

ITC CREDIT UTILIZATION AS PER NEW RULE 88A

As per **Notification No. 16/2019-Central Tax, dated 29th March, 2019** – Central Government inserted Rule 88A explaining order of utilization of input tax.

“Rule 88A. Order of utilization of input tax credit.- Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order:

Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.”

Explanation of “Rule 88A”:

- **FIRST FULL UTILIZATION OF IGST ITC**– *input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining for central tax and State tax or Union territory tax if any.*
- **NO ORDER SET FOR IGST ITC UTILIZATION BETWEEN CGST & SGST**– *the amount of IGST ITC remaining after utilization towards payment of IGST may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order.*
- **ITC UTILIZATION OF CGST & SGST**– *the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.*

Example:

	IGST	CGST	SGST
OUTPUT TAX PAYABLE	25000	50000	50000
INPUT TAX CREDIT	30000	12000	12000

Solution:

	IGST	CGST	SGST
OUTPUT TAX PAYABLE	25000	50000	50000
Less: IGST ITC	25000	2500	2500
Less: CGST ITC	-	12000	-
Less: SGST ITC	-	-	12000
CASH PAYMENT	-	35500	35500

In the given example ITC of IGST Rs. 30,000 has been first utilised for IGST liability of Rs. 25,000 and balance of Rs. 5,000 utilised for the liability of CGST & SGST in equal proportion as per our convenience.

Alternatively Balance of Rs. 5,000 can be utilise fully for CGST also, as shown below

Utilisation of ITC Credit

	IGST	CGST	SGST
OUTPUT TAX PAYABLE	25000	50000	50000
Less: IGST ITC	25000	5000	-
Less: CGST ITC	-	12000	-
Less: SGST ITC	-	-	12000
CASH PAYMENT	-	33000	38000