

Central Tax
Circular No. - 98/2019
Date -23-04-2019

**Seeks to clarify the manner of utilization of input tax credit post
insertion of the rule 88A of the CGST Rules**

Section 49 was amended and Section 49A and Section 49B were inserted vide Central Goods and Services Tax (Amendment) Act, 2018 which came into effect from 1st February 2019.

Rule 88A was inserted in the Central Goods and Services Tax Rules, 2017 in exercise of the powers under Section 49B of the CGST Act vide Notification No. 16/2019- Central Tax, dated 29th March, 2019.

In order to ensure uniformity in the implementation of the provisions of the law, the Board, has clarified the issues raised as below-

- The newly inserted Section 49A of the CGST 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 CGST 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.
- The newly inserted rule 88A in the CGST 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.

For more details, please follow - <http://www.cbic.gov.in/resources/htdocs-cbec/gst/Circular-98-17-2019-GST.pdf;jsessionid=A339C81E7E94071CB026DA76B798493E>