



**KARNATAKA LEGISLATIVE ASSEMBLY
FIFTEENTH LEGISLATIVE ASSEMBLY
THIRTEENTH SESSION
THE KARNATAKA GOODS AND SERVICES TAX (AMENDMENT) BILL, 2022.
(LA Bill No. 19 of 2022)**

A bill further to amend the Karnataka Goods and Services Tax Act, 2017(Karnataka Act 27 of 2017).

Be it enacted by Legislature of Karnataka in the Seventy-third year of the Republic of India as follows:-

1. Short title and commencement.- (1) This Act may be called the Karnataka Goods and Services Tax (Amendment) Act, 2022.

(2) Save as otherwise provided, the provisions of this Act shall come into force on such date as the Government may, by notification in the Official Gazette, appoint.

2. Amendment of section 16.- In the Karnataka Goods and Services Tax Act, 2017(hereinafter referred to as the principal Act), in section 16,-

(a) in sub-section (2),-

(i) after clause (b), the following clause shall be inserted, namely:-

“(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;”;

(ii) in clause (c), the words, figures and letter “or section 43A” shall be omitted;

(b) in sub-section (4), for the words and figures “due date of furnishing of the return under section 39 for the month of September”, the words “thirtieth day of November” shall be substituted.

3. Amendment of section 29.- In section 29 of the principal Act, in sub-section(2),-

(a) in clause (b), for the words “returns for three consecutive tax periods”, the words “the return for a financial year beyond three months from the due date of furnishing the said return” shall be substituted;

(b) in clause (c), for the words “a continuous period of six months”, the words “such continuous tax period as may be prescribed” shall be substituted.

4. Amendment of section 34.- In section 34 of the principal Act, in sub-section (2), for the word “September”, the words “the thirtieth day of November” shall be substituted.

5. Amendment of section 37.- In section 37 of the principal Act,-

(a) in sub-section(1),-

(i) after the words “shall furnish, electronically,”, the words “subject to such conditions and restrictions and” shall be inserted;

(ii) for the words “shall be communicated to the recipient of the said supplies within such time and in such manner as may be prescribed”, the words “shall, subject to such conditions and restrictions, within such time and in such manner as may be prescribed, be communicated to the recipient of the said supplies” shall be substituted;

(iii) the first proviso shall be omitted;

(iv) in the second proviso, for the words “Provided further that”, the words “Provided that” shall be substituted;

(v) in the third proviso, for the words “Provided also that”, the words “Provided further that” shall be substituted;

(b) sub-section (2) shall be omitted;

(c) in sub-section (3),-

(i) the words and figures “and which have remained unmatched under section 42 or section 43” shall be omitted;

(ii) in the first proviso, for the words and figures “furnishing of the return under section 39 for the month of September”, the words “the thirtieth day of November” shall be substituted;

(d) after sub-section (3), the following sub-section shall be inserted, namely:-

“(4) A registered person shall not be allowed to furnish the details of outward supplies under sub-section(1) for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him:

Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies under sub-section (1), even if he has not furnished the details of outward supplies for one or more previous tax periods.”.

6. Substitution of section 38.- For section 38 of the principal Act, the following section shall be substituted, namely:-

“38.Communication of details of inward supplies and input tax credit.-

(1)The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.

(2)The auto-generated statement under sub-section (1) shall consist of-

(a)details of inward supplies in respect of which credit of input tax may be available to the recipient; and

(b)details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,-

(i) by any registered person within such period of taking registration as may be prescribed; or

(ii)by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or

(iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or

(iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or

(v)by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or

(vi) by such other class of persons as may be prescribed.”.

7. Amendment of section 39.- In section 39 of the principal Act,-

(a) in sub-section (5), for the word “twenty”, the word “thirteen” shall be substituted;

(b) in sub-section (7), for the first proviso, the following proviso shall be substituted, namely:-

“Provided that every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, in such form and manner, and within such time, as may be prescribed,-

(a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month; or

(b) in lieu of the amount referred to in clause (a), an amount determined in such manner and subject to such conditions and restrictions as may be prescribed.”;

(c) in sub-section (9),-

(i) for the words and figures “Subject to the provisions of sections 37 and 38, if”, the word “Where” shall be substituted;

(ii) in the proviso, for the words “the due date for furnishing of return for the month of September or second quarter”, the words “the thirtieth day of November” shall be substituted;

(d) in sub-section (10), for the words “has not been furnished by him”, the following shall be substituted, namely:-

“or the details of outward supplies under sub-section (1) of section 37 for the said tax period has not been furnished by him:

Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies under sub-section (1) of section 37 for the said tax period.”.

