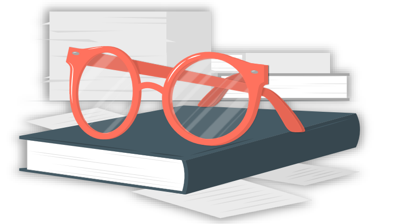
UNDERSTANDING OF INTEREST ON WRONGFUL AVAILMENT AND UTILIZATION OF ITC



NILESH MAHAJAN & ASSOCIATES | CHARTERED ACCOUNTANTS

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INTEREST WILL BE LEVIED ON WRONGFUL AVAILMENT AND UTILIZATION OF ITC [SECTION 50 (3) READ WITH RULE 88B (3)]

Whether ITC is wrongly availed? → **NO** → **Interest is not levied**

YES → **Whether wrongly availed ITC is utilized?** → **NO** → **Interest is not levied**

YES → **Interest is levied**

When will the wrong availment of ITC be treated as 'utilized'?

When the balance in the credit ledger falls below the amount of ITC wrongly availed at any given point of time after such availment

How to calculate the amount of wrongly availed and utilized ITC?

It will be the difference between the amount wrongly availed & the balance in the credit ledger

What shall be the date of the utilization of the wrong availment of ITC?

- *The date would be the due date or date of actual filling of return whichever is earlier, of the tax period in which the credit balance of ITC falls below the amount of the wrong availment & utilization of ITC due to tax payment through said return or*
- *Date of debit of electronic credit ledger in all other cases e.g., DRC - 03*

Particulars	Tax period	Due date GSTR-3B	Actual filing date	Amt [₹]	Balance in credit ledger
Opening balance of correct availed ITC					2,00,000
Wrong availment of ITC (+)	June 22	20 July	18 July	1,00,000	3,00,000
Utilization of ITC (-)	Oct 22	20 Nov	15 Nov	1,50,000	1,50,000
Utilization of ITC (-)	Dec 22	20 Jan	17 Jan	75,000	75,000

- **Utilization of wrongly availed ITC:** When the balance in the credit ledger falls below ₹ 1,00,000
- **Calculation of amount wrongly availed & utilization:** Wrongly availed ITC minus balance of credit ledger as on 17 Jan [₹ 1,00,000 - ₹ 75,000 = ₹ 25,000]
- **Date of the utilization of wrongly availed ITC is 17 Jan**

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(Views are strictly personal)