



TEXPROCIL

THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
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**Eserve No. 56 of
2019**

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Circular No. EPS/Cir/ 08/2019-20

To: Members of the Council

**Sub: CBIC clarifies the manner of utilization of Input Tax
Credit
under GST**

Dear Member,

Central Board of Indirect Taxes & Customs (CBIC) has issued Circular No. 98/2019 dated 23rd April, 2019 to clarify the order of utilization of Input Tax Credit under GST post insertion of Rule 88A of the CGST Rules, 2017.

Key points of the Circular are:

1. Section 49A of the CGST Act, 2017 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 Section 49 of the said 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. Accordingly, 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.

In order to deal with above situation, Rule 88A was inserted in the CGST Rules, 2017 to allow 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.

2. From now the manner of utilization of input tax credit shall be as per the order explained in the table below:

Input Tax Credit on account of	Discharge output liability on account of Integrated Tax (IT)	Discharge output liability on account of Central Tax (CT)	Discharge output liability on account of State Tax (ST)
Integrated Tax	Firstly to be utilized	Remaining credit to be utilized in any order and in any proportion for payment of CT/ST*	
Central Tax	Remaining CT Credit	Firstly to be utilized	Not permitted
State Tax	Remaining ST Credit	Not permitted	Firstly to be utilized

* Before utilization of Input Tax Credit on account of Central Tax or State Tax, Input Tax Credit on account of Integrated Tax to be completely exhausted mandatorily.

Presently, the common portal supports the order of utilization of input tax credit in accordance with the provisions before implementation of Section 49A of the CGST Act. Therefore, till the new order of utilization as per Rule 88A of the CGST 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.

A copy of CBIC Circular No. 98/17/2019-GST dated April 23, 2019 is enclosed herewith ([click here](#)) for your information.

You are requested to please take a note of the above and do the needful.

In case, you need any clarification, please get in touch with us or send us your queries on the email IDs ravikumar@texprocil.org / vimal@texprocil.org.

Thanking You,

A. Ravi Kumar
Joint Director

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