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**भारतीय लागत लेखाकार संस्थान**  
Statutory Body under an Act of Parliament  
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# Hand Book on CMA Certifications in GST



## The Institute of Cost Accountants of India

### Headquarters:

CMA Bhawan, 3, Institutional Area, Lodhi Road,  
New Delhi-110003

### Kolkata Office:

CMA Bhawan, 12, Sudder Street, Kolkata-700016

Behind every successful business decision, there is always a **CMA**

“

### **VISION STATEMENT**

**The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.**

”

“

### **MISSION STATEMENT**

**The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.**

”



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First Edition: January, 2026

**Published by:**

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## MESSAGES OF PRESIDENT

The introduction of the **Goods and Services Tax (GST)** was a transformative milestone in India's indirect tax system. By replacing multiple state and central levies with a unified tax structure, GST has enhanced transparency, efficiency and consistency in tax administration across the country. However, its broad scope and evolving nature have also introduced significant complexities in interpretation and compliance. This calls for a well-trained and informed community of tax professionals who can navigate the law confidently and support businesses and taxpayers in meeting their obligations effectively.

The **CMA Certification in GST**, initiated by the Institute, is a step in that direction, aimed at enhancing the competencies of Cost Accountants (CMAs) in this ever-evolving area of indirect taxation. This **"Handbook on CMA Certifications in GST"**, developed by the Tax Research Department, serves as a structured, practical and insightful companion to support learners and professionals undertaking the certification.

In today's fast-changing tax environment, possessing up-to-date knowledge and a practical understanding of GST is essential, not just for compliance but for value-added consultancy. This handbook addresses that very need and will undoubtedly be of immense benefit to not only practicing CMAs but also to corporates, consultants, academicians and students.

Appreciation is extended to the Tax Research Department for their continued dedication to professional education and for bringing out yet another purposeful publication.

Jai Hind!

With warm regards,

**CMA TCA Srinivasa Prasad**

President, ICMAI





## MESSAGES OF VICE PRESIDENT

The Tax Research Department of the Institute continues to play a pivotal role in capacity building and knowledge enhancement through its timely and insightful publications. The development of the **“Handbook on CMA Certifications in GST”** is yet another commendable initiative that aligns with the Institute’s vision of equipping professionals with the latest regulatory, procedural and practical knowledge.

Since its inception, **GST** has revolutionized India’s indirect tax system. However, its multi-layered structure and evolving interpretations make it essential for professionals to stay updated and well-versed in its provisions. The **CMA Certification in GST**, introduced by the Institute, is designed to meet this very need, ensuring that our members are not only compliant but also capable of delivering expert-level GST consultancy and audit services.

This handbook provides structured guidance for aspirants of the certification and offers a holistic understanding of GST laws, procedures, returns, audits and assessments. It is a useful tool for both learners and practicing professionals alike.

I extend my heartfelt appreciation to the entire team involved in this initiative. May this publication encourage more professionals to specialize in GST and uphold the values of excellence and integrity in the field of indirect taxation

**CMA Neeraj Dhananjay Joshi**  
Vice President, ICMAI





## MESSAGES OF CHAIRMAN

The Tax Research Department has consistently been at the forefront of introducing relevant and timely publications aimed at enhancing the professional knowledge of our members and stakeholders. In line with this tradition, I am pleased to present our latest contribution — the **“Handbook on CMA Certifications in GST.”**

Although the Goods and Services Tax (GST) regime is now well-established, it continues to present complexities in compliance, interpretation, and practical application. With frequent updates in the form of notifications, circulars, and judicial pronouncements, staying updated is no longer optional — it is essential.

This handbook has been meticulously designed to meet these evolving needs, particularly for those pursuing the **CMA Certification in GST**, a flagship initiative of the Institute. It offers a well-balanced mix of theoretical understanding and practical insights, helping learners build a strong foundation in GST provisions, procedures, and departmental practices.

We believe this publication will serve as a valuable reference not only for certification aspirants but also for practicing professionals and academicians engaged in the field of indirect taxation.

I sincerely appreciate the dedicated efforts of **Team Tax Research**, our esteemed **resource persons**, and the valuable **guidance provided by members of the Taxation Committee**. I wish the team continued success in its future endeavors and encourage all professionals, learners, and academicians to make the most of this valuable resource.

### **CMA (Dr) Ashish P Thatte**

Chairman - Indirect Taxation Committee  
The Institute of Cost Accountants of India



## PREFACE

The Goods and Services Tax (GST) has become the backbone of India's indirect tax framework, bringing in transparency, uniformity, and efficiency across the taxation system. However, with its dynamic nature and ever-evolving legal landscape, there is a constant need for structured and updated learning resources. Recognizing this, the Tax Research Department of the Institute has undertaken the initiative to publish this "Handbook on CMA Certifications in GST."

