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Clarification about Transition Credit

There are lot of speculations in the media about the credit of Rs. 65,000 crore claimed by taxpayers in respect of Central Excise and Service Tax in the pre-GST period. Some people are under the impression that because of Rs. 65,000 crore claimed as transition credit, the income of Government this month has plummeted.

Firstly, Rs. 65,000 crore is the credit claimed by the taxpayers in the TRANS 1 form as their balance of credit. It does not mean that they would have used all of this credit for payment of their output tax liability for the month of July 2017.

It may be clarified that this is far from the truth. Secondly, it may be clarified that an amount of Rs. 95,000 crore, which was received in the month of August 2017 for GST, is the amount actually paid in cash other than availing credit.

Thirdly, this figure of transition credit claimed is also not incredibly high, since Rs.1.27 lakh crore of credit of Central Excise and Service Tax was lying as closing balance as on 30th June, 2017 as per department's record. This includes credit in Central Excise as well as Service Tax. Of course, some of these credits may not be admissible under GST regime, for example the credits, which are blocked under Section 17 (5) of CGST Act or which are not covered under the definition of GST. Also, some of the credits, which are claimed in TRANS 1 form may be under litigation and, therefore, it may not be available to the assesse to carry forward or utilisation. It is from this angle that CBEC is examining the transition credits, which are claimed by the assessees in TRANS I form in certain cases.

It is possible that some assessees would have committed mistake in filing TRANS 1 form of admissible credit. It has, therefore, been decided to provide facility for revision of TRANS 1 by the GST Council. This facility would be available by middle of October 2017 and assessees are requested to revise their TRANS 1 form before 31st October, 2017, so that they themselves can remove the error.

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