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GST

Uttar Pradesh Interest and Penalty Waiver Scheme, 2020

GST UPDATE NO. 18 OF 2020

An e-update to clients from Lakshmikumaran & Sridharan

all Law.

Overview of the Scheme

Objectives:

- The Waiver of Outstanding Interest and Penalty Scheme (**"Interest Waiver Scheme"**) by Uttar Pradesh has been introduced to give traders an opportunity to avail interest waiver and exemption from any legal action (including coercive action) so that the traders may focus their attention on Goods and Services Tax.

Who can avail the scheme?

- The Interest Waiver Scheme shall apply to the pending demands arising out of Orders (under certain specified enactments) passed till March 31, 2019. All persons shall be eligible to make an application under the Interest Waiver Scheme if they have pending demand arising out of Orders (under certain enactments) passed till March 31, 2019.

Applicability / Coverage

The Scheme covers the following Acts:

- *Uttar Pradesh Trade Tax Act, 1948;*
- *The Central Sales Tax Act, 1956;*
- *Uttar Pradesh Entertainments and Betting Act, 1979* and Rules made thereunder (Entertainment Tax);
- *Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007;*
- Uttar Pradesh Cable Television Network (Exhibition) Rules, 1997; and
- *Uttar Pradesh Value Added Tax Act, 2008.*

Time limit:

- The Interest Waiver Scheme was effective from the date of Government Order (February 27, 2020) till three months from the date of the Government Order (i.e. till May 26, 2020). However, the Scheme has been extended till October 31, 2020.

Relief under the Scheme:

- Traders will get relief regarding interest waiver varying from 10% to 80%. Penalty will be waived fully, when falling under the definition of 'penalty' as per the scheme. *(see Table below)*
- Monthly / Quarterly installment payment is available for traders who want to avail the scheme.

Original Outstanding Amount/ Tax Dues	Original Outstanding Amount/ Tax Dues to be Paid	Waiver of Interest	Amount Not Waived on Interest	Penalty Waived
Upto INR 10 Lakhs	Full	75%	25%	100%
More than INR 10 Lakhs - Upto INR 1 Crore	Full	50%	50%	100%
More than INR 1 Crore - Upto INR 5 Crore	Full	20%	80%	100%
More than INR 1 Crore	Full	10%	90%	100%

Note: Penalty according to sub-paragraph (7) of paragraph 2 of the Government Order No. 304/11-2-2020-9(21)/2003 means the penalty imposed when the outstanding amount / tax dues is not paid. No relief shall be applicable for penalty other than as defined above. However, penalty not falling under the definition will be included in the total outstanding of amount / tax and relief will be given accordingly.

Extra 5% Interest Waiver:

- If the trader pays the entire outstanding amount / tax dues along with the interest on or before July 31, 2020 then the trader would get the extra 5% waiver of interest.
- That means in the normal course if the waiver of interest is 75% and the trader pays the entire outstanding amount along with interest on or before July 31, 2020, then they can avail the 80% interest waiver.

Interest computation:

- Interest to be calculated on the outstanding amount / tax dues before the application is filed to avail the scheme.
- For instance, if the outstanding amount is INR 100 as per demand order dated May 25, 2019, the Interest rate is 10% p.a. and the application under the Scheme is filed on May 25, 2020, then interest would be calculated on the amount as outstanding from May 25, 2019 till May 24, 2020. Interest would be 10% p.a. on INR 100 = INR 10.

How the application is to be submitted:

- All applications regarding Interest Waiver Scheme may be submitted only through the Department Portal i.e. comtax.up.nic.in
- However, for small traders, facility regarding the application will be made available through the regional office.

Instalments under the Interest Waiver Scheme:

- The instalment scheme may be availed only after depositing 25% of the outstanding amount / tax dues along with the interest. The instalment scheme is voluntary.
- The trader opting for instalment scheme cannot change the payment methodology after opting for it. Further, the instalment scheme may be availed as monthly/quarterly instalments.
- The scheme would lapse if the trader fails to pay the instalment.

No Dues Certificate / Deposit Certificate:

- The trader will be issued a Deposit Certificate after paying the outstanding amount / tax dues. When the entire outstanding amount / tax dues is paid, a No-Dues Certificate will be issued.
- Both the certificates will be issued with condition that if it is found that the trader has concealed information in his return regarding the concerned period 'Or' for any other reason the trader has caused loss to the revenue then the concerned authority may take action against the trader in accordance with the law.
- Immunity granted under the Interest Waiver Scheme shall not be applicable in case the trader fails to comply with any of the condition as mentioned above.

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