

INTRODUCTION TO GST

PAYMENT OF TAXES-PART 1

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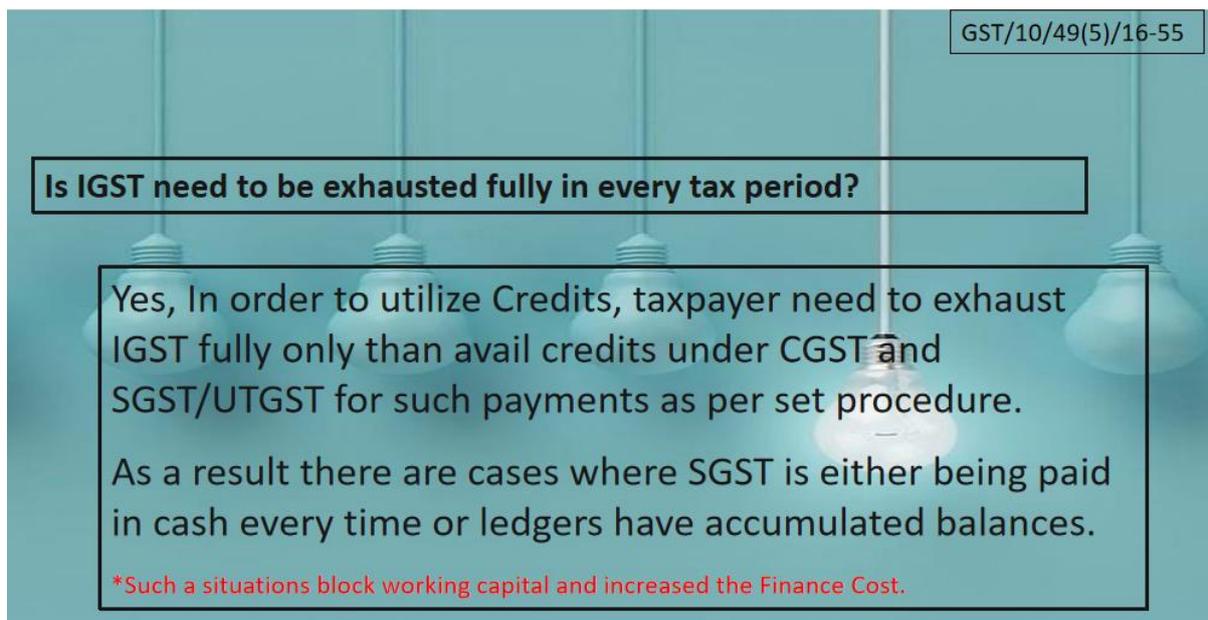
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So, friends as I mentioned you that we have set procedure for payment of taxes under GST, maybe through ITC utilization or maybe by cash.



GST/10/49(5)/16-55

Is IGST need to be exhausted fully in every tax period?

Yes, In order to utilize Credits, taxpayer need to exhaust IGST fully only than avail credits under CGST and SGST/UTGST for such payments as per set procedure.

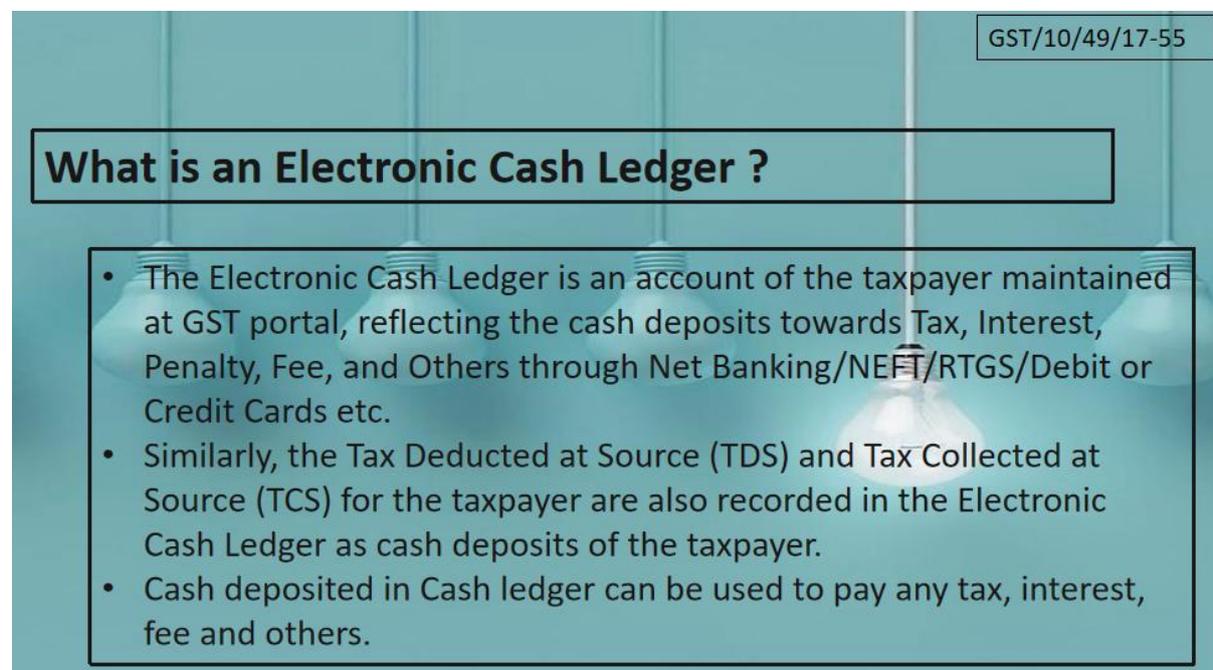
As a result there are cases where SGST is either being paid in cash every time or ledgers have accumulated balances.

