Provisions of Utilisation of ITC of GST

Provisions Before 1st Feb 2019

Section 49(5) of the ACT provided the order and manner of utilisation of various ITC as under-

a. In regard to IGST ITC, it shall be first utilised towards IGST liability and then CGST liability and lastly with SGST liability

b. In regard to CGST ITC, it shall be first utilised towards CGST liability and then IGST liability.

b. In regard to SGST ITC, it shall be first utilised towards SGST liability and then IGST liability.

c. CGST and SGST ITC cannot be utilised towards each other liability i.e. no cross adjustment was allowed among these.

However the above provisions in respect of utilisation were silent in respect of order of utlisation of aboce ITCs, i.e. Which ITC (IGST, CGST or SGST) to be utilised firstly, secondly and thirdly in sequence or order. Therefore RPs were firstly utilising the ITC in the under mentioned order-

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Step 1 Set off specific GST ITC with that GST liability. i.e. IGST ITC with IGST liability, CGST ITC with CGST liability and SGST ITC with SGST liability

Step 2 Set off left over IGST ITC first with remaining CGST Liability and then with remaining SGST liability.

Step 3 Set off left over CGST ITC or SGST ITC (no mandate which to use first, so RPs used as per their choice) with IGST liability.

Provisions on or after 1st Feb 2019

Following amendments were made in utilisation and set off of ITC

1 In section 49(5) proviso inserted to provide that SGST ITC shall not be utilised towards IGST liablity till CGST ITC is available i.e. CGST ITC shall be utilised first with IGST liability and then SGST ITC shall be utilised.

2 Section 49A inserted to provide that IGST ITC shall be first utilised amongst all ITCs.

Impact:- The above amendment shall have following impact on utilisation-

1 IGST ITC shall be firstly utilised in full amongst all ITCs.

2 IGST ITC shall be firstly utilised towards IGST liability, then CGST liability and then SGST liability. (Order of IGST ITC utilisation).

3 CGST ITC shall be firstly utilised towards CGST liability and then towards IGST liability (No Change in Order).

4 SGST ITC shall be firstly utilised towards SGST liability and then towards IGST liability (No Change in Order).

5 However CGST ITC shall be firstly utilised towards IGST liability and then SGST ITC shall be utilised. Here among these ITCs utilisation order is now prescribed.

Ananlysis of impact of changes in ITC utilisation on or after 1st Feb 2019	
Case 1	Where supplier is engaged in making only Local Sale and Local Purchase and thus no IGST transaction
Impact	*Since there is no IGST ITC and IGST liability the changes will have no impact on final liablity.* ***Hence no Impact.***
Case 2	Where supplier is engaged in making all Local Purchases and all IGST Sales .
Impact	*Here the supplier is required to firstly adjust CGST ITC and then SGST ITC against IGST liability. Previously this order was not prescribed and thus before 1st feb 2019 supplier could utilised any of the ITC firstly. However it otherwisely will have little impact as both the ITC must be of equal amounts and even if of unequal amounts due to transition credit u/s 140 still there is no impact as both the ITC can be utilised fully but in the given order.* ***Hence no impact.***
Case 3	Where supplier is engaged in making all IGST Purchases and all Local Sales .
Impact	*Since there is no order in change in order to utilise IGST hence there is no impact in this case.* ***Hence no impact.***
Case 4	Where supplier is engaged in making all IGST Purchases and Local Sales and IGST Sales .
Impact	Here IGST ITC shall be available against IGST liability, CGST liability and SGST liability with no change in order of utilisation and set off of ITC. **Hence no impact.**
Case 5	Where supplier is engaged in making all Local Purchases and Local Sales and IGST Sales .
Impact	*Here the supplier is required to adjust CGST ITC against CGST liability and SGST ITC against SGST liability. Thereafter remaining CGST ITC shall be firstly utilised to pay IGST liability and then SGCT ITC shall be utilised to pay IGST liability. Previously this order was not prescribed and thus before 1st feb 2019 supplier could utilised any of the ITC firstly. Whereas if there is CGST credit unutilised as on 1st Feb 2019 due to transition credit the SGST ITC may not be fully utilised. However there shall not be any liability due to changes in utilisation.* ***Hence no impact.***
Case 6	Where supplier is engaged in making local as well as IGST purchase and all local sale.
Impact	*Here the supplier is having all types of ITCs i.e. IGST, CGST and SGST and liability of CGST and SGST. Previously firstly CGST ITC was utilised towards CGST liability and SGST was utlised towards SGST liability and thereafter IGST ITC was utilised towards remaining CGST and SGST liability. But the order has been changed w.e.f. 1st Feb 2019. Now firstly IGST ITC shall be utilised fully towards CGST liablity and SGST liablity in that order (i.e. first towards CGST and then towards SGST). After exhausting of IGST ITC the CGST ITC shall be utilsied against CGST liablity and SGST ITC shall be utilised against SGST liability. Due to this change in order of utilisation it has impact of net payable tax liability along with unutilised GST ITC as explained through table given below-*

Old Scenario:

Credit	Input	Output	Adjustment Ist	Adjustment Iind	Credit after all Adj	Balance Pay	
IGST	20	0			0	0	
CGST	20	30	Rs 30-20 (CGST C)	Rs 10-10 (IGST C)	0	0	
SGST	20	30	Rs 30-20 (SGST C)	Rs 10-10 (IGST C)	0	0	
	60	**60**					

New Scenario:

Credit	Input	Output	Adjustment Ist	Adjustment Iind	Credit after all Adj	Balance Pay	
IGST	20	0	0	0	0	0	
CGST	20	30	Rs 30-20 (IGST C)	Rs 10-10 (CGST C)	10	0	
SGST	20	30	Rs 30-20 (SGST C)	0	0	10	
	60	**60**					

Case 7 Where supplier is engaged in making local and IGST purchase and also local sale and IGST sale.

Impact *Here the supplier is having all types of ITCs and liabilities i.e. IGST, CGST and SGST. Previously all ITCs were firstly utilised towards same levy and therafter the ITC of IGST was utilised towards CGST and SGST in that order or CGST or SGST ITC were utilised towards IGST liablity in the order of supplier choice. However after amendment firstly IGST ITC is to be utilised fully towards IGST, CGST and SGST liablities in that order and thereafter CGST ITC to utilised and lastly SGST Credit to be utilised against IGSt liability. It impacts the variant of ITC which is explained through below comparative tables-*

Old Scenario:

Credit	Input	Output	Adjustment Ist	Adjustment Iind	Credit after all Adj	Balance Pay	
IGST	50	20	Rs 20-20 (IGST C)	0	30	0	
CGST	30	20	Rs 20-20 (CGST C)	0	10	0	
SGST	30	20	Rs 20-20 (SGST C)	0	10	0	
	110	**60**					

New Scenario:

Credit	Input	Output	Adjustment Ist	Adjustment Iind	Credit after all Adj	Balance Pay	
IGST	50	20	Rs 20-20 (IGST C)	0	0	0	
CGST	30	20	Rs 20-20 (IGST C)	0	30	0	
SGST	30	20	Rs 20-10 (IGST C)	Rs 10-10 (SGST C)	20	0	
	110	**60**					