

Transitional Provisions related to Stock in hand under GST

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While understanding the transitional provisions under GST, a repeated and imminent query which we are faced with is the treatment of CENVAT and VAT Credit in respect of stock held on 30th June 2017 which will be sold post 1st July 2017 i.e., after implementation of GST.

The treatment would depend on the nature of registration of the organisation under the present laws. In an attempt to bring clarity on this issue, an analysis is made in this article on case study basis.

- *The following analysis is based on the assumption that GST will be effective from 1st July 2017.*
- *The discussion is only in respect of inputs and input services and not capital goods.*
- *The discussion does not cover VAT dealers paying tax under MRP Scheme.*

Case 1: Manufacturer registered under Excise, VAT and Service Tax

- **Return filed under Excise, VAT or Service Tax shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return filed for period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess CENVAT Credit (shown in Excise and Service Tax Return) shall be carried forward as CGST
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law

- All returns for 6 months have not been duly filed under the Excise, VAT, Service Tax Law
- Credit relates to goods manufactured and cleared under exemption notifications as are notified by the Government
- VAT Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made available
- **Return filed under Excise, VAT and Service Tax does not show outstanding balance of input tax credit**

Where the entire credit availed has been utilised and no outstanding, excess balance of credit is reflected in the return:

- No credit shall be carried forward under GST
- No requirement to file any detail with respect to the stock in GST FORM TRAN-1

Case 2: Manufacturer registered under Excise and VAT

- **Return filed under Excise or VAT shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return filed for period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess CENVAT Credit (shown in Excise Return) shall be carried forward as CGST
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law
 - All returns for 6 months have not been duly filed under the Excise and VAT Law
 - Credit relates to goods manufactured and cleared under exemption notifications as are notified by the Government

- VAT Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made
- **Return filed under Excise and VAT does not show excess balance of input tax credit**
Where the entire credit availed has been utilised and no outstanding, excess balance of credit is reflected in the return:
 - No credit shall be carried forward under GST
 - No requirement to file any detail with respect to the stock in GST FORM TRAN-1

Case 3: Manufacturer registered under VAT only

This will cover SSI dealers opting out of excise. This will also cover manufacturers exempt from excise and not registered under excise.

- **Return filed under VAT shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return filed for period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law
 - All returns for 6 months have not been duly filed under the VAT Law
 - Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made available
- **Return filed under VAT does not show excess balance of input tax credit**
 - No credit shall be carried forward under GST in respect of VAT
- **Excise duty, Additional Excise Duty, CVD and SAD in respect of raw materials, finished/ semi-finished stock held on 30th June 2017**
 - Credit of Excise and other related duties allowed (subject to few conditions)

- Duty paying documents/ invoices are essential
- Date of issue of such invoice must be on or after 1st July 2016
- GST FORM TRAN-1 to be filed by 29th August 2017
- The GST FORM TRAN-1 to contain details about the credit claimed
- The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
- Opening Credit as on 1st July 2017 shall be shown as CGST

Case 4: Trader registered under Excise and VAT

This will cover first stage/ second stage dealers

- **Return filed under VAT shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return filed for period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law
 - All returns for 6 months have not been duly filed under the VAT law
 - Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made available
- **Return filed under VAT does not show excess balance of input tax credit**
 - No VAT credit shall be carried forward under GST
- **Excise duty, Additional Excise Duty, CVD and SAD in respect of raw materials, finished/ semi-finished stock held on 30th June 2017**
 - Credit of Excise and other related duties allowed (subject to few conditions)
 - Duty paying documents/ invoices are essential
 - Date of issue of such invoice has to be on or after 1st July 2016

- GST FORM TRAN-1 to be filed by 29th August 2017
- The GST FORM TRAN-1 to contain details about the credit claimed
- The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
- Opening Credit as on 1st July 2017 shall be shown as CGST

Case 5: Trader registered under VAT

- **Return filed under VAT shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law
 - All returns for 6 months have not been duly filed under the VAT law
 - Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made available
- **Return filed under VAT does not show excess balance of input tax credit**
 - No credit shall be carried forward under GST in respect of VAT
- **Excise duty, Additional Excise Duty, CVD and SAD in respect of stock held on 30th June 2017 –**
 - **Duty paying documents/ invoices are available**
 - Credit of Excise and other related duties allowed (subject to few conditions)
 - Date of issue of such invoice must be on or after 1st July 2016
 - GST FORM TRAN-1 to be filed by 29th August 2017

- The GST FORM TRAN-1 to contain details about the credit claimed
 - The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
 - Credit shall be carried forward as CGST
- **Duty paying documents/ invoices are not available**
- Credit of Excise and other related duties allowed (subject to few conditions)
 - Credit allowed @ 40% of CGST applicable on supply of the stock after 1st July 2017
 - Credit allowed in respect of supplies made till 31st December 2017
 - Documents for procurement of the goods are essential
 - Goods should not be exempt from excise or nil rated
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
 - Statement containing details of supplies to be submitted each month for 6 months
 - Credit shall be carried forward as CGST

Case 6: Service provider registered under Service Tax paying tax at normal rate

- **Return filed under Service Tax shows outstanding/ excess/ unutilised balance of input tax credit**
 - The excess input tax credit reflected in the return filed for the period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess CENVAT Credit (shown in Service Tax Return) shall be carried forward as CGST
- **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law

- All returns for 6 months have not been duly filed under the Service Tax Law
- **Return filed under Service Tax does not show excess balance of input tax credit**
 - No credit shall be carried forward under GST in respect of Service Tax

Case 7: Manufacturer/ Service provider not registered under any of current laws now registered under GST

- **Excise duty, Additional Excise Duty, CVD and SAD in respect of raw materials, finished/ semi-finished stock held on 30th June 2017**
 - Credit of Excise and other related duties allowed
 - Inputs/ goods should be used to make taxable GST supplies
 - ITC in respect of the inputs should be eligible under GST
 - Duty paying documents/ invoices are essential
 - Date of issue of such invoice has to be on or after 1st July 2016
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit claimed
 - The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
 - Credit shall be carried forward as CGST

Case 8: Trader not registered under any of current laws now registered under GST

- **VAT in respect of raw materials, finished/ semi-finished stock held on 30th June 2017**
 - Credit of VAT allowed
 - Inputs/ goods should be used to make taxable GST supplies
 - ITC in respect of the inputs should be eligible under GST
 - Duty paying documents/ invoices are essential
 - Date of issue of such invoice must be on or after 1st July 2016
 - GST FORM TRAN-1 to be filed by 29th August 2017
 - The GST FORM TRAN-1 to contain details about the credit claimed

- The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
- Credit shall be carried forward as SGST

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- Indirect Taxes Committee