

GST Update: Rule 86B : 1% payment of tax liability in cash in GST

Recently, the CBIC has inserted new Rule 86B in the CGST Rules, 2017. As per the new rule, the registered person has been restricted to use the amount available in electronic credit ledger to discharge his liability towards output tax not more than 99% of such tax liability. This has been made applicable from 1-01-2021. Thus, it will impact the filing of GSTR-3B of December 2020 and months onwards.

Exceptions: There are certain exceptions to this rule i.e. the **rule shall not apply** in following cases;



Value of taxable supply other than exempt supply and zero-rated supply, does not exceeds Rs 50 rupees in a month



has deposited more than Rs 1 lakh as Income Tax in each of the last two years *



has received a refund of more than Rs 1 lakh in the preceeding FY on account of export or inverted tax struture [sec 54(3)(i)/(ii)]



has paid output tax through cash in excess of 1% of total output tax liability, applied cumulatively, upto the month in the current FY.



Is a Government department, PSU, local authority, statutory body

** the said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than one lakh.*

CGA Legal Comments

The rule provides for various exemptions like exporters, suppliers of goods of inverted duty structure, taxpayers having footprint in the Income Tax base etc. It is expected that this rule would be applicable to less than 0.5% of the total taxpayer base of 1.2 crore.

It expected that the rule may not have significant impact on the working capital of registered persons as the cash payment of 1% is to be calculated on the tax liability in a month and not on the turnover of the month.

In our view, the rule is to be applied GSTN-wise, not on the basis of PAN. Further, the payment of tax in cash shall be 1% CGST and 1% SGST.