**Such a situations block working capital and increased the Finance Cost.*

So, another question under the law is, if GST (means IGST) need to be exhausted fully for payment of taxes? Initially during the year 2017-18, 2018-19 this procedure was not there but later on this was introduced and it says that, “in order to utilize credits” (means IGST credit, CGST credit and SGST credit) taxpayer need to exhaust IGST fully. Means if you have IGST of 1000 rupees, (IGST credit I am talking about you have in your electronic credit ledger in IGST segment or IGST account 1000 rupees there) and for that particular month if your IGST liability is of 200 rupees only, so you have 800 rupees in excess, here in IGST.

Then CGST: If you have a liability of rupees 500 and state GST liability is again 500. Then law says if this is the situation, here after meeting your IGST liability of 200 rupees first use this amount for payment of CGST. So here when you are using this 1000 rupees, 800 rupees IGST to for the payment of CGST, again you have balance of 300 rupees in your IGST account in electronic credit ledger. Then this 300 should be used for payment of this SGST. So here you have paid CGST fully from IGST. So, matter is over. Here 300 is used from IGST for the payment of state GST, but here 200 is still to be paid. Liability is still to pay 200 rupees because my actual liability is 500 rupees and IGST is giving me only 300 rupees.

So, here if in state GST (electronic credit ledger), I have 500 rupees with me, I will pay this 200 rupees from this 500 rupees. So here the balance will be 300 rupees. So, first we have to exhaust IGST fully and after that if there is liability under respective CGST or state GST, we need to pay further. So, it has its own implications. When you will actually go through this transaction, you will work out, you can make out what are the problems in this existing system of first fully used IGST. Now friends come to electronic cash ledger. Till now whatever we have discussed it was regarding electronic credit ledger; how transactions are depicted or undertaken.



GST/10/49/17-55

What is an Electronic Cash Ledger ?

- The Electronic Cash Ledger is an account of the taxpayer maintained at GST portal, reflecting the cash deposits towards Tax, Interest, Penalty, Fee, and Others through Net Banking/NEFT/RTGS/Debit or Credit Cards etc.
- Similarly, the Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) for the taxpayer are also recorded in the Electronic Cash Ledger as cash deposits of the taxpayer.
- Cash deposited in Cash ledger can be used to pay any tax, interest, fee and others.

Now electronic cash ledger. So, from where this cash comes to my electronic cash ledger? Electronic cash ledger is maintained at GST portal. Because in electronic credit ledger entry comes through my procurement or through my output liability or by refund application.

Electronic cash ledger, is an account of taxpayer (means the person who is registered person, who is taxpayer under GST), maintained at GST portal, reflecting cash deposit towards tax, interest, penalty, fee or others, through net banking, NEFT, RTGS. Means, how you will meet your liability when you don't have any ITC? The answer is by paying cash. Here 'by paying cash' means what? By paying cash means you have to pay either through net banking, NEFT, RTGS, debit or credit cards. By using these means, you can transfer cash from your own account to your electronic cash ledger maintained at GST portal against your registration number.