8. Substitution of section 41.-For section 41 of the principal Act, the following section shall be substituted, namely:-

“41.Availment of input tax credit.-

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.

(2) The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed:

Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.”.

9. Omission of sections 42, 43 and 43A.- Sections 42, 43 and 43A of the principal Act shall be omitted.

10. Amendment of section 47.- In section 47 of the principal Act, in sub-section(1),-

- (a) the words “or inward” shall be omitted;
- (b) the words and figures “or section 38” shall be omitted;
- (c) after the words and figures “section 39 or section 45”, the words and figures “or section 52” shall be inserted.

11. Amendment of section 48.- In section 48 of the principal Act, in sub-section (2), the words and figures “, the details of inward supplies under section 38” shall be omitted.

12. Amendment of section 49.- In section 49 of the principal Act,-

- (a) in sub-section (2), the words, figures and letter “or section 43A” shall be omitted;
- (b) in sub-section (4), after the words “subject to such conditions”, the words “and restrictions” shall be inserted;
- (c) after sub-section (11), the following sub-section shall be inserted, namely:-

“(12) Notwithstanding anything contained in this Act, the Government may, on the recommendations of the Council, subject to such conditions and restrictions, specify such maximum proportion of output tax liability under this Act or under the Integrated Goods and Services Tax Act, 2017 which may be discharged through the electronic credit ledger by a registered person or a class of registered persons, as may be prescribed.”.

13. Amendment of section 50.- In section 50 of principal Act, for sub-section (3), the following sub-section shall be substituted and shall be deemed to have been substituted with effect from the 1st day of July, 2017, namely:-

“(3) Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding twenty-four per cent. as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.”.

14. Amendment of section 52.- In section 52 of the principal Act, in sub-section (6), in the proviso, for the words “due date for furnishing of statement for the month of September”, the words “thirtieth day of November” shall be substituted.

15. Amendment of section 54.- In section 54 of the principal Act,-

(a) in sub-section (1), in the proviso, for the words and figures “the return furnished under section 39 in such”, the words “such form and” shall be substituted;

(b) in sub-section (2), the words “six months”, the words “two years”, shall be substituted;

(c) in sub-section (10), the words, brackets and figure “under sub-section(3)” shall be omitted;

(d) in the *Explanation*, in clause (2), after sub-clause (b), the following sub-clause shall be inserted, namely:-

“(ba) in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, the due date for furnishing of return under section 39 in respect of such supplies;”.

16. Amendment of Notification issued under section 146 of the principal Act read with section 20 of Integrated Goods and Services Tax Act, retrospectively.-

(1) The Notification (06/2018) No. FD 47 CSL 2017, Bengaluru, dated the 23rd January, 2018, issued by the Government of Karnataka, on the recommendations of the Council, under section 146 of the Karnataka Goods and Services Tax Act, 2017 read with section 20 of the Integrated Goods and Services Tax Act, 2017, shall stand amended and shall be deemed to have been amended retrospectively, in the manner specified in column (2) of the First Schedule, on and from the date specified in column (3) of that Schedule.

(2) For the purpose of sub-section (1), the Government of Karnataka shall have and shall be deemed to have the power to amend the notification referred to in the said sub-section with retrospective effect as if the Government of Karnataka had the power to amend the said notification under section 146 of the Karnataka Goods and Services Tax Act, 2017 read with section 20 of the Integrated Goods and Services Tax Act, 2017, retrospectively, at all material times.

17. Amendment of notification issued under sub-sections (1) and (3) of section 50, sub-section (12) of section 54 and section 56 of the principal Act, retrospectively.-

(1) The notification (13/2017) No. FD 47 CSL 2017, dated: 29th June 2017, issued by Government of Karnataka, on the recommendations of the Council, under sub-sections (1) and (3) of section 50, sub-section (12) of section 54 and section 56 of the Karnataka Goods and Service Tax Act, 2017, shall stand amended and shall be deemed to have been amended retrospectively, in the manner specified in column (2) of the Second Schedule, on and from the date specified in column (3) of that Schedule.

(2) For the purposes of sub-section (1), the Government of Karnataka shall have and shall be deemed to have the power to amend the notification referred to in the sub-section with retrospective effect as if the Government of Karnataka had the power to amend the said notification under sub-sections (1) and (3) of section 50, sub-section (12) of section 54 and section 56 of the Karnataka Goods and Services Tax Act, 2017, retrospectively, at all material times.

