

- (ii) any person who applies for registration and who wants to opt for payment of central tax @ 3% by availing the benefit of the said notification, if eligible, may do so by indicating the option at serial no. 5 and 6.1(iii) of FORM GST REG-01 at the time of filing of application for registration.
- (iii) the option of payment of tax by availing the benefit of the said notification in respect of any place of business in any State or Union territory shall be deemed to be applicable in respect of all other places of business registered on the same Permanent Account Number.
- (iv) the option to pay tax by availing the benefit of the said notification would be effective from the beginning of the financial year or from the date of registration in cases where new registration has been obtained during the financial year.

3. It may be noted that the provisions contained in Chapter II of the said Rules shall mutatis mutandis apply to persons paying tax by availing the benefit of the said notification, except to the extent specified in para 2 above.

**Notes:**

1. Corrected vide Corrigendum GST No. CBEC/20/16/4/2018-GST (Pt. I) dated 01-07-2019 before it was read as  
“(i) a registered person who wants to opt for payment of central tax @ 3% by availing the benefit of the said notification, may do so by filing intimation in the manner specified in sub-rule 3 of rule 3 of the said rules in **FORM GST CMP-02** by selecting the category of registered person as “Any other supplier eligible for composition levy” as listed at Sl. No. 5(iii) of the said form, latest by 30th April, 2019. Such person shall also furnish a statement in **FORM GST ITC-03** in accordance with the provisions of sub-rule (3) of rule 3 of the said rules.”
2. Corrected vide Corrigendum dated 29-07-2019 before it was read as  
“1[(i) a registered person who wants to opt for payment of central tax @ 3% by availing the benefit of the said notification, may do so by filing intimation in the manner specified in sub-rule 3 of rule 3 of the said rules in **FORM GST CMP-02** by selecting the category of registered person as “Any other supplier eligible for composition levy” as listed at Sl. No. 5(iii) of the said form, latest by **31st July, 2019**. Such person shall also furnish a statement in **FORM GST ITC-03** in accordance with the provisions of sub-rule (3) of rule 3 of the said rules.]”

## 98

### Clarification in respect of utilization of input tax credit under GST

**Circular No. 98/17/2019-GST**

**23rd April 2019**

Section 49 was amended and Section 49A and Section 49B were inserted vide Central Goods and Services Tax (Amendment) Act, 2018 [hereinafter referred to as the CGST (Amendment) Act]. 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 Central Goods and Services Tax Act, 2017 (hereinafter referred to as the CGST 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 Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the CGST Rules) 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, in exercise of its powers conferred by section 168 (1) of the CGST Act, hereby clarifies the issues raised as below.

3. 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.

4. 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. 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 CGST 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              |
| <b>Total</b>                    | <b>1600</b>      | <b>1700</b>      |

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 territory tax  | 0  | -   | 200   | 0                           |
| <b>Total</b>   | <b>1000</b>  | <b>300</b>  | <b>300</b>  | <b>100</b>                  |

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                         |
| <b>Total</b>   | <b>1000</b>  | <b>300</b>  | <b>300</b>  | <b>100</b>                  |

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 the CGST (Amendment) Act i.e. pre-insertion of Section 49A and Section 49B of the CGST Act. Therefore, till the new order of utilization as per newly inserted 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.

## 99

**Clarification regarding filing of application for revocation of cancellation  
of registration in terms of Removal of Difficulty Order (RoD) number  
05/2019-Central Tax dated 23.04.2019 - GST**

**Circular No. 99/18/2019-GST**

**23rd April 2019**

Registration of several persons was cancelled under sub-section (2) of section 29 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as "the said Act") due to