So, in each state, if you are operating in 7-8 states in the country, in each state you will be having your credit ledger or cash ledger for that particular GST number state wise. So, you can first deposit cash there and from that cash you will set off your liability on GST portal.

Apart from whatever amount you are depositing, through these means in GST portal, this cash ledger will also receive money if your TDS is deducted under GST. This TDS is not the TDS we talk about under income tax. It is separate TDS under GST. So, if in any case, in any transaction where you have supplied the goods, and (supplier is the person as defined under GST) has deducted TDS from your payment, that TDS amount which has been deducted by your buyer will be deposited by that buyer in government account and ultimately come to your cash ledger. So, any TDS or TCS, deducted by your buyer while releasing payment to you for supply of goods made by you; they will deduct TDS or TCS, will deposit it to the government at GST portal and from there it will come to your cash ledger. So, friends, whatever amount of cash is deposited by you, can be used for the payment of any type of tax under GST, any interest if there, any fee (means late fee or any other charges) you are supposed to pay under GST because of some or the other reasons, can be straight away paid through this cash ledger.

So, it is again a ledger like we have studied electronic credit ledger. Whatever amount you have deposited, suppose you have deposited one lakh rupees it will be credited to your electronic cash ledger on GST portal. And again, this cash ledger will be maintained IGST wise, CGST wise and state GST wise. Separate three ledgers will be maintained. So, you have to deposit separately in all these accounts. Whenever you have any liability, if there is a liability for IGST, you have to deposit cash in electronic cash ledger IGST. If you have liability for CGST or state GST, you have to deposit cash in electronic cash ledger of CGST, electronic cash ledger of state GST; from there your payment will be set off. So, if you have deposited one lakh rupees cash, out of this one lakh rupees 50,000 was for IGST 25,000 was for state GST and 25,000 for

central GST. So, 3 amounts in 3 ledgers will be credited. Total amount was one lakh rupees. So, accordingly, when you will pay the tax, if it is IGST liability, or CGST liability, or state GST liability, it will be debited accordingly and under the appropriate head. So, if in particular case, where you have deposited 50,000 rupees cash in your IGST account, suppose your liability was 30,000 rupees so remaining balance will be 20,000 rupees. In case of CGST, if liability was 20,000 rupees remaining balance will be 5,000 rupees and similarly in case of SGST, if liability was 20,000 rupees balance will be 5,000 rupees credit in your cash ledger. So, same way it is maintained because basic accounting is like this only. If you have some benefit, your balance will be credited, if you have liability, your balance will be debited.

In which form electronic cash ledger shall be maintained?

Electronic cash ledger shall be maintained in FORM GST PMT-05.

Just like electronic credit ledger, we have standard format that is GST PMT-05. Electronic credit ledger was maintained in the form of GST PMT-04 and cash ledger in GST PMT-05.

What is FORM GST PMT-06 and what is its use?

- It is basically a challan to use for payment of taxes in cash.
- Any person can generate a challan in FORM GST PMT-06 on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount.

Then what is GST PMT-06? It says it is basically a challan. So, friends, whenever we are supposed to deposit cash, we need some document because bank will, based on that challan, accept our money. So, whenever we are going to deposit cash with bank at GST portal, we will

raise a challan through GST portal only. We will mention there the amount we want to deposit separately for IGST, CGST and SGST or UTGST. So, in challan we will mention the amount we want to deposit and present that challan in physical form or through online system while paying tax through NEFT, net banking, like this and this challan is in form GST PMT-06, having a standard format prescribed under the law, and we have to use that. And this amount deposited will be used for the payment of tax, interest, penalty, fee or any other charges.

What is the Validity of FORM GST PMT-06 ?

- Yes, the challan generated in FORM GST PMT-06 shall be valid for a period of **fifteen days only**.
- It does not linked to due date of payments of taxes

Friends, is there any validity of PMT-06 challan? Yes. If we have generated this challan today, and if today is 10th of June 2024, it is valid for next 15 days. After 15 days, this challan will be closed, and you cannot use this challan for payment. So, you have to make it clear whenever you are generating challan, it must be used within 15 days. Otherwise, if it is expired, then new challan will be generated for the same amount or same tax period.

What are the modes through which cash can be deposited?

Cash can be deposited through any of the following modes, namely:-

- (i) Internet Banking through authorized banks;
- (ii) **Credit Card or Debit Card*** through the authorized bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment (OTCP) through authorized banks for deposits up to Rs.Ten thousand per challan per tax period, by cash, cheque or demand draft.