18. Retrospective exemption from, or levy or collection of, state tax in certain cases.-

(1) Notwithstanding anything contained in the Notification (01/2017) No. FD 48 CSL 2017, dated the 29th June, 2017 issued by the Government of Karnataka, on the recommendations of the Council, in exercise of the powers under sub-section (1) of section 9 of the Karnataka Goods and Services Tax Act, 2017, no State tax shall be levied or collected in respect of supply of unintended waste generated during the production of fish meal (falling under heading 2301), except for fish oil, during the period commencing from the 1st day of July, 2017 and ending with the 30th day of September, 2019 (both days inclusive).

(2) No refund shall be made of all such tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times.

19. Retrospective effect to Notification issued under sub-section (2) of section 7 of the principal Act.-

(1) Subject to the provisions of sub-section (2) of section 7 of the principal Act, the Notification (25/2019) No. FD 48 CSL 2017, Bengaluru, dated the 30th September, 2019 issued by the Government of Karnataka, on the recommendations of the Council, in exercise of the powers under sub-section (2) of section 7 of the Karnataka Goods and Services Tax Act, 2017, shall be deemed to have, and always to have, for all purposes, come into force on and from the 1st day of July, 2017.

(2) No refund shall be made of all such state tax which has been collected, but which would not have been so collected, had the notification referred to in sub-section (1) been in force at all material times.

THE FIRST SCHEDULE

[See section 16(1)]

Notification number and date	Amendment	Date of effect of Amendment
(1)	(2)	(3)
Notification (06/2018) No. FD 47 CSL 2017, Bengaluru , dated the 23rd January, 2018	In the said notification, in paragraph 1, for the words “furnishing of returns and computation and settlement of integrated tax”, the following shall be substituted, namely:- “furnishing of returns and computation and settlement of Integrated tax and save as otherwise provided in the Notification (23/2019) No. FD 47 CSL 2017, dated the 21st December, 2019, all functions provided under the Karnataka Goods and Services Tax Rules, 2017.”.	28 th June, 2017.

THE SECOND SCHEDULE

[See section 17(1)]

Notification number and date	Amendment	Date of effect of amendment
(1)	(2)	(3)
Notification (13/2017) No. FD 47 CSL 2017, Bengaluru, dated the 29th June, 2017	In the said notification, in the Table, against serial number 2, in column(3), for the figures “24”, the figures “18” shall be substituted.	1 st July, 2017.

STATEMENT OF OBJECTS AND REASONS

The Parliament of India has enacted the Finance Act, 2022 (Central Act No.06 of 2022) wherein certain amendments to the Central Goods and Services Tax Act, 2017 were made. Similar amendments to the Karnataka Goods and Services Tax Act, 2017 have to be made accordingly.

Therefore, it is considered necessary to amend the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act 27 of 2017) to,-

- (1) insert new clause (ba) after clause (b) in sub-section (2) of section 16, so as to provide that input tax credit with respect to a supply may be availed only when such credit has not been restricted in the details communicated to the registered person under section 38.

It further seeks to amend sub-section (4) by extending time limit so as to provide that a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note after the thirtieth day of November following the end of the financial year to which such invoice or debit note pertains, or furnishing of relevant annual return, whichever is earlier.

- (2) to amend clause (b) of sub-section (2) of section 29, so as to provide that the registration of a person paying tax under section 10 is liable to be cancelled, if the return for a financial year has not been furnished beyond three months from the due date of furnishing of the said return.

It further seeks to amend in clause (c) of the said sub-section (2), so as to provide for prescribing continuous tax periods for which return has not been furnished, which would make a registration liable for cancellation, in respect of any registered person, other than a person specified in clause (b) thereof.

- (3) to amend sub-section (2) of section 34 by extending time limit, so as to provide for thirtieth day of November following the end of the financial year, or the date of furnishing of the relevant annual return, whichever is earlier, as the last date for issuance of credit notes in respect of any supply made in a financial year.

- (4) to amend sub-section (1) of section 37 so as to provide for prescribing conditions and restrictions for furnishing the details of outward supply and the conditions and restrictions as well as manner and time for communication of the details of such outward supplies to concerned recipients.

It further seeks to omit sub-section (2) and first proviso to sub-section (1) so as to do away with two-way communication process in return filing.

It also seeks to amend sub-section (3) so as to remove reference to unmatched details under section 42 or section 43, as the said sections are proposed to be omitted and by extending time limit to provide for thirtieth day of November following the end of the financial year or furnishing of the relevant annual return, whichever is earlier, as the last date for rectification of errors or omission in respect of details of outward supplies furnished under sub-section (1).

It also seeks to insert sub-section (4) so as to provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).