This publication has been developed as part of the Institute's ongoing commitment to build professional capacity and offer a well-defined learning path for members pursuing the CMA Certification in GST. The handbook covers essential topics including registration, input tax credit, returns, assessments, departmental audits, and appellate procedures under the GST regime.

Special emphasis has been placed on clarity, real-life applications, and practical insights to ensure this handbook serves as both a learning tool for certification candidates and a ready reference for practicing professionals.

We extend our sincere gratitude to **CMA Lakshamana Rao** for his consistent guidance and valuable contributions to this publication. We also extend our thanks to **CMA Bhogavalli Mallikarjuna Gupta** for his thorough review and insightful feedback. We are confident that this handbook will serve as a valuable companion to all readers and aid in deepening their understanding of GST law.

**Best wishes,**

**Tax Research Department  
The Institute of Cost Accountants of India.**



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# CHAPTER 01

## Certificate u/s 18(1)(a) for Availing Input Tax Credit on Registration

When we talk about certificates under Section 18(1)(a) of the CGST Act, 2017, we are essentially discussing a pivotal document that enables a newly registered entity to claim Input Tax Credit (ITC) on their existing stock. This particular provision comes into play when a person, having become liable for registration, applies within thirty days and is granted such registration. Section 18(1)(a) entitles them to avail ITC on inputs held in stock, as well as inputs contained in semi-finished and finished goods, as of the day preceding the date they become liable to tax. Rule 40 of the CGST Rules prescribes the manner, notably requiring the declaration in Form GST ITC-01 and, if the claim exceeds ₹2 lakh, certification by a practicing Chartered Accountant or Cost Accountant.

From a practitioner's standpoint, the crafting of this certificate is far from a mere formality. The practising CMA must adopt a thorough approach — verifying the registration details, meticulously reconciling the stock statements with purchase invoices, ensuring that none of the claims relate to goods whose invoices are older than a year (Section 18(2)), and confirming the authenticity of the documents presented. This exercise isn't about mere ticking of boxes; it is about offering a reasoned assurance that the credits claimed are genuine, recorded appropriately in the books, and that the Management has discharged their responsibilities diligently.

The Management's role cannot be overstated. They are primarily responsible for maintaining accurate and contemporaneous stock records, undertaking physical verification as of the crucial date, and ensuring that their declarations are both truthful and complete. As auditors, we must rely on these records but also exercise professional skepticism — corroborating the data through sampling, cross-verifications, and critical reviews.

An interesting nuance lies in the preparation and review of Annexure A, which lists the invoices, descriptions, quantities, and corresponding ITC amounts. Care must be taken to ensure that this annexure accurately reflects the inventory situation and that principles such as FIFO (First-In-First-Out) are applied wherever invoice tracing is not feasible. Moreover, any impact of debit or credit notes must be duly accounted for — a detail that reflects the depth of diligence expected in such engagements.

Ultimately, issuing a certificate under Section 18(1)(a) is a testament to the practitioner's professional integrity and expertise. It is not merely about compliance, but about enabling businesses to transition



seamlessly into the GST framework, ensuring that no eligible credit is lost while simultaneously safeguarding the revenue.

**What the CGST Act and CGST Rules Say?**

**Section 18. Availability of credit in special circumstances.**

- (1) *Subject to such conditions and restrictions as may be prescribed—*
  - (a) *a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act;*
  - (b) .....
  - (c) .....
  - (d) .....
- (2) *A Registered person shall not be entitled to take Input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.*
- (3) .....
- (4) .....
- (5) *The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.*
- (6) .....

**Rule 40. Manner of claiming credit in special circumstances. -**

- (1) *The Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on Capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely,-*
  - (a) .....
  - <sup>1</sup>(b) *the Registered person shall within a period of thirty days from the date of becoming eligible to avail the Input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the Common portal in FORM GST ITC-01 to the effect that he is eligible to avail the Input tax credit as aforesaid:*



*Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.]*

- (c) *the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, Capital goods–*
  - (i) *on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub-section (1) of section 18;*
  - (ii) *on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18;*
  - (iii) *on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;*
  - (iv) *on the day immediately preceding the date from which the supplies made by the Registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of section 18;*
- (d) *the details furnished in the declaration under clause (b) shall be duly certified by a practicing Chartered accountant or a **Cost Accountant** if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees.*
- (e) *.....*
- (2) *The amount of credit in the case of supply of Capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods.*
  - 1. *Subs. by CGST (Fifth Amendment) Rules, 2017 dated 17.08.2017 w.e.f. 01.07.2017 for “(b) the Registered person shall within a period of thirty days from the date of his becoming eligible to avail the Input tax credit under sub-section (1) of section 18 shall make a declaration, electronically, on the Common portal in FORM GST ITC- 01 to the effect that he is eligible to avail the Input tax credit as aforesaid;”*
  - 2. *Inserted by CGST (Amendment) Rules, 2024 dated 10.07.2024 w.e.f. 10.07.2024*



