



# J .V .VASANI & Co

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### Input Tax credit utilization

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# New Set Off Rules of ITC Under GST (Rule 88A of CGST)



# Introduction

The new order of ITC utilization, rule 88A is brought *vide* Notification No. 16/2019, dated 29-3-2019. This may bring some relief to the business community, which has anticipated increase in there working capital requirements due to blockage of credit by the amendment made to section 49 *vide* First Amendment Act made to effective from 1st FEB, 2019.

Let us analyze the changes that are being brought about by new order of utilization *vide* rule 88A by the power conferred on the government *vide* section 49B



# Order of utilization of ITC New Rule 88A

Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order



# Quick Review

<i>Liability</i>	<i>IGST</i>	<i>CGST</i>	<i>SGST/UGST</i>	<i>Remarks</i>
ITC-IGST	<b>1st</b>	<b>2nd/3rd</b>	<b>2nd/3rd</b>	IGST liability will be settled off first compulsory and then free to use IGST Input in payment of the CGST or SGST/UGST liability in any order

**Comments-** As per Amendment Act the order of utilization after the set-off of IGST liability was compulsory CGST and then SGST/UGST. Now the order has been relaxed wherein either CGST or SGST/UGST liability can be set off.



# Proviso to Rule 88A

<i>Liability</i>	<i>IGST</i>	<i>CGST</i>	<i>SGST/UGST</i>	<i>Remarks</i>
ITC –IGST	1 <sup>st</sup>	2 <sup>nd</sup> /3 <sup>rd</sup>	2 <sup>nd</sup> /3 <sup>rd</sup>	ITC of IGST to be <b>exhausted first</b> then only ITC of CGST or SGST/UGST can be utilized for respective payments.
ITC- CGST	2 <sup>nd</sup>	1 <sup>st</sup>	X	The credit of CGST will be utilized for the payment IGST <b>only when there is no other ITC available</b>
ITC- SGST	2 <sup>nd</sup>	X	1 <sup>st</sup>	The credit of SGST/UGST will be utilized for the payment IGST <b>only when there is no other ITC available</b>



# Illustrative Examples

Old set-off rules-prior to amendment to section 49				New set-off rules (After First Amendment Act)				Latest set-off (After insertion of Rule 88A)			
Old set-off rules	IGST	CGST	SGST	New set-off rules (After First Amendment Act)	IGST	CGST	SGST	Latest set-off (After insertion of Rule 88A)	IGST	CGST	SGST
<b>Output liability</b>	1000	1000	1000	Output liability	1000	1000	1000	Output liability	1000	1000	1000
<b>Input credit (including opening)</b>	1500	700	700	Input credit (including opening)	1500	700	700	Input credit (including opening)	1500	700	700
<b>Priority of utilisation:</b>				Priority of utilisation:				Priority of utilisation:			
<b>Intra head credit utilization</b>	-1000	-700	-700	Inter head credit utilisation	-1000	-500	0	Inter head credit utilisation	-1000	-300	-200
<b>Inter head credit utilization</b>		-300	-200	Intra head credit utilisation		-500	-700	Intra head credit utilisation		-700	-700
<b>- Utilised from</b>		IGST	IGST	- Utilised from		IGST		- Utilised from		IGST	
<b>Balance Input credit</b>	0	0	0	Balance Input credit	0	200	0	Balance Input credit	0	0	0
<b>Payable</b>	0	0	100	Payable	0	0	300	Payable	0	0	100

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