- (5) to substitute a new section for section 38, sub-section (1) seeks to provide for prescribing such other supplies as well as the manner, time, conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement and to do away with two-way communication process in return filing.

Sub-section (2) seeks to provide for the details of inward supplies in respect of which input tax credit may be availed and the details of supplies on which input tax credit cannot be availed by the recipient.

- (6) to amend sub-section (5) of section 39 so as to provide that the non-resident taxable person shall furnish there turn for a month within thirteen days after the end of the month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier.

It further seeks to substitute the first proviso to sub-section (7) so as to provide an option to the persons furnishing return under proviso to sub-section (1) to pay either the self-assessed tax or an amount that may be prescribed.

It also seeks to amend sub-section (9) by removing reference of section 37 and section 38 and to amend the proviso to said sub-section (9) by extending time limit, so as to provide for thirtieth day of November following the end of the financial year, or the date of furnishing of the relevant annual return, whichever is earlier, as the last date for the rectification of errors in the return furnished under section 39.

It also seeks to amend sub-section (10) so as to provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.

- (7) to substitute a new section for section 41 so as to do away with the concept of “claim” of eligible input tax credit on a “provisional” basis and to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed.
- (8) to omit sections 42, 43 and 43A, section 42 is being omitted which relates to matching, reversal and reclaiming of input tax credit so as to do away with the concept of “claim” of eligible input tax credit on a “provisional” basis and subsequent matching, reversals and reclaim of such credit. It further seeks to omit section 43 relating to matching, reversal and reclaim of reduction in output tax liability so as to do away with two way communication process in return filing. It also seeks to omit section 43A.
- (9) to amend sub-section (1) of section 47 so as to provide for levy of late fee for delayed filing of return under section 52 and to remove reference of section 38 as there is no requirement of furnishing details of inward supplies by the registered person under the said section 38.
- (10) to amend sub-section (2) of section 48 so as to remove reference to section 38 there from as there is no requirement of furnishing details of inward supplies by Goods and Service Tax Practitioner authorised by the registered person.
- (11) to amend sub-section (4) of section 49 so as to provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger.

It also seeks to insert sub-section (12) so as to provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger.

- (12) to substitute a new sub-section for sub-section (3) of section 50 retrospectively, with effect from the 1st July, 2017, so as to provide for levy of interest on input tax credit wrongly availed and utilised, and to provide for prescribing manner of calculation of interest in such cases.
- (13) to amend proviso to sub-section (6) of section 52, by extending time limit, so as to provide for thirtieth day of November following the end of the financial year, or the date of furnishing of there levant annual return, whichever is earlier, as the last date up to which the rectification of errors shall be allowed

in the statement furnished under sub-section (4) by Electronic commerce operators.

- (14) to amend proviso to sub-section (1) of section 54, so as to explicitly provide that claim of refund of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed.

It further seeks to amend sub-section (2) so as to align it with sub-section (1) by extending time limit of two years from the last day of the quarter in which the supply was received for claiming refund of tax paid on inward supplies of goods or services or both by the person specified in the said sub-section.

It also seeks to amend sub-section (10) so as to extend the scope of the said sub-section to all types of refund claims.

It also seeks to insert a new sub-clause (ba) in clause (2) of *Explanation* in order to provide clarity regarding there levant date for filing refund claim in respect of supplies made to a Special Economic Zone developer or a Special Economic Zone unit.

- (15) It seeks to amend Notification (06/2018) No. FD 47 CSL 2017, dated 23rd January, 2018 to notify www.gst.gov.in, retrospectively with effective from 28th June, 2017 as the Common Goods and Services Tax Electronic portal, for all functions provided under Karnataka Goods and Service Tax Rules, 2017, save as otherwise provided in the Notification (23/2019) No. FD 47 CSL 2017, dated 21st December, 2019.

- (16) It seeks to amend Notification (13/2017) No. FD 47 CSL 2017 dated 29th June, 2017 to notify rate of Interest under sub-section (3) of section 50 of the Karnataka Goods and Services Tax Act, as 18%, retrospectively, with effect from the 1st day of July, 2017.

- (17) It seeks to provide retrospective exemption in the Notification (01/2017) No. FD 48 CSL 2017, dated: 29th June, 2017, from, or levy or collection of, state tax in respect of supply of unintended waste generated during production of fish meal (falling under heading 2301) except for fish oil, for the period commencing from 1st day of July, 2017 and ending with 30th day of September, 2019 (both days inclusive).

It further seeks to provide that no refund shall be made of the said tax which has already been collected.

