

## **Got a GST demand notice from taxman? These are the options you've to deal with it**

*GST authorities act based on any hints collected on verifying the taxpayer's GST Returns or received from another Government department or any third parties.*

Goods and services tax (GST) authorities are now tightening their reigns on those taxpayers who haven't cleared their dues. The financial year has ended and the GST collections are falling short. These shortfalls are important to cover for the authorities in the overall macroeconomic situation. The authorities, therefore, are asking taxpayers to pay the remainder of their dues.

As established under GST, the responsibility of reconciling data relies on the taxpayers. If they fail to do so, they can be served with a demand notice. A notice is usually served when the authorities have a reason to believe that taxpayers may be acting suspiciously, or if the authorities have obtained proof of non-payment of tax dues or there is a mismatch or misrepresentation of information submitted.

Failure due to short-payment of tax or excess utilisation of input tax credit may attract demand and recovery notices by the GST. These provisions of demand notice under the GST Act and the recovery provisions bear similarities to the provisions of the Service Tax and Central Excise Acts.

GST authorities act based on any hints collected on verifying the taxpayer's GST Returns or received from another Government department or any third parties. Notices are sometimes also issued with the intention of getting more detailed information from the taxpayer. The proper officer (i.e., GST authorities) will serve a show cause notice to the taxpayer. They will be required to pay dues along with interest and penalties.

For tax shortfall, the officer must issue a show cause notice within a stipulated time limit. The current time limit is within three months before the expiry of three years from the due date for filing of annual return for the financial year to which the amount relates. A person can pay tax along with interest, based on his calculations (or the officer's estimates), before the notice/statement is issued and inform the officer in writing of the same. The officer will not serve any notice in this case. However, if the tax paid falls short, the officer shall proceed to issue the notice in respect of the amount that has fallen short.

If taxpayers clear their dues within 30 days from the date of the notice, no penalty will be applicable. All proceedings (excluding proceedings u/s 132, i.e., prosecution) regarding the notice will be closed. In cases a taxpayer chooses to contest the notice, the tax officer will consider the taxpayer's representation and then calculate interest along with penalty. The penalty will be 10% of tax subject to a minimum of Rs.10,000. The tax officer will issue an order within three years from the due date for filing of the relevant annual return.

In case the authorities detect fraud for unpaid/short paid tax, or wrong refunds, or availing/utilising excess input tax credit, or willful misstatement/suppression of facts, a show cause notice may be served upon the taxpayer. Then the defaulter will be required to pay the

amount due along with interest as well as the penalty. The designated officer must issue the notice atleast six months before the expiry of the time limit. The maximum time limit in a case of fraud is five years from the due date for filing of the annual returns.

A taxpayer must pay the tax along with interest, and a penalty at 15% of such tax amount, in case, dues are paid before the notice/statement is issued and inform the officer in writing of the same.

However, if the officer finds that some amount is still due, he can issue a notice for such balance amount. In such a case, if the taxpayer chooses to pay all their dues within 30 days from the date of notice, a penalty at 25% of the tax due applies, and all the proceedings (excluding proceedings u/s 132,i.e., prosecution) regarding the notice will be closed.

In case a taxpayer chooses to contest the notice, the designated officer, after considering such a representation, determines the amount of tax, interest and penalty due. An order under subsection (9) - of section 74 of the CGST Act - will be issued within a period of five years from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within five years from the date of erroneous refund.

Additionally, if a taxpayer is served with an order, pays the tax along with interest payable and a penalty equivalent to 50% of such tax within thirty days of communication of the order, then all proceedings with respect to such notice will come to an end.

*(Economic Times)*