***not activated yet**

So, friends, I explained already to you that you can deposit cash in government account through your net banking, through your debit/credit cards, through your RTGS. These modes are

available and we can pay. This recently has been activated, so we can pay now through debit card or credit cards also. Sometimes it happens that the taxpayer is of such class that they want to pay or they are in a position to pay only through check at bank counter. Or in rural India, especially, where people are not aware of or are not used to RTGS, net banking and all, they can pay directly at bank counter by generating challan on GST portal, attaching to it their cheque, giving particulars of cheque in their challan. But in that case, condition is, it should be only up to Rs. 10,000. Beyond that, it is not permitted.

Is there any exempted category of persons on which restriction of cash of Rs 10,000/- in case of an Over the Counter payment not apply? (PART-1)

Yes,

- a) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;
- (b) Taxes to be recovered against outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;
- (c) Taxes to be recovered against for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad hoc deposit

Is there any exempted category of persons on which restriction of Rs 10,000/- in case of an Over the Counter payment not apply ? (PART-2)

- (d) a person supplying online information and database access or retrieval services (OIDAR) from a place outside India to a non-taxable online recipient, may also make the deposit through international money transfer through Society for Worldwide Inter bank Financial Telecommunication payment network, from the date to be notified by the Board.

So, apart from these cases, there are some other cases also where up to 10,000 rupees payment can be paid at bank counter through chalan and check and the cases are listed as it is.

Can payment be made in cash by an unregistered person also ?

Yes, Any payment required to be made by a person who is not registered under the Act, shall be made on the basis of a temporary identification number generated through the common portal.

So, whatever we have discussed we were talking about the person who is registered under GST and who is a taxable person under GST and they can pay through any mode which are been described under law. If there is any possibility that unregistered person who doesn't have any GST number because in GST not only taxable person but any other person also responsible for payment of tax if he found guilty or if he found to be fined or if it is found that he is liable to pay tax. So may or may not be having registration number. So, any third person is also liable for payments under GST. So, provision is there if any person who doesn't have any GST number (is not registered under GST) but his liability is there because of some or the other reasons, he can pay tax to the government in cash.

What is mandate form and its use ?

When the payment is made by way of NEFT or RTGS mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made & the mandate form shall be valid for a period of fifteen days from the date of generation of challan.

Now there is one concept 'mandate form'. What is mandate form in GST? Whenever payment is made by way of NEFT, RTGS from bank, (because whenever we want to have RTGS or NEFT, we have to approach bank only) only then in that 'form', name of the beneficiary, the

person who is making payment, etc, are given. So, we use this 'mandate form' and we instruct bank to pay this payment. Whenever you are paying cash to the government for payment of taxes or otherwise at GST portal, you need to generate challan.

What is Challan Identification Number (CIN)?

On successful credit of the amount to the concerned government account maintained in the authorised bank, a Challan Identification Number shall be generated by the collecting bank and the same shall be indicated in the challan. The said amount shall be credited to the electronic cash ledger of the person on whose behalf the deposit has been made.

When challan is generated, one challan identification number is also generated. This number will be accepted by bank because bank is also at par or online with you when you generated challan for specific or given bank or branch. That branch will be having access to this challan when you will present this challan for payment and they will cross check it. The validity of this challan as already discussed is of 15 days. This challan's identification number is a unique number which will be used for payment of cash in GST portal and will be credited to your electronic cash ledger maintained at GST portal against your GST number. So, whenever you will pay taxes, this account will be debited and whatever balance will be there (suppose on 31st March of any financial year when you are closing your books of accounts), so if there is any balance in this cash ledger it will be a under the category of current assets like bank balance.

Is it possible that CIN is not generated but amount debited from the bank account of the person ?