- (18) It seeks to give retrospective effect to Notification (25/2019) No. FD 48 CSL 2017, dated 30th September 2019, with effect from 1st day of July 2017 ("Service by way of grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name it is called" shall be treated neither as supply of goods nor a supply of service under sub-section (2) of section 7 of KGST Act, 2017.)

It further seeks to provide that no refund shall be made of the said tax which has already been collected.

Hence, the Bill.

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed Legislative measure.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3	Clause 3 seeks to amend clause (c) of sub-section (2) of section 29 of the Karnataka Goods and Services Tax Act, to empower the State Government to prescribe number of continuous tax periods for which the return has not been furnished, which would make a registration liable for cancellation, in respect of any registered person other than the person paying tax under the Composition Scheme.
Clause 5	Clause 5 proposes to insert sub-section (4) of Section 37 of the Karnataka Goods and Services Tax Act to empower the State Government to notify a registered person or a class of registered persons, subject to such conditions and restrictions as may be specified therein, who are allowed to furnish the details of outward supplies under sub-section (1) of section 37, even if he has not furnished the details of outward supplies for one or more previous tax periods.
Clause 6	<p>Clause 6 proposes to substitute a new section for section 38 of the Karnataka Goods and Services Tax Act,</p> <p>Sub-section (1) of the proposed new section to empower the State Government to make rules to prescribe such other supplies in such form and manner, subject to such conditions and restrictions within such time the said supplies shall be made available electronically to the recipients.</p> <p>Sub-section (2) of the proposed new section to empower the State Government to make rules to prescribe the period, limit, conditions and restrictions in case of registered persons and other class of persons, where credit cannot be availed, in respect of the details of supplies furnished by their suppliers under sub-section (1) of section 37.</p>
Clause 7	<p>Clause 7 proposes to substitute the first proviso of sub-section (7) of section 39 of the Karnataka Goods and Services Tax Act, to make rules to prescribe the form, manner and such time within which every registered person shall pay, to</p> <p>the Government, the self-assessed tax or an amount to be determined in lieu of the self-assessed tax, and to prescribe the manner and such conditions and restrictions to determine such amount in lieu of self-assessed tax.</p> <p>It also proposes, by substituting in sub-section (10) of section 39 of the Karnataka Goods and Services Tax Act, to empower the State Government to specify, by notification, the conditions and restrictions to allow a registered person or a class of registered persons to furnish the return, even if he has not furnished returns for one or more previous tax periods or has not furnished the details of outward supplies under section 37 (1) for the said tax period.</p>

Clause 8	Clause 8 proposes to substitute section 41 of the Karnataka Goods and Services Tax Act to empower the State Government to make rules to prescribe the conditions and restrictions to be entitled to avail the credit of eligible input tax as self-assessed, and to prescribe the manner in which the credit of input tax availed on such supplies of goods and services or both shall be reversed along with the applicable interest, where such tax has not been paid by the supplier and also the manner to re-avail such reversed credit of input tax where the said supplier makes payment of the tax payable in respect of the aforesaid supplies.
Clause 12	<p>Clause 12 proposes to amend sub-section (4) of section 49 of the Karnataka Goods and Services Tax Act, to empower the State Government to prescribe restrictions on the amount of credit of input tax that may be used for payment of output tax under the Act or under Integrated Goods and Services Tax Act.</p> <p>It also proposes to insert sub-section (12) to the section 49 to make rules to prescribe the conditions, restrictions and to specify maximum proportion of output tax liability under the Act or under Integrated Goods and Services Tax Act which may be discharged by a registered person or class of registered persons through the electronic credit ledger.</p>
Clause 13	Clause 13 proposes to substitute sub-section (3) of section 50 of the Karnataka Goods and Services Tax Act, with effect from 1st day of July, 2017, to notify the rate of interest payable on the input tax credit wrongly availed and utilized and to make rules to prescribe the manner of calculating such interest.

The proposed delegation of Legislative power is normal in character.

BASAVARAJ BOMMAI
Chief Minister

M.K. VISHALAKSHI
Secretary
Karnataka Legislative Assembly

ANNEXURE**EXTRACT FROM THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017
(KARNATAKA ACT NO.27 OF 2017)****XXX****XXX****XXX**

16. Eligibility and conditions for taking input tax credit.- (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

(aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;

(b) he has received the goods or services or both.

Explanation.— For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services,-

(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.”

(c) subject to the provisions of section 41 or section 43A, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and

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(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Provided that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section for (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March. 2019.

XXX**XXX****XXX****29. Cancellation or suspension of registration.-****XXX****XXX****XXX**

(2) The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—

(a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or

(b) a person paying tax under section 10 has not furnished returns for three consecutive tax periods; or

(c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or

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34. Credit and debit notes.- (1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.

