

**GOVERNMENT OF WEST BENGAL
DIRECTORATE OF COMMERCIAL TAXES
14, BELIAGHATA ROAD, KOLKATA-700015**

TRADE CIRCULAR No. 18/2019 (*Circular No. 98/17/2019-GST*)

DATED: 26.04.2019

Subject: Clarification in respect of utilization of input tax credit under GST.

Section 49 of the West Bengal Goods and Services Tax Act, 2017 was amended and Section 49A and Section 49B were inserted vide section 3 of the West Bengal Taxation Laws (Amendment) Act, 2018 [hereinafter referred to as the West Bengal Act XXIV of 2018]. The amended provisions came into effect from 1st February 2019.

2. Various representations have been received from the trade and industry regarding challenges being faced by taxpayers due to bringing into force of section 49A of the West Bengal Goods and Services Tax Act, 2017 (hereinafter referred to as the WBGST Act). The issue has arisen on account of order of utilization of input tax credit of integrated tax in a particular order, resulting in accumulation of input tax credit for one kind of tax (say State tax) in electronic credit ledger and discharge of liability for the other kind of tax (say Central tax) through electronic cash ledger in certain scenarios. Accordingly, rule 88A was inserted in the West Bengal Goods and Services Tax Rules, 2017 (hereinafter referred to as the WBGST Rules) in exercise of the powers under Section 49B of the WBGST Act vide notification No. 559-F.T., dated 29th March, 2019. In order to ensure uniformity in the implementation of the provisions of the law, the Commissioner, in exercise of its powers conferred by section 168 (1) of the WBGST Act, hereby clarifies the issues raised as below.

3. The newly inserted Section 49A of the WBGST 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 WBGST 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.

4. The newly inserted rule 88A in the WBGST 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. It is clarified that after the insertion of the said rule, the order of utilization of input tax credit will be as per the order (of numerals) given below:

Input tax Credit on account of	Output liability on account of Integrated tax	Output liability on account of Central tax	Output liability on account of State tax / Union Territory tax
Integrated tax	(I)	(II) – In any order and in any proportion	
<i>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</i>			
Central tax	(V)	(IV)	Not permitted
State tax / Union Territory tax	(VII)	Not permitted	(VI)

5. The following illustration would further amplify the impact of newly inserted rule 88A of the WBGST Rules:

Illustration:

Amount of Input tax Credit available and output liability under different tax heads

Head	Output Liability	Input tax Credit
Integrated tax	1000	1300
Central tax	300	200
State tax / Union Territory tax	300	200
Total	1600	1700

Option 1:

Input tax Credit on account of	Discharge of output liability on account of Integrated tax	Discharge of output liability on account of Central tax	Discharge of output liability on account of State tax / Union Territory tax	Balance of Input Tax Credit
Integrated tax	1000	200	100	0
<i>Input tax Credit on account of Integrated tax has been completely exhausted</i>				
Central tax	0	100	-	100
State tax / Union	0	-	200	0

territory tax				
Total	1000	300	300	100

Option 2:

Input tax Credit on account of	Discharge of output liability on account of Integrated tax	Discharge of output liability on account of Central tax	Discharge of output liability on account of State tax / Union Territory tax	Balance of Input Tax Credit
Integrated tax	1000	100	200	0
<i>Input tax Credit on account of Integrated tax has been completely exhausted</i>				
Central tax	0	200	-	0
State tax / Union territory tax	0	-	100	100
Total	1000	300	300	100

6. Presently, the common portal supports the order of utilization of input tax credit in accordance with the provisions before implementation of the provisions of section 3 of the West Bengal Act XXIV of 2018 i.e. pre-insertion of Section 49A and Section 49B of the WBGST Act. Therefore, till the new order of utilization as per newly inserted Rule 88A of the WBGST 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.

8. Difficulty, if any, in the implementation of this Circular may be brought to the notice of the Commissioner.

9. This circular shall be deemed to have come into force with effect from 23.04.2019.

Sd/-
(Smaraki Mahapatra)
Commissioner, State Tax,
West Bengal

Memo. – 202 CT/PRO
3C/PRO/2019

Date: 26.04.2019

Copy forwarded to the Additional CST/ISD for information and for uploading it on the official website of the Directorate for information of all concerned.

Sd/-
(Adesh Kumar)
Special CST & PRO