



## New Rule in GST

### Why in News

Recently, the [Central Board of Indirect Taxes and Customs](#) (CBIC) has made it mandatory for **businesses with a monthly turnover of more than Rs. 50 lakh** to pay **at least 1% of their [Goods and Services Tax](#) (GST) liability in cash.**

- It will be effective from **1<sup>st</sup> January 2021.**

### Key Points

- The new rule **restricts use of [Input Tax Credit](#) (ITC)** for discharging GST liability to 99%.
  - The CBIC has booked **about 12,000 cases of ITC fraud** and arrested 365 persons in such cases so far.
  - The move will **curb tax evasion by way of fake invoicing.**
  - ITC is provided to set off tax paid on the purchase of raw materials, consumables, goods or services that were used in the manufacturing of goods or services. This **helps in avoiding double taxation and the cascading effect of taxes.**
- **However, this restriction will not apply in cases:**
  - Where the managing director or any partner has paid more than Rs. 1 lakh as income tax, or
  - The registered person has received a refund amount of more than Rs. 1 lakh in the preceding financial year on account of unutilised input tax credit.
- This comes to **only 0.37% of the total businesses** registered in the GST system.
  - Of the total GST taxpayer base of 1.2 crore, only about 4 lakh have monthly supply value greater than Rs. 50 lakh.
  - Of these, only about 1.5 lakh pay less than 1% of their GST liability in cash and when exclusions in the rule are applied, around 1.05 lakh taxpayers get further excluded.
  - Thus, the rule would **apply only to 40,000 to 45,000 taxpayers.**
- **Criticism:**
  - It is feared that the mandatory cash payment will **adversely affect small businesses, increase their working capital requirement** and **make GST a more complex** indirect tax system.
- **Government's Stand:**
  - The Department of Revenue has held that these **fears are misplaced** and **"only risky or suspicious dealers and fly-by-night operators" will be affected** by the move.
  - Government has arrived at this rule **after detailed deliberations** in the **GST Council's Law Committee** to identify and control only fraudsters involved in fake invoices and input tax credits.

### Central Board of Indirect Taxes and Customs

- It is a part of the **Department of Revenue** under the Ministry of Finance.
- The **Central Board of Excise and Customs** (CBEC) was **renamed as the CBIC in 2018** after the roll out of the GST.
- It deals with the tasks of formulation of policy concerning levy and collection of customs, central excise duties, Central GST (CGST) and Integrated GST (IGST).

[Source: TH](#)

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