## Certificate under Section 18(1)(a) of the CGST Act

Suggested Format

**Practising Cost and Management Accountants Certificate** under the **Central Goods and Services Tax Act, 2017 (CGST Act)** and the **State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 (SGST/UTGST Act)**, issued in accordance with the provisions of **Section 18(1)(a)** of the **CGST and SGST/UTGST Acts** and **Rule 40(1)(d)** of the rules framed thereunder.

### Name and Address of the Applicant

This Certificate is issued in accordance with the terms of our engagement letter dated \_\_\_\_\_ M/s. \_\_\_\_\_ (hereinafter referred to as the "Applicant") is a registered person under GST vide Goods and Service Tax Identification Number( GSTIN ) \_\_\_\_\_ and is having its principal place of business at \_\_\_\_\_ in the State of \_\_\_\_\_. The Applicant has the following additional places of business:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_

### Background

1. In terms of Section 18(1)(a) of the CGST Act and SGST/UTGST Acts, a person who has applied for registration under this Act within thirty days from the date on which they become liable for registration and has been granted such registration shall be entitled to take input tax credit in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which they become liable to pay tax under the CGST and SGST/UTGST Acts by declaring the same electronically on the Common Portal in Form GST ITC-01 (hereinafter referred to as the "Statement").
2. The details furnished in the above Statement shall be duly certified by a practicing a **Cost Accountant** or a Chartered Accountant where the aggregate claim exceeds Rs. 2 Lakhs.

### Management's Responsibility for the Statement

3. The preparation of the Statement and declarations in relation to the stock required in terms of the CGST and SGST/UTGST Acts and Rules issued under the said Acts is the responsibility of the management of \_\_\_\_\_ [Name of the Applicant].
4. This responsibility includes:
  - Preparation and maintenance of all accounting and other relevant supporting records and documents.
  - Design, implementation, and maintenance of internal control relevant to the preparation and presentation of the Statement and declaration.



- Applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.
  - Ensuring compliance with the requirements of the CGST and SGST/UTGST Acts and CGST and SGST/UTGST Rules.
5. Management of the Applicant is responsible for conducting a physical verification of inputs held in stock, semi-finished goods, and finished goods held in stock on the day immediately preceding \_\_\_\_\_, the date on which the Applicant becomes liable to pay tax under the provisions of the CGST Act and SGST/UTGST Acts.
6. Management of the Applicant is also responsible for ensuring that books, records, documents, and information made available for verification are truthful and reliable, extracted from contemporaneous records for the purposes of establishing the reliability of assertions made by them.

#### Practising CMA's Responsibility

7. **In accordance with the mandate under Section 18(1)(a) of the CGST Act and the respective SGST/UTGST Acts, read conjointly with Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017, we are duty-bound to conduct a comprehensive examination of the Applicant's books of accounts and all relevant documents and records, with a view to providing reasonable assurance that the particulars declared in Form GST ITC-01 have been accurately and reliably derived from such primary records.**
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

#### Opinion

9. **Based on our examination**, and relying on the **information and explanations** provided to us, we hereby state that, **to the best of our knowledge and belief** and subject to inherent limitations of scope, the particulars declared by the **management of the Applicant**, as detailed in **Annexure - A**, are **fairly stated in all material respects** and are **consistent with the books of accounts** and other **relevant records/documents** maintained in accordance with the provisions of the **Central Goods and Services Tax Act, 2017 (CGST Act)** and the respective **State/Union Territory Goods and Services Tax Acts, 2017 (SGST/UTGST Acts)**.
10. The **quantity and value of inputs**, including those **contained in semi-finished and finished goods held in stock**, are based on the **calculations and confirmations provided by the management** of the Applicant. These particulars have been **verified by us**, to the extent possible, with reference to the corresponding **tax invoices, books of accounts**, and other **relevant records and documents** maintained in accordance with the applicable provisions of



the **Central Goods and Services Tax Act, 2017 (CGST Act)** and the respective **SGST/UTGST Acts**. This verification is subject to the **representations made by the management** and the **normal limitations** of our professional review.