(2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

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37. Furnishing details of outward supplies.- (1) Every registered person, other than an Input Service Distributor, a non-resident taxable person and a person paying tax under the provisions of section 10 or section 51 or section 52, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period and such details shall be communicated to the recipient of the said supplies within such time and in such manner as may be prescribed:

Provided that the registered person shall not be allowed to furnish the details of outward supplies during the period from the eleventh day to the fifteenth day of the month succeeding the tax period:

Provided further that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:

Provided also that any extension of time limit notified by the Commissioner of central tax shall be deemed to be notified by the Commissioner.

(2) Every registered person who has been communicated the details under sub-section (3) of section 38 or the details pertaining to inward supplies of Input Service Distributor under sub-section (4) of section 38, shall either accept or reject the details so communicated, on or before the seventeenth day, but not before the fifteenth day, of the month succeeding the tax period and the details furnished by him under sub-section (1) shall stand amended accordingly.

(3) Any registered person, who has furnished the details under sub-section (1) for any tax period and which have remained unmatched under section 42 or section 43, shall, upon discovery of any error or omission therein, rectify such error or omission in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:

Provided that no rectification of error or omission in respect of the details furnished under sub-section (1) shall be allowed after furnishing of the return under section 39 for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

Provided further that the rectification of error or omission in respect of the details furnished under sub-section (1) shall be allowed after furnishing of the return under section 39 for the month of September, 2018 till the due date for furnishing the details under sub-section (1) for the month of March, 2019 or for the quarter January, 2019 to March, 2019

Explanation.— For the purposes of this Chapter, the expression “details of outward supplies” shall include details of invoices, debit notes, credit notes and revised invoices issued in relation to outward supplies made during any tax period.

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38. Furnishing details of inward supplies.- (1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52, shall verify, validate, modify or delete, if required, the details relating to outward supplies and credit or debit notes communicated under sub-section (1) of section 37 to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier under sub-section (1) of section 37.

(2) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52, shall furnish, electronically, the details of inward supplies of taxable goods or services or both, including inward supplies of goods or services or both on which the tax is payable on reverse charge basis under this Act and inward supplies of goods or services or both taxable under the Integrated Goods and Services Tax Act or on which integrated goods and services tax is payable under section 3 of the Customs Tariff Act, 1975 (Central Act 51 of 1975), and credit or debit notes received in respect of such supplies during a tax period after the tenth day but on or before the fifteenth day of the month succeeding the tax period in such form and manner as may be prescribed:

Provided that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:

Provided further that any extension of time limit notified by the Commissioner of central tax shall be deemed to be notified by the Commissioner.

(3) The details of supplies modified, deleted or included by the recipient and furnished under sub-section (2) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.

(4) The details of supplies modified, deleted or included by the recipient in the return furnished under sub-section (2) or sub-section (4) of section 39 shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.

(5) Any registered person, who has furnished the details under sub-section (2) for any tax period and which have remained unmatched under section 42 or section 43, shall, upon discovery of any error or omission therein, rectify such error or omission in the tax period during which such error or omission is noticed in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:

Provided that no rectification of error or omission in respect of the details furnished under sub-section (2) shall be allowed after furnishing of the return under section 39 for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

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39. Furnishing of returns.-

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(5) Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within twenty days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier.

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(7) Every registered person who is required to furnish a return under sub-section (1), other than the person referred to in the proviso thereto, or sub-section (3) or sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return:

Provided that, every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and

such other particulars during a month, in such form and manner, and within such time, as may be prescribed:

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(9) Subject to the provisions of sections 37 and 38, if any registered person after furnishing a return under sub-section (1) or sub-section (2) sub-section (3) or sub-section (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in in such form and manner as may be prescribed, subject to payment of interest under this Act:

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

(10) A registered person shall not be allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him.

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41. Claim of input tax credit and provisional acceptance thereof.- (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.

(2) The credit referred to in sub-section (1) shall be utilised only for payment of self assessed output tax as per the return referred to in the said sub-section.

42. Matching, reversal and reclaim of input tax credit.- (1) The details of every inward supply furnished by a registered person (hereafter in this section referred to as the "recipient") for a tax period shall, in such manner and within such time as may be prescribed, be matched—

- (a) with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier") in his valid return for the same tax period or any preceding tax period;
- (b) with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 (Central Act 51 of 1975) in respect of goods imported by him; and
- (c) for duplication of claims of input tax credit.

