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Understanding the Payment Process Under GST

NEW DELHI, May 22, 2017 /PRNewswire/ --

"Goods and Services Tax will not only create a unified network of all the entities involved in a taxable supply chain, but it is also expected to digitize business in India to a great extent. It is going to change how India does business today," said Manoj Yadav, Director-Indirect Tax at Neeraj Bhagat & Co., Chartered Accountants.

Companies have recently witnessed various initiatives by the government towards digitization of the economy. One major step toward digitization of economy is the introduction of compliance procedures under Goods and Services Tax, completely on a digital and online platform.

Goods and Services Tax Network (GSTN) has been setup with the objective of providing IT infrastructure for GST implementation in India.

Accordingly, provisions have been made in GST law which requires filing of all returns under GST through GST Portal only. On similar lines, it will become mandatory to make payments in excess of Rs. 10,000 through online mode. The government is also planning to enable payment of GST liability by way of Debit and Credit Card.

It will not be surprising to see Aadhar cards or mobile wallets such as BHIM being used for digital payment of tax liability under GST regime.

Government have brought forward some of the key provisions as contained under Model GST law for making payment of taxes.

Electronic Tax Liability Register

Under GST law, every registered taxable person is required to maintain an electronic tax liability register in the prescribed **FORM GST PMT-1** on GST portal in electronic format. All amount payable under GST will be debited from this register.

Following are some of the payments that can be debited from the Electronic Tax Liability Register of a registered taxable person under GST regime:

- The amount payable towards tax, interest, late fee or any other amount payable as per the return filed by any taxable person;
- The amount of tax, interest, penalty or any other amount payable as determined by an officer of the GST law on registered taxable person;
- Any amount of tax and interest payable as a result of mismatch under GST law;
- Any amount of interest that may be required to be paid under the GST law.

Accounting Treatment

Model GST law requires that any of the above-mentioned payment has to be made by way of debiting the Electronic Credit Ledger or Electronic Cash Ledger and crediting the Electronic Tax Liability register.

Read more on Payments under Goods and Service Tax.

Electronic Credit Ledger

Every registered taxable person is required to maintain Electronic Credit Ledger in **FORM GST PMT-2** on GST portal. Every claim of Input Tax Credit under GST law will be credited in this ledger only.

Some of the other associated provisions are:

- Electronic Credit Ledger can be debited to the extent of discharge of the liability of GST.
- A Registered taxable person is allowed to debit an amount equivalent to the unutilized amount from electronic credit ledger as a refund of tax.
- In case any refund claimed previously has been rejected by the officer empowered in GST, Electronic Credit Ledger shall be re-credited to the extent of such amount which has been rejected. This order has to be made in **FORM GST PMT-2A**.

Electronic Cash Ledger

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Electronic Cash Ledger is another account that every registered taxable person under GST law is required to maintain on GST common portal. This form is required to be maintained in **Form GST PMT-3** for crediting the amount deposited and debiting the payment therefrom toward tax, interest, penalty fee or any other amount.

In simple words, any amount which is outstanding in Electronic Tax Liability Register even after adjusting the amount lying in Electronic Credit Ledger, such excess amount is required to be deposited in Electronic Cash Ledger and be adjusted thereof.

Every registered taxable person is required to generate challan in **FORM GST PMT-4** on GST portal and enter the details of the amount to be deposited by him toward tax, interest, penalty, fees or any other amount

This deposit can be made by way of following modes:

- Internet Banking through authorized banks
- Credit Card or Debit Card after registering it on GST common portal through the authorized bank
- National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) from any bank
- Over the counter payment (OTC) through authorized banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

It is important to note that payment by way of cash or cheque or demand draft has been limited to the amount of Rs. 10,000 in a tax period for a registered person.

Also, the challan in **FORM GST PMT-4** generated at the common portal shall be valid for a period of **15 days**.

Also, all these entries will correspond to a system generated unique identification number for easy reference.

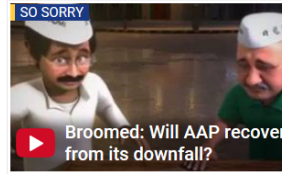
Identification number for each transaction:

- Unique Identification Number ('UIN') to be generated for each debit or credit to the electronic cash or credit ledger;
- UIN relating to discharge of any liability shall be indicated in the corresponding entry in the electronic tax liability register;
- UIN is to be generated for each credit in the electronic tax liability register.





About the Author:

Manoj Yadav is Director - Indirect Taxation with Neeraj Bhagat & Co., an Indian Chartered Accountancy firm serving various MNC's from across the globe. Neeraj Bhagat & Co. has its offices at New Delhi, Gurgaon and Mumbai. They are part of Allinial Global Accounting Association which is one of the World's Top 10 in accounting associations.

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