

**Revision of interest rates under MVAT Act, 2002**



The Government of Maharashtra vide Notification no. VAT. 1515/CR-81/Taxation-1 dated 05 November 2015 has amended the interest rates prescribed under Rule 88(1) of the Maharashtra Value Added Tax Rules, 2005 (applicable w.e.f. 01 December 2015) in relation to interest payable under Section 30(1), (2) and (3) of the Maharashtra Value Added Tax Act, 2002 (MVAT Act, 2002).

Further, the Maharashtra Value Added Tax Department has also issued Trade Circular no. 18T of 2015 dated 20 November 2015 in relation to revision of interest rates along with illustrations for interest computation under various scenarios.

**Proposed interest rates**

Sr.no.	Period of Delay	Current Interest Rate (upto 30 November 2015)	Amended Interest Rates (applicable from 01 December 2015)
1	Upto One month	1.25% per month or part thereof	- 1.25% per month or part thereof
2	More than one month and upto three months		- 1.25% per month or part thereof for the first month of delay; and - 1.5% per month or part thereof for delay beyond one month and upto three months
3	More than three months		- 1.25% per month or part thereof for the first month of delay;

			<ul style="list-style-type: none"> <li>- 1.5% per month or part thereof for delay beyond one month and upto three months; and</li> <li>- 2% per month or part thereof for delay beyond three months</li> </ul>
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### Applicability of the amended Interest Rates

The Circular clarifies that new interest rates would apply to the defaults as existing on 01 December 2015. In such cases, new interest rates would apply as per the slabs which would be counted effective 01 December 2015.

### Illustration

A sample interest computation is as under:

Period	Due Date of Payment of Tax	Date of Payment of Tax	Computation of Interest	
			Period	Interest Rate
April 2015	21/05/2015	31/03/2016	22/05/2015 to 30/11/2015	1.25% per month
			01/12/2015 to 31/12/2015	1.25% per month
			01/01/2016 to 29/02/2016	1.5% per month
			01/03/2016 to 31/03/2016	2% per month

The above methodology would equally apply for dealers whose periodicity is quarterly or six monthly filing of returns.

### Our Comments

Currently, the interest rate is 1.25% per month or part thereof which would now increase to upto 2% per month or part thereof (post December 2015) if the period of delay is more than 3 months. However, there is no corresponding increase in the rate of interest (currently at 0.5 percent per month or part thereof) on refunds payable to dealers.

Further, the amended interest rates would apply to all pending litigations, open assessments and audits. In such cases, additional interest would be payable based on aforesaid slab rates. Consequently, dealers may evaluate paying the disputed amounts under protest to avoid payment of interest at higher rates.

**[Notification No. 1515/CR-81/Taxation-1 dated 05 November 2015 and Circular No. 18T of 2015 dated 20 November 2015]**

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