(2) The claim of input tax credit in respect of invoices or debit notes relating to inward supply that match with the details of corresponding outward supply or with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 (Central Act 51 of 1975) in respect of goods imported by him shall be finally accepted and such acceptance shall be communicated, in such manner as may be prescribed, to the recipient.

(3) Where the input tax credit claimed by a recipient in respect of an inward supply is in excess of the tax declared by the supplier for the same supply or the outward supply is not declared by the supplier in his valid returns, the discrepancy shall be communicated to both such persons in such manner as may be prescribed.

(4) The duplication of claims of input tax credit shall be communicated to the recipient in such manner as may be prescribed.

(5) The amount in respect of which any discrepancy is communicated under sub-section (3) and which is not rectified by the supplier in his valid return for the month in which discrepancy is communicated shall be added to the output tax liability of the recipient, in such manner as may be prescribed, in his return for the month succeeding the month in which the discrepancy is communicated.

(6) The amount claimed as input tax credit that is found to be in excess on account of duplication of claims shall be added to the output tax liability of the recipient in his return for the month in which the duplication is communicated.

(7) The recipient shall be eligible to reduce, from his output tax liability, the amount added under sub-section (5), if the supplier declares the details of the invoice or debit note in his valid return within the time specified in sub-section (9) of section 39.

(8) A recipient in whose output tax liability any amount has been added under sub-section (5) or sub-section (6), shall be liable to pay interest at the rate specified under sub-section (1) of section 50 on the amount so added from the date of availing of credit till the corresponding additions are made under the said sub-sections.

(9) Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded to the recipient by crediting the amount in the corresponding head of his electronic cash ledger in such manner as may be prescribed: Provided that the amount of interest to be credited in any case shall not exceed the amount of interest paid by the supplier.

(10) The amount reduced from the output tax liability in contravention of the provisions of sub-section (7) shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in sub-section (3) of section 50.

43. Matching, reversal and reclaim of reduction in output tax liability.- (1) The details of every credit note relating to outward supply furnished by a registered person (hereafter in this section referred to as the "supplier") for a tax period shall, in such manner and within such time as may be prescribed, be matched—

(a) with the corresponding reduction in the claim for input tax credit by the corresponding registered person (hereafter in this section referred to as the "recipient") in his valid return for the same tax period or any subsequent tax period; and

(b) for duplication of claims for reduction in output tax liability. (2) The claim for reduction in output tax liability by the supplier that matches with the corresponding reduction in the claim for input tax credit by the recipient shall be finally accepted and communicated, in such manner as may be prescribed, to the supplier.

(3) Where the reduction of output tax liability in respect of outward supplies exceeds the corresponding reduction in the claim for input tax credit or the corresponding credit note is not declared by the recipient in his valid returns, the discrepancy shall be communicated to both such persons in such manner as may be prescribed.

(4) The duplication of claims for reduction in output tax liability shall be communicated to the supplier in such manner as may be prescribed.

(5) The amount in respect of which any discrepancy is communicated under sub-section (3) and which is not rectified by the recipient in his valid return for the month in which discrepancy is communicated shall be added to the output tax liability of the supplier, in such manner as may be prescribed, in his return for the month succeeding the month in which the discrepancy is communicated.

(6) The amount in respect of any reduction in output tax liability that is found to be on account of duplication of claims shall be added to the output tax liability of the supplier in his return for the month in which such duplication is communicated.

(7) The supplier shall be eligible to reduce, from his output tax liability, the amount added under sub-section (5) if the recipient declares the details of the credit note in his valid return within the time specified in sub-section (9) of section 39.

(8) A supplier in whose output tax liability any amount has been added under sub-section (5) or sub-section (6), shall be liable to pay interest at the rate specified under sub-section (1) of section 50 in respect of the amount so added from the date of such claim for reduction in the output tax liability till the corresponding additions are made under the said sub-sections.

(9) Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded to the supplier by crediting the amount in the corresponding head of his electronic cash ledger in such manner as may be

prescribed: Provided that the amount of interest to be credited in any case shall not exceed the amount of interest paid by the recipient.

(10) The amount reduced from output tax liability in contravention of the provisions of subsection (7) shall be added to the output tax liability of the supplier in his return for the month in which such contravention takes place and such supplier shall be liable to pay interest on the amount so added at the rate specified in sub-section (3) of section 50.

43A. Procedure for furnishing return and availing input tax credit.- (1) Notwithstanding anything contained in sub-section (2) of section 16, section 37 or section 38, every registered person shall in the returns furnished under sub-section (1) of section 39 verify, validate, modify or delete the details of supplies furnished by the suppliers.

(2) Notwithstanding anything contained in section 41, section 42 or section 43, the procedure for availing of input tax credit by the recipient and verification thereof shall be such as may be prescribed.

