

Shikha Singhania

Interest on Delayed Payment under Excise

Introduction

Interest on delayed payment is levied as per the provisions enumerated under section 11AB of the Central Excise Act. As per this section, there is no time limit prescribed for demanding interest. Even serving of notice is not necessary, interest is automatic and mandatory.

Section 11AB – Interest for delayed payment of duty

If duty is not paid when it is due, interest is payable at the rates specified by the Central Govt. in the Official Gazette.

The person liable to pay the duty:

- Is as determined under sub section 11A(2), where any duty has not been levied or paid or has been short-levied or short-paid or erroneously refunded, or
- Has paid the duty under sub-section 11A(2B), where duty is voluntarily paid and shall, in addition to the duty, be liable to pay interest at the rate of 13% p.a.

No interest shall be payable if:

- Duty becomes payable consequent to the issue of an order, instruction or direction by the Board under section 37B, and such amount of duty payable is voluntarily paid in full, without reserving any right to appeal against such payment at any subsequent stage, within 45 days from the date of issue of such order, instruction or direction, as the case may be.

Note: Interest is payable for the actual period of delay but not for the whole month.

Interest if buyer grants price rise later

Often the buyer grants price rise after negotiations etc. with retrospective effect. In such cases, differential duty is later paid by way of supplementary invoice. In such case, the interest will be payable for the differential amount paid at a later date.

Interest under rule 8(3) if duty not paid on due date

As per rule 8(3) of CE Rules, if duty is not paid fully on due date, interest is paid at the rates specified under Notification issued under section 11AA.

Interest payable under rule 8(3) of CE Rules is applicable when the assessee has himself assessed the duty at the time of clearance and is required to pay it by the due date on following month. When duty is short levied or paid or not levied or paid, interest is payable under section 11AA.