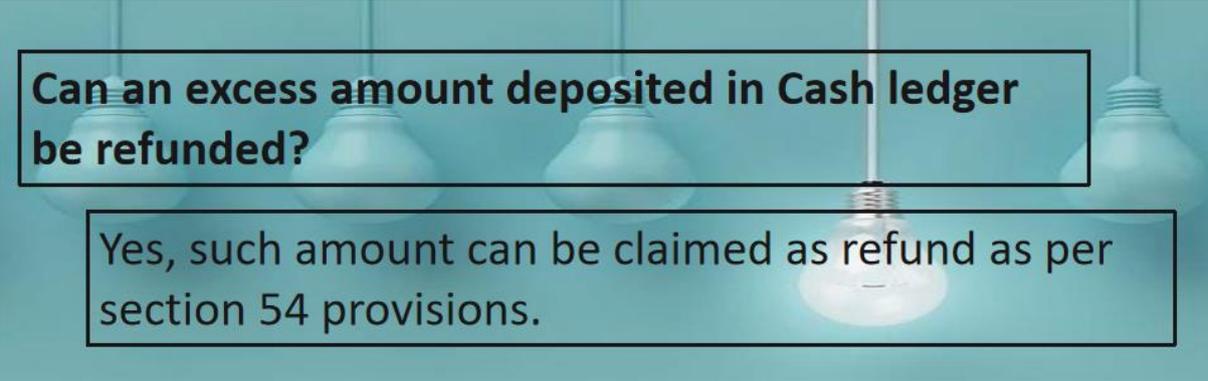
Yes, Where the bank account of the person concerned, or the person making the deposit on his behalf, is debited but no Challan Identification Number is generated or generated but not communicated to the common portal, the said person may represent electronically in FORM GST PMT-07 through the common portal to the bank or electronic gateway through which the deposit was initiated.

So, friends when we are having transactions online whenever we are making payments or doing so many transactions online there are technical glitches always and it happens in GST also. So, if such thing happens (it happens so many times when if we are paying fee to any particular organization or institution, that our account is debited but payment is not made or payment is made but not depicted in my account, such things happen here also). If that is the case, then there is a remedy also, where bank account or the person concerned means who is making payment to the GST portal or the to the government or person making deposit on his behalf means his agent is debited but no challenge is generated, then what? The said person may represent electronically. I told you that GST is totally on IT based tax structure, so whenever there is any issue, you have to go through GST portal only in a set mechanism. So, you need to file GST PMT-07 form mentioning the problem and accordingly, this problem will be addressed either by the department or by the bank.

Is there any other amount be reflected in Electronic cash ledger, Other than amount deposited towards interest, fee & penalty ?

Yes, amount deducted under section 51 (TDS) or collected under section 52 (TCS) and claimed by the registered taxable person from whom the said amount was deducted or, as the case may be, collected shall be credited to his electronic cash ledger.

So, I mentioned you earlier also from where balance comes to cash ledger. One is by generating chalan, by paying through cheque, by NEFT, by net banking, RTGS, like this. And apart from this, in cash ledger we also get payment if our TDS or TCS is deducted which happens in business and GST also. If you are a supplier and you sold goods worth rupees one lakh rupees to a government agency (because TDS and TCS under GST is applicable only where buyer is a government agency). Section 51 and 52 deals with the provision of TDS and TCS. So, if in GST any supplier supplies goods worth rupees 2.5 lakh rupees or more, against a single contract, then this government agency as defined in the section 51 and 52, they will deduct TDS before releasing payment to the supplier. So, this TDS amount will be reflected in your cash ledger. It will be reflected in your cash ledger and you can use this amount for payment of your taxes, because the TDS (advance tax) is deducted by your buyer and deposited to the government account and government has credited to your cash ledger. If you have deposited one lakh rupees in your cash ledger and you have five thousand rupees (another which is a TDS deducted by your buyer), so you have balance of one lakh five thousand rupees in your cash ledger and you can use it for your payment.



Can an excess amount deposited in Cash ledger be refunded?

Yes, such amount can be claimed as refund as per section 54 provisions.

So if there is any excess balance in your cash ledger, maybe for some or the other reasons, sometimes it happens that you have some apprehension or you have some expectations that you are going to get a big order this month and you have made a provision for that and you deposited cash because you don't have ITC (you are not having required amount of ITC) or sometimes because of department investigations or department search and seizures, it is forced to you to deposit cash because they have some apprehension that you have made evasion of taxes. Suppose, they force you or ask you to deposit 5 lakh rupees cash immediately because you are/you have violated the provisions of the law or you have wrongly availed ITC. And now ITC is not there in your electronic credit ledger, then department asks you to deposit 5 lakh rupees immediately and you have deposited it through generating challan. But later on when you challenge their order, when you challenge their interpretation and you win the case, the

amount which is lying there in cash ledger, you will get refunded. You have to apply for that and you will get it. So, yes, such amount can be claimed/refunded under section 54. Section 54 deals with reasons of refund under GST.

When to Credit the electronic cash ledger ?

