



ADDITIONAL RESTRICTION ON ITC (BLOCK CREDIT)

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Notification No / Circular / Section	Description
49/2019 CT Dated 09-Oct-2019	Insertion of new rule 36(4) To restrict ITC after matching (Maximum up to 120% of eligible amount / 110% of eligible amount W.E.F 1-1-2020)
Circular 123 Dated 11-Nov-2019	Restriction of 36(4) will be applicable only on the invoices / debit notes on which credit availed after 09.10.2019.
75/2019 CT Dated 26.12.2019	<p>New rule 86(A) inserted</p> <p>According to this rule The Commissioner or any other officer not below the rank of Assistant Commissioner authorized by him can restrict the ITC after having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible:-</p> <ol style="list-style-type: none"> 1. if the input credit has been availed and the prescribed documents are not in possession of the tax payer or 2. the if the due tax has not paid by the supplier or 3. if the goods or services has actually not been received or 4. if the supplier is not in existence from the place it had taken registration etc. <p>However, Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.</p>
DGCI letter 587 Dated 13.01.2020	<p>Blocking of ITC under rule 86(1)(a)</p> <ol style="list-style-type: none"> 1. Empower → The CGST Officer to block ITC under certain circumstances. 2. Facility: → All zonal chief commissioner have facility to block/unblock ITC availed in a situation covered under rule 86(A)(1)(A) of the CGST Rules 2017 i.e. against fake invoices or against invoices without receipts of goods or services or Both. 3. Operationalize : → <ol style="list-style-type: none"> (a) each Pr. Chief commissioner should appoint an officer of the rank of deputy commissioner /A.C , as a nodal officer , assisted by few more officers who should undertake this activity (b) Will submit daily report as per format to Pr DG DGCI HQ.
CBIC Tweet dated 07-02-2020	<p>CBIC unveils new app for exchange of information between Centre & State</p> <p>CBIC (Directorate of Data Management) launches an application for sharing information between Centre and State for targeted enforcement action against GST evasion; Terms is as a big leap in intelligence sharing and cooperative federalism: CBIC</p>
Circular 131 dated 23.01.2020	<p>SOP to be followed by Exporter</p> <p>1. Several cases of monetisation of credit fraudulently obtained or ineligible credit through refund of Integrated Goods & Service Tax (IGST) on exports of goods have been detected in past few months.</p> <p>On verification, several such exporters were found to be non-existent in a number of cases.</p> <p>In all these cases it has been found that the Input Tax Credit (ITC) was taken by the exporters on the basis of fake invoices and IGST on exports was paid using such ITC.</p> <p>2. To mitigate the risk, the Board has taken measures to apply stringent risk parameters-based checks driven by rigorous data analytics and Artificial Intelligence tools based on which certain exporters are taken up for further</p>

	<p>verification.</p> <p>Overall, in a broader time frame the percentage of such exporters selected for verification is a small fraction of the total number of exporters claiming refunds. The refund scrolls in such cases are kept in abeyance until the verification report in respect of such cases is received from the field formations.</p> <p>Further, the export consignments/shipments of concerned exporters are subjected to 100 % examination at the customs port.</p>
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From above it can be concluded that Govt. is very strict about GST compliance and made retrospective amendment to levy equal penalty for ITC on fake invoices in this budget. Further presently huge amount of ITC as well as GST refund is under hold for verification because of such ITC.

Now CBIC launches application for sharing information between centre and state for targeted enforcement action against GST evasion.

Accordingly all assessee need to ensure strict discipline in selection of supplier with proper due diligence before executing any transaction otherwise it may create trouble in future.

Moreover, purchase condition can be modified by inserting appropriate payment clause after matching only.

From above it can be concluded that every client should keep their system as per GST compliance requirement and keep the business relation with 100% GST complied supplier to avoid such additional restriction like blockage of ITC, Blockage of e way bill etc.

Govt. action are in right direction for such targeted defaulters by introducing measures to apply stringent risk parameters based checks ,driven by rigorous data analytics’, artificial intelligence tool to taken up further verification.

The Institute of the Cost Accountants of India can become system partner in development of system base Audit tool in saving leakage of revenue by undue means and smooth compliance timely.

Business long-term survival with peace will be based on 100% GST compliance on real-time basis and CMA can help in optimization by keeping updated knowledge on GST as well as system.