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CIRCULAR

(No. 05 / 2019-20 - GST)

Subject: Clarification in respect of utilization of input tax credit under GST – Reg.

Section 49 was amended and Section 49A and Section 49B were inserted vide Goa Goods and Services Tax (Amendment) Act, 2019 [hereinafter referred to as the Goa GST (Amendment) Act]. The amended provisions came into effect from 1st February 2019.

2. Various representations have been received from the trade and industry regarding challenges being faced by taxpayers due to bringing into force of section 49A of the Goa Goods and Services Tax Act, 2017 (hereinafter referred to as the Goa GST Act). The issue has arisen on account of order of utilization of input tax credit of integrated tax in a particular order, resulting in accumulation of input tax credit for one kind of tax (say State tax) in electronic credit ledger and discharge of liability for the other kind of tax (say Central tax) through electronic cash ledger in certain scenarios. Accordingly, rule 88A was inserted in the Goa Goods and Services Tax Rules, 2017 (hereinafter referred to as the Goa GST Rules) in exercise of the powers under Section 49B of the Goa GST Act vide notification No. 38/1/2017-Fin(R&C)(98)/2647, dated 01/04/2019, published in Extraordinary Official Gazette no. 2, Series I no. 52 dated 01/04/2019. In order to ensure uniformity in the implementation of the provisions of the law, the Commissioner, in exercise of its powers conferred by section 168 (1) of the Goa GST Act, hereby clarifies the issues raised as below.

3. The newly inserted Section 49A of the Goa GST Act provides that the input tax credit of Integrated tax has to be utilized completely before input tax credit of



Central tax / State tax can be utilized for discharge of any tax liability. Further, as per the provisions of section 49 of the Goa GST Act, credit of Integrated tax has to be utilized first for payment of Integrated tax, then Central tax and then State tax in that order mandatorily. This led to a situation, in certain cases, where a taxpayer has to discharge his tax liability on account of one type of tax (say State tax) through electronic cash ledger, while the input tax credit on account of other type of tax (say Central tax) remains un-utilized in electronic credit ledger.

4. The newly inserted rule 88A in the Goa GST Rules allows utilization of input tax credit of Integrated tax towards the payment of Central tax and State tax, or as the case may be, Union territory tax, in any order subject to the condition that the entire input tax credit on account of Integrated tax is completely exhausted first before the input tax credit on account of Central tax or State / Union territory tax can be utilized. It is clarified that after the insertion of the said rule, the order of utilization of input tax credit will be as per the order (of numerals) given below:

Input tax Credit on account of	Output liability on account of Integrated tax	Output liability on account of Central tax	Output liability on account of State tax / Union Territory tax
Integrated tax	(I)	(II) – In any order and in any proportion	
<i>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</i>			
Central tax	(V)	(IV)	Not permitted
State tax / Union Territory tax	(VII)	Not permitted	(VI)

5. The following illustration would further amplify the impact of newly inserted rule 88A of the Goa GST Rules:

Illustration:

Amount of Input tax Credit available and output liability under different tax heads

Head	Output Liability	Input tax Credit
Integrated tax	1000	1300
Central tax	300	200



State tax / Union Territory tax	300	200
Total	1600	1700

Option 1:

Input tax Credit on account of	Discharge of output liability on account of Integrated tax	Discharge of output liability on account of Central tax	Discharge of output liability on account of State tax / Union Territory tax	Balance of Input Tax Credit
Integrated tax	1000	200	100	0
<i>Input tax Credit on account of Integrated tax has been completely exhausted</i>				
Central tax	0	100	-	100
State tax / Union territory tax	0	-	200	0
Total	1000	300	300	100

Option 2:

Input tax Credit on account of	Discharge of output liability on account of Integrated tax	Discharge of output liability on account of Central tax	Discharge of output liability on account of State tax / Union Territory tax	Balance of Input Tax Credit
Integrated tax	1000	100	200	0
<i>Input tax Credit on account of Integrated tax has been completely exhausted</i>				
Central tax	0	200	-	0
State tax / Union territory tax	0	-	100	100
Total	1000	300	300	100



6. Presently, the common portal supports the order of utilization of input tax credit in accordance with the provisions before implementation of the provisions of the Goa GST (Amendment) Act i.e. pre-insertion of Section 49A and Section 49B of the Goa GST Act. Therefore, till the new order of utilization as per newly inserted Rule 88A of the Goa GST Rules is implemented on the common portal, taxpayers may continue to utilize their input tax credit as per the functionality available on the common portal.

7. Difficulty, if any, in the implementation of this Circular may be brought to the notice of the undersigned.



(Dipak M. Bandekar)
Commissioner of State Tax

Note: Similar circular is issued under Central Goods and Services Tax Act, 2017 by the GST Policy Wing, Central Board of Indirect Taxes and Customs, Department of Revenue, Ministry of Finance, GOI, New Delhi vide Circular No. 98/17/2019-GST dated 23/04/2019.