

**New ITC Utilization Rules under GST from Apr-19 onwards**

Rules for Utilization of Input Tax Credit (ITC) have undergone a major change and considering its impact, this change will have on Working Capital Management, an explanatory note prepared by us about new Rules is given below :-

**Old set off rules for ITC under GST were as follows: -**

Payment for	First use	Then use
SGST tax	SGST credit	IGST credit
CGST tax	CGST credit	IGST credit
IGST tax	IGST credit	CGST credit and SGST credit

**New set off rules for ITC under GST are as follows: -**

As per new Rules, flexibility of using IGST credit is restricted and for a given Return period, such credit has to be exhausted fully for payment of all components of output GST liabilities before using any amount from CGST and SGST credits, so that later credits can be used only if IGST credit is insufficient to absorb all output GST liability for a given Return Period.

**Accordingly Utilization of ITC under Revised set off rules has to be made according to following steps:-**

Step	Particulars
1.	First utilize IGST credit for payment of output IGST liability
2.	If output IGST liability is not fully paid under Step 1, then follow Step 5 and 6 below
3.	If output IGST liability is fully paid under Step 1, and balance IGST credit is still left then follow Step 4 below
4.	<b><u>At the option of the taxpayer</u></b>  First pay CGST liability out of such balance of IGST Credit and if balance IGST credit still remains pay SGST liability out of such remaining balance  <b>Or</b>  First pay SGST liability out of such balance of IGST Credit and if balance IGST credit still remains pay CGST liability out of such remaining balance..  In either case, tax payer should ensure that all available balance in IGST Credit remaining after Step 1, must be utilized to the extent of output Tax liabilities under

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	<p>CGST and SGST, so that after Step 4 , balance can remain in IGST credit, only if all CGST and SGST liabilities are paid off through IGST credit. In other words after Step 4, tax payer cannot simultaneously keep balance in IGST credit and unpaid liability under CGST or SGST.</p> <p>If any balance IGST Credit remains even after full payment of CGST and SGST liabilities as per Step 4, then, balance of IGST credit still left shall be automatically carried forward in the Electronic ledger to the next period as opening balance of IGST credit.</p>
5.	<p>If CGST liability is not fully paid out of IGST credit after Step 4, then utilize CGST credit for payment of CGST liability, to the extent of CGST credit balance and pay unpaid CGST Liability, if any, in cash</p> <p>If any balance CGST Credit remains after full payment of CGST liability, utilize such balance for payment of balance IGST liability remaining after Step 1. If IGST liability is fully paid and Balance CGST credit remains thereafter, same shall be carried forward in the Electronic ledger to the next period as opening balance of CGST credit.</p> <p>If Balance IGST Liability is still not fully paid under Step 5, follow Steps 6 and 7 .</p>
6.	<p>If SGST liability is not fully paid out of IGST credit after Step 4, then utilize SGST credit for payment of SGST liability, to the extent of SGST credit balance and pay unpaid SGST Liability, if any , in cash.</p> <p>If any balance SGST Credit remains after full payment of SGST liability, utilize such balance for payment of balance IGST liability remaining after Step 1and 5. If IGST liability is fully paid and Balance SGST credit remains thereafter the same shall be carried forward in the Electronic ledger to the next period as opening balance of SGST credit.</p> <p>If Balance IGST Liability is still not fully paid under Step 6, follow Step 7</p>
7.	<p>Pay unpaid IGST liability remaining after Step 5 and/or 6 in cash</p>