If the refund so claimed is rejected, either fully or partly, the amount debited earlier, to the extent of rejection, shall be credited to the electronic cash ledger by the proper officer by an order made in FORM GST PMT-03.

Just like electronic credit ledger, we also have credit in cash ledger. When we have credit balance in cash ledger, only then we can pay taxes. So, at what point of time our electronic cash ledger will be credited? Different reasons are there. One reason is that I have deposited challan, so this ledger is credited. Or when I applied for refund as told you in previous slide, like electronic credit ledger, if in cash ledger I have 1 lakh rupees, I have applied for refund of 1 lakh rupees because I have paid excess amount, the moment I will file my application of refund, this amount of 1 lakh rupees will be debited to my cash ledger. So, balance will be nil. Now, this refund is rejected by the department. i.e. for some or the other reasons, my application may be faulty or may be time barred (I failed to apply within prescribed time). This credit balance which was debited, the balance is now nil. This will again be recredited. So, I will be having one lakh rupees credit, i.e. it can be recredited.

What is FORM PMT -04 ?

A registered person shall, upon noticing any discrepancy in his electronic cash ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT-04 .

What is form PMT 04? There are different types of forms for different types of purposes. Whenever you are approaching government, whenever you are applying for anything on GST portal, you need to have online form. You have to fill form and then your application will be processed. That is the mechanism under GST, at GST portal for different purposes. It says a registered person shall upon noticing any discrepancy (as we studied in electronic credit ledger here also if you have any discrepancy) in your cash ledger, you will have to approach the authorities and you have to file application under PMT-04. It happens in normal circumstances that there may be some discrepancy in your cash ledger also. Sometimes it happens that your buyer has credited your TDS, but it is not reflected in your cash ledger or it is credited twice. In such cases, you are supposed to approach authorities, apply in form PMT 04 for the corrections. Because, if at any point of time you avail or utilize wrong balance, wrong credit, it will be subject to interest at the rate of 18% and fine and penalty can also be imposed.

Can amount deposited in cash in one account be transferred to other account heads if so how?

FORM GST PMT -09 deals with Transfer of amount from one account head to another in electronic cash ledger.
Form GST PMT-09 enables any registered or unregistered taxpayer to perform intra-head or inter-head transfer of amount as available in Electronic Cash Ledger. Thus, if amount wrongly deposited or otherwise in ECL, a registered or unregistered taxpayer can now file Form GST PMT-09 for transfer of any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the Electronic Cash Ledger.

If a person is operating in six-seven states, he has six-seven GST numbers state-wise. So similarly, he has state-wise electronic credit ledger, state-wise electronic cash ledger, state-wise electronic liability ledger, i.e. for each state business, he will be having such ledgers at GST portal. If a company A is operating in Madhya Pradesh, also in Rajasthan, also in Maharashtra, also in Karnataka, it will be having electronic credit ledger, electronic cash ledger in each of these states. So, in a given case, suppose, in Madhya Pradesh, company has deposited 1 lakh rupees cash in the month of January because they were expecting some big sale orders and that there will be a tax liability, so they deposited 1 lakh rupees there to meet the tax liability. But for some other reasons, they could not get these orders. And now this 1 lakh rupee is lying in Madhya Pradesh in their cash ledger. And in near future they are not expecting such other

orders. So, this amount is blocked there in cash ledger in Madhya Pradesh because either they have to go for refund which may take further time or otherwise it will be lying there in your cash ledger. So, law made a provision later on (earlier it was not there) in this regard.

It says form GST PMT-09 deals with transfer of amount from one account head to another electronic cash ledger. Form GST PMT-09 enables any registered person or unregistered taxpayer to perform intra head or inter head transfer of amount as available in electronic cash ledger. Meaning thereby, if amount wrongly deposited, otherwise in electronic cash ledger, a registered or unregistered person can now file PMT-09 for transfer of any amount of tax, interest, penalty, fee, others under one major/minor head to another major/minor head as available.

So, amount can be transferred. So, if this 1 lakh rupees was deposited in IGST account, it can be shifted to CGST or SGST. Even if it is not to be used in Madhya Pradesh, amount can be transferred to Rajasthan also, provided you don't have any liability in Madhya Pradesh of tax. Because all these GST numbers are under one PAN number. PAN number of a company as a whole is 1 across India. GST numbers are different state wise. They are state wise. So, this amount can be transferred from IGST to CGST, SGST or can be transferred to Rajasthan, other states in same head or other heads. Provided you don't have any liability in Madhya Pradesh.