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Ordinance 2020: New interest rates on delayed payment of taxes

Editorial team

Amid COVID-19 outbreak, the Finance Minister, Smt. Nirmala Sitharaman, held a press conference to announce various measures to address the concerns relating to statutory and regulatory compliance. To give effect to such announcement, the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 (hereinafter referred to as ‘Ordinance 2020’) has been promulgated by the President of India.

It has been provided in the Ordinance 2020 that any delay in payment of tax which is due for payment from 20-03-2020 to 29-06-2020 shall attract interest at the lower rate of 0.75% for every month or part thereof if same is paid after the due date but on or before 30-06-2020. The Government is also empowered to further extend the said date of 30-06-2020 if needed. Further, no penalty and prosecution proceedings shall be initiated for the delay in payment of tax in such a case.

Currently, the interest is charged at the rate of 1.5% in case of delay in payment of TDS and at the rate of 1% in other cases. As the Government has only reduced the rate of interest and has not provided any relaxation from payment of interest, the taxpayers should make the payment by the due date. The taxes or levy due for payment from 20-03-2020 to 29-06-2020 and the consequences in case of delay in payment thereof are enumerated in the following table:

<i>Section</i>	<i>Description</i>	<i>Due Date</i>	<i>Interest rate for delayed payment made up to 30.06.2020*</i>	<i>Interest rate for delayed payment made after 30.06.2020*</i>
234B	Payment of advance tax for financial Year 2019-20	31.03.2020	0.75%	1%
234C	Payment of 1 st instalment of advance tax for the financial year 2020-21	15.06.2020	0.75%	1%
201	Deposit of tax deducted during the month of March, 2020	30.04.2020	0.75%	1.5%
201	Deposit of tax to be deducted during the month of April, 2020	07.05.2020	0.75%	1.5%
201	Deposit of tax to be deducted during the month of May, 2020	07.06.2020	0.75%	1.5%
206C	Deposit of tax collected during the month of	07.04.2020	0.75%	1%

	March, 2020			
206C	Deposit of tax to be collected during the month of April, 2020	07.05.2020	0.75%	1%
206C	Deposit of tax to be collected during the month of May, 2020	07.06.2020	0.75%	1%
Section 170 of Finance Act, 2016	Deposit of equalisation levy deducted during the month of March, 2020 in respect of payment made to a non-resident for online advertisement services	07.04.2020	0.75%	1%
Section 170 of Finance Act, 2016	Deposit of equalisation levy to be deducted during the month of April, 2020 in respect of payment made to a non-resident for online advertisement services	07.05.2020	0.75%	1%
Section 170 of Finance Act, 2016	Deposit of equalisation levy to be deducted during the month of May, 2020 in respect of payment made to a non-resident for online advertisement services	07.06.2020	0.75%	1%
Section 104 of Finance (No. 2) Act, 2004	Deposit of Securities Transaction tax (STT) collected during the month of March, 2020	07.04.2020	0.75%	1%
Section 104 of Finance (No. 2) Act, 2004	Deposit of Securities Transaction tax (STT) to be collected during the month of April, 2020	07.05.2020	0.75%	1%
Section 104 of Finance (No. 2) Act, 2004	Deposit of Securities Transaction tax (STT) to be collected during the month of May, 2020	07.06.2020	0.75%	1%
Section 123 of Finance Act, 2013	Deposit of Commodities Transaction tax (CTT) collected during the month of March, 2020	07.04.2020	0.75%	1%
Section 123 of Finance Act, 2013	Deposit of Commodities Transaction tax (CTT) to be collected during the month of April, 2020	07.05.2020	0.75%	1%

Section 123 of Finance Act, 2013	Deposit of Commodities Transaction tax (CTT) to be collected during the month of May, 2020	07.06.2020	0.75%	1%
115-O and 115R	Payment of Dividend Distribution Tax (DDT) in respect of dividend declared, distributed or paid by any domestic or mutual fund (which is payable between 20-03-2020 and 31-03-2020)	14 days from the date of declaration, distribution or payment of dividend, whichever is earlier	0.75%	1%
115QA	Payment of additional income-tax in respect of buy-back of shares by the company (which is payable between 20-03-2020 and 29-06-2020)	14 days from the date of payment of consideration to shareholders	0.75%	1%
-	Payment of any tax in any other case	Due for payment between 20.03.2020 to 29.06.2020	0.75%	1%

*Interest shall be computed for every month or part thereof for the period between the due date and the date on which the amount has been paid. It to be noted that interest shall be charged at the lower rate only in respect of the amount paid on or before 30.06.2020. Whereas, if the amount is paid after 30.06.2020, the interest shall be charged at the existing rate and the same shall be calculated from the due date.

Example: The due date for making payment of tax deducted during the month of March, 2020 is 30-04-2020. If a deductor requires to deposit the amount of Rs. 1,00,000 into the account of Central Government by said date. Compute the amount of interest if the deductor deposits the amount by the following date:

<i>Date of deposit</i>	<i>Amount</i>
30.04.2020	20,000
30.06.2020	30,000
31.07.2020	50,000

The amount of interest shall be as follows:-

<i>Date of deposit</i>	<i>Amount</i>	<i>Period of delay</i>	<i>Interest rate</i>	<i>Amount of interest</i>
30.04.2020	20,000	-	-	Nil
30.06.2020	30,000	2 months	0.75%	450
31.07.2020	50,000	3 months	1.5%	2,250
Total				2,700