(3) The procedure for furnishing the details of outward supplies by the supplier on the common portal, for the purposes of availing input tax credit by the recipient shall be such as may be prescribed.

(4) The procedure for availing input tax credit in respect of outward supplies not furnished under sub-section (3) shall be such as may be prescribed and such procedure may include the maximum amount of the input tax credit which can be so availed, not exceeding twenty per cent. Of the input tax credit available, on the basis of details furnished by the suppliers under the said sub-section.

(5) The amount of tax specified in the outward supplies for which the details have been furnished by the supplier under sub-section (3) shall be deemed to be the tax payable by him under the provisions of the Act.

(6) The supplier and the recipient of a supply shall be jointly and severally liable to pay tax or to pay the input tax credit availed, as the case may be, in relation to outward supplies for which the details have been furnished under sub-section (3) or sub-section (4) but return thereof has not been furnished.

(7) For the purposes of sub-section (6), the recovery shall be made in such manner as may be prescribed and such procedure may provide for non-recovery of an amount of tax or input tax credit wrongly availed not exceeding one thousand rupees.

(8) The procedure, safeguards and threshold of the tax amount in relation to outward supplies, the details of which can be furnished under sub-section (3) by a registered person,-

(a) within six months of taking registration;

(b) who has defaulted in payment of tax and where such default has continued for more than two months from the due date of payment of such defaulted amount,
- shall be such as may be prescribed.

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47. Levy of late fee.- (1) Any registered person who fails to furnish the details of outward or inward supplies required under section 37 or section 38 or returns required under section 39 or section 45 by the due date shall pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum amount of five thousand rupees.

(2) Any registered person who fails to furnish the return required under section 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent of his turnover in the State.

48. Goods and services tax practitioners.- (1) The manner of approval of goods and services tax practitioners, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning shall be such as may be prescribed.

(2) A registered person may authorise an approved goods and services tax practitioner to furnish the details of outward supplies under section 37, the details of inward supplies under section 38 and the return under section 39 or section 44 or section 45 and to perform such other functions in such manner as may be prescribed.

(3) Notwithstanding anything contained in sub-section (2), the responsibility for correctness of any particulars furnished in the return or other details filed by the goods and services tax practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished.

49. Payment of tax, interest, penalty and other amounts.- (1) Every deposit made towards tax, interest, penalty, fee or any other amount by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode and subject to such conditions and restrictions as may be prescribed, shall be credited to the electronic cash ledger of such person to be maintained in such manner as may be prescribed.

(2) The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41 or section 43A, to be maintained in such manner as may be prescribed.

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(4) The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in such manner and subject to such conditions and within such time as may be prescribed.

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(11) Where any amount has been transferred to the electronic cash ledger under this Act, the same shall be deemed to be deposited in the said ledger as provided in sub-section (1).

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50. Interest on delayed payment of tax.-

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(3) A taxable person who makes an undue or excess claim of input tax credit under subsection (10) of section 42 or undue or excess reduction in output tax liability under sub-section (10) of section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding twenty-four per cent., as may be notified by the Government on the recommendations of the Council.

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52. Collection of tax at source.-

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(6) If any operator after furnishing a statement under sub-section (4) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the statement to be furnished for the month during which such omission or incorrect particulars are noticed, subject to payment of interest, as specified in sub-section (1) of section 50:

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of statement for the month of September following the end of the financial year or the actual date of furnishing of the relevant annual statement, whichever is earlier.

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54. Refund of tax.- (1) Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner as may be prescribed: Provided that a registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in the return furnished under section 39 in such manner as may be prescribed.

(2) A specialized agency of the United Nations Organization or any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947 (Central Act 46 of 1947), Consulate or Embassy of foreign countries or any other person or class of persons, as notified under section 55, entitled to a refund of tax paid by it on inward supplies of goods or services or both, may make an application for

such refund, in such form and manner as may be prescribed, before the expiry of six months from the last day of the quarter in which such supply was received.

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Explanation.— For the purposes of this section,—

(1) “refund” includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilised input tax credit as provided under sub-section (3).

(2) “relevant date” means –

(a) in the case of goods exported out of India where a refund of tax paid is available in respect of goods themselves or, as the case may be, the inputs or input services used in such goods,—

(i) if the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India; or

(ii) if the goods are exported by land, the date on which such goods pass the frontier; or

(iii) if the goods are exported by post, the date of despatch of goods by the Post Office concerned to a place outside India;

(b) in the case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of the goods, the date on which the return relating to such deemed exports is furnished;

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