

# GST tweak likely to see retrospective amendment return

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**NEW DELHI:** The government is likely to retrospectively amend laws governing the goods and services tax (GST) to deny transitional credit to taxpayers against cesses levied in the earlier indirect tax regime.

If it goes through with its plan, the Narendra Modi government will be going back on its promise of not making retrospective amendments to tax laws that have an adverse impact on taxpayers.

The proposed amendment to the GST law seeks to explicitly exclude cesses levied in a pre-GST regime from allowable transitional credit that can be claimed by companies. Under the transitional credit provision, companies were allowed to claim tax credit against levies such as value added tax and service tax on stock purchased before implementation of GST for a limited period.

Many companies availed the transitional credit facility seeking input tax credit also for cesses such as the Krishi Kalyan cess paid in the pre-GST regime through the TRAN-1 form.

However, the central government doesn't want to give credit against the cesses. Mint could not ascertain the exact amount of transitional credit claimed against cesses.

It accordingly proposes to specifically amend the transitional provision in the GST law to only allow input tax credit against eligible duties and insert an explanation excluding cesses from the list of eligible duties. The amendments will be tabled in the upcoming monsoon session of Parliament beginning July 18.

"Excluding cesses from transitional credit will be the only amendment that will be retrospective as the transitional

## Retro revision?

### What is being proposed?

Amending the GST law to disallow transitional credit against cesses levied in earlier regime

### Why it is likely to be retrospective?

The transitional credit is for the period before **July 2017** and the credit claims have already been made by companies through TRAN-1 form

### When are the amendments likely to be moved?

In the upcoming monsoon session of Parliament, which begins on **July 18**

claims have already been filed through the TRAN-1 form. None of the other amendments proposed to the GST laws are retrospective," said a government official, who did not want to be named. Companies had claimed nearly ₹65,000 crore in transitional credit by mid-September, prompting the Central Board of Indirect Taxes and Customs (CBIC) to review the claims. CBIC asked taxpayers to file revised claim forms by December 27 or face action for what they believe are exaggerated claims. It has started the process of phase-wise examination of some of the highest transitional credit claims.

CBIC also warned taxpayers not to utilise disputed transitional credit against GST liability and said that it will recover the amount with interest and penalty. "Such an amendment will have a financial impact on the business as the tax liability will increase. Industry expected that the cesses that were creditable in the pre-GST regime will be creditable in the GST regime as well. We could see advance rulings or the companies approaching courts," said Suresh Rohira, Partner, Grant Thornton India Llp.