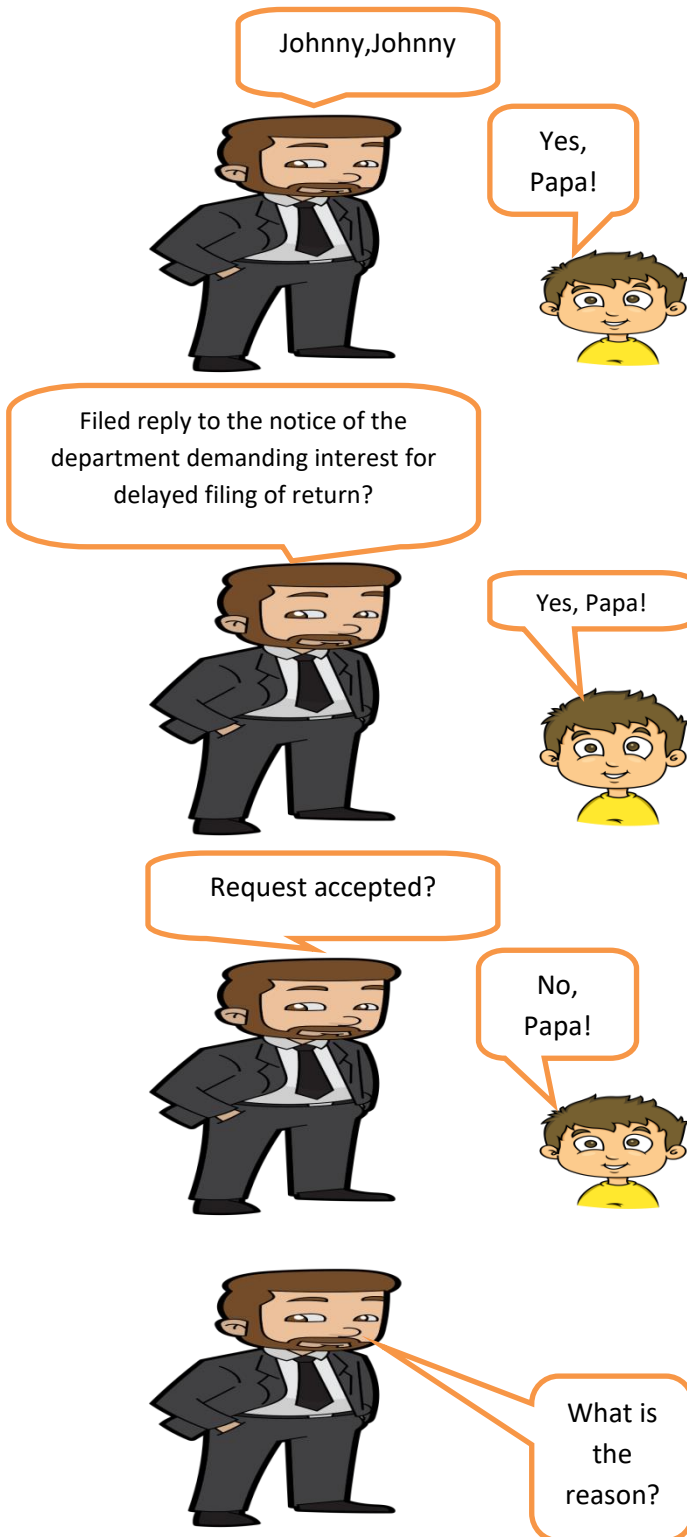


GST and JHONNY- UPDATE No.2



This Papa:-

The department is asking assesseees to pay interest on the gross liability on account of delay in filing return by them without considering the amount of input tax credit available with the assessee. The payment of interest on net tax liability is logical also as the real loss to the government exchequer is of the tax liability to be paid in cash by the assessee. But, department dispute the payment of interest on net tax liability.

However, there have been contrary decisions by High Courts on computation of interest liability on Gross amount or Net amount of tax liability. The Hon'ble Telangana High Court in the case of **Megha Engineering & Infrastructures Ltd.** has held that interest should be computed on gross tax liability without considering input tax credit available with assessee. But, Hon'ble Delhi High Court in case of **Landmark Lifestyle** has granted stay on levy of interest on gross amount. It is worth noting that section 50 has been amended so as to compute interest on net tax liability vide Finance Act, 2019 but the amendment has not been implemented till date.

This dispute regarding computation of interest will continue until retrospective amendment is made in section 50 of the CGST Act, 2017.

CA Pradeep Jain