



# Lawgics

By Nidhi, Advocate



Serial No. 048  
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In Continuation to  
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## Section 49(2), 49(4), 49(5) and 49(6) read with Rule 86, Rule 88A

Section 49(2)	The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed.
Section 49(4)	The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in such manner and subject to such conditions and restrictions and within such time as may be prescribed.
<b>Rule 86: Electronic Credit Ledger</b>	
Rule 86(1)	The electronic credit ledger shall be maintained in FORM GST PMT-02 for each registered person eligible for input tax credit under the Act on the common portal and every claim of input tax credit under the Act shall be credited to the said ledger.
Section 49(2) & 49(4) read with Rule 86(1) Interpretation	<p><b>Electronic Credit Ledger</b></p> <p>All self-assessed eligible credit as claimed in GSTR-3B would be credited in Electronic Credit Ledger maintained on the common portal in PMT-02.</p> <p>Such credit can be used to <b>discharge output tax liability</b> but <b>cannot be used to discharge liability towards Interest, Penalty, and Late fee etc.</b></p>
Section 49(5)	<p>The amount of input tax credit available in the electronic credit ledger of the registered person on account of—</p> <p>(a) 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 as the case may be, Union territory tax, in that order;</p> <p>(b) the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;</p> <p>(c) the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;</p> <p>Provided that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax</p> <p>(d) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;</p>

	<p>Provided that the input tax credit on account of Union territory tax shall be utilized towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax</p> <p>(e) the central tax shall not be utilised towards payment of State tax or Union territory tax; and</p> <p>(f) the State tax or Union territory tax shall not be utilised towards payment of central tax.</p>																								
Section 49A	<p><b><u>Utilisation of input tax credit subject to certain conditions</u></b></p> <p>Notwithstanding anything contained in section 49, 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 towards such payment.</p>																								
Section 49B	<p><b><u>Order of utilisation of input tax credit</u></b></p> <p>Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub-section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.</p>																								
Rule 86(2)	<p>The electronic credit ledger shall be debited to the extent of discharge of any liability in accordance with the provisions of section 49 or section 49A or section 49B.</p>																								
Rule 88A	<p><b><u>Order of utilization of input tax credit.</u></b></p> <p>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:</p> <p>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.</p>																								
Section 49(5), Section 49A & Section 49B read with Rule 86(2) & 88A <b>Interpretation</b>	<p><b><u>Manner of utilization of ITC in Electronic Credit Ledger</u></b></p> <p>Rule 88A has been inserted vide Notification No. 16/2019-CT dated 29.03.2019 and is effective from 01.04.2019. Rule 88A was inserted to exercise the powers under section 49B of the CGST Act.</p> <p>The manner of utilization of ITC standing in the Electronic Credit Ledger for discharge of tax liability under different GST Tax Component (SGST, CGST, IGST) has been provided in the following manner:</p> <table><tr><th>ITC on account of</th><th>1st Utilisation of output tax of</th><th>2nd Utilisation of output tax of</th><th>Comments</th></tr><tr><td>IGST</td><td>IGST</td><td>CGST or SGST/UTGST in ANY ORDER or in ANY PROPORTION, as per choice of the taxpayer</td><td></td></tr><tr><td>CGST</td><td>CGST</td><td>IGST</td><td>Cannot be used to discharge SGST/UTGST liability</td></tr><tr><td>SGST</td><td>SGST</td><td>IGST</td><td>Cannot be used to discharge CGST liability</td></tr><tr><td>UTGST</td><td>UTGST</td><td>IGST</td><td>Cannot be used to discharge CGST liability</td></tr><tr><td>CESS</td><td>CESS</td><td>N.A.</td><td></td></tr></table>	ITC on account of	1st Utilisation of output tax of	2nd Utilisation of output tax of	Comments	IGST	IGST	CGST or SGST/UTGST in ANY ORDER or in ANY PROPORTION, as per choice of the taxpayer		CGST	CGST	IGST	Cannot be used to discharge SGST/UTGST liability	SGST	SGST	IGST	Cannot be used to discharge CGST liability	UTGST	UTGST	IGST	Cannot be used to discharge CGST liability	CESS	CESS	N.A.	
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UTGST	UTGST	IGST	Cannot be used to discharge CGST liability																						
CESS	CESS	N.A.																							

	<ul style="list-style-type: none"> <li>➤ ITC available on account of IGST shall first be utilized towards payment of IGST and the amount remaining thereafter, may be utilized for payment of CGST or SGST, in ANY ORDER or in ANY PROPORTION, as per choice of the taxpayer.</li> <li>➤ ITC available on account of CGST shall be utilised towards payment of CGST first and then IGST, provided ITC available on account of IGST is NIL before utilization of such ITC available on account of CGST. ITC available on account of CGST cannot be used to discharge SGST liability in any manner whatsoever.</li> <li>➤ ITC available on account of SGST shall be utilised towards payment of SGST first and then IGST, provided ITC available on account of IGST is NIL before utilization of such ITC available on account of SGST. ITC available on account of SGST cannot be used to discharge CGST liability in any manner whatsoever.</li> </ul>
Section 49(6)	The balance in the electronic cash ledger or electronic credit ledger after payment of tax, interest, penalty, fee or any other amount payable under this Act or the rules made thereunder may be refunded in accordance with the provisions of section 54.
Rule 86(3)	Where a registered person has claimed refund of any unutilized amount from the electronic credit ledger in accordance with the provisions of section 54, the amount to the extent of the claim shall be debited in the said ledger.
Rule 86(4)	If the refund so filed is rejected, either fully or partly, the amount debited under sub-rule (3), to the extent of rejection, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.
Rule 86(4A)	Where a registered person has claimed refund of any amount paid as tax wrongly paid or paid in excess for which debit has been made from the electronic credit ledger, the said amount, if found admissible, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.
Section 49(6) read with Rule 86(3), 86(4) & 86(4A) <b>Interpretation</b>	<p><b><u>Refund from cash or credit ledger</u></b></p> <p>The basic purpose of electronic cash ledger and electronic credit ledger is to discharge GST liabilities and after such discharge, if the amount is left unutilized, such amount can be claimed as refund u/s 54 subject to conditions specified in the Act.</p> <p>When taxpayer files an application for refund of any unutilized amount from the electronic credit ledger u/s 54, the amount so claimed shall be immediately debited to the ledger.</p> <p>In case Refund is rejected, either fully or partly, then amount so earlier debited shall be re-credited to the extent of rejection, in the electronic credit ledger through an order in PMT-03 by the proper officer.</p> <p>In case refund of any amount paid as tax wrongly paid or paid in excess has been claimed for which debit has been made from the electronic credit ledger and the said amount, if found admissible, then it shall be re-credited to the electronic credit ledger by the proper officer by an order made in PMT-03.</p>
Rule 86(5)	Save as provided in the provisions of this Chapter, no entry shall be made directly in the electronic credit ledger under any circumstance.
Rule 86(5) <b>Interpretation</b>	<p><b><u>Credit Entry in Electronic Credit Ledger</u></b></p> <p>The Electronic Credit Ledger can be updated through entry in the return i.e., GSTR-3B filed by the dealer on the GST portal.</p>

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