### Limitations of Use

11. This certificate is addressed and provided to \_\_\_\_\_ **[Name of the Applicant]** solely for the limited purpose of submission to \_\_\_\_\_ **[Name of the Authority]**, pursuant to the requirements of **Section 18(1)(a)** of the **Central Goods and Services Tax Act, 2017 (CGST Act)** and the respective **State/Union Territory Goods and Services Tax Acts, 2017 (SGST/UTGST Acts)**, read with **Rule 40(1)(d)** of the **CGST and SGST/UTGST Rules, 2017**. This certificate shall not be used, referred to, or relied upon by any other person or for any other purpose. We expressly disclaim and do not accept or assume any responsibility, obligation, or duty of care to any party other than the intended recipient, whether in contract, tort, or otherwise, unless expressly agreed by us in writing.

For CMA and Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

**Place of Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Signature**

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE – A**

Date from which liability to pay tax arises under Section 9, except under Section 9(3) and Section 9(4) - \_\_\_\_\_

Sr. No	GSTIN/Registration under CX/VAT of supplier	Invoice*		Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/credit note)	Amount of ITC claimed (Rs.)				
		No.	Date					Central Tax	State Tax	UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock												
(b) Inputs contained in semi-finished or finished goods held in stock												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

As per our certificate of even date attached  
For CMA and Co.  
Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)  
(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_



Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.



## Checklist for Cost Accountants

### Verification of Registration

Confirm that the registration details provided align with the Registration Certificate.

### Responsibility Clarification

Refrain from assuming responsibility for filing statutory forms, as this obligation rests with Management. The practitioner's role is limited to certifying the details furnished in the declaration in Form GST ITC-01.

### Examination of Books and Records

Review books, records, and other relevant documents or registers related to the quantity and value of inputs in stock, as well as inputs contained in semi-finished or finished goods, as of the day immediately preceding the date when the applicant becomes liable to pay tax under the CGST and SGST/UTGST Acts, 2017.

### Verification of Calculation Methodology

Examine the basis used for calculating equivalent units of inputs contained in semi-finished and finished goods in stock.

### Statement of Bills of Entry and Tax Invoices

Collect a statement of bills of entry or tax invoices from Management for goods in stock that are not older than one year as of the date the applicant becomes liable to pay tax (Section 18(2) of the CGST and SGST/UTGST Acts, 2017). Ensure the tax invoices comply with the prescribed particulars under Section 16(2) of the CGST and SGST/UTGST Acts and Rule 46 of the associated Rules.

### Review of Debit and Credit Notes

Confirm that any debit notes or credit notes are appropriately recorded and accounted for against vendor invoices included in the closing inventory.

### Threshold for Certification

Issue the certificate only if the aggregate value of the claim for CGST, SGST/UTGST, and IGST exceeds ₹2,00,000, as stipulated in Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017.

### Management Representation

Obtain a letter of representation from the Applicant's Management for all details and information provided.



### **Exclusion of Input Tax Credit on Capital Goods and Input Services**

Verify that no input tax credit has been claimed for capital goods or input services and confirm that the certificate pertains solely to input details.

### **Registration Verification**

Confirm that the registration of the principal and additional places of business is in the State of [Insert State] and was applied for within the stipulated 30-day period from the date of liability to obtain registration.

### **GST Returns**

Ensure that the registration number is in active status and all the GST returns are filed upto date.



## CHAPTER 02

# Certificate under Section 18(1)(b) for Availing Input Tax Credit on Voluntary Registration

When we turn our attention to certificates issued under Section 18(1)(b) of the CGST Act, 2017, we are navigating a crucial area that empowers a voluntarily registered person to avail Input Tax Credit (ITC) on their existing stock. This provision specifically caters to individuals or entities who, though not mandated to register, opt for registration under Section 25(3). Upon grant of registration, they are entitled to claim ITC on inputs lying in stock, as well as inputs contained within semi-finished or finished goods, as of the day immediately preceding the registration date. Rule 40 of the CGST Rules elaborates the procedural framework, necessitating the submission of Form GST ITC-01 and, where the ITC claim exceeds ₹2 lakh, a certificate from a practicing a Cost Accountant or Chartered Accountant.

From a seasoned practitioner's lens, drafting this certificate is a nuanced and diligent exercise, far from a procedural formality. A systematic approach is vital — beginning with the verification of the registration particulars, followed by a meticulous examination of the stock records vis-à-vis purchase invoices. Special attention must be paid to ensuring that the goods are supported by valid tax invoices, and none of the invoices date back more than a year, aligning with the embargo placed by Section 18(2). Moreover, it becomes essential to ensure that no capital goods or input services sneak into the claim, as the certificate is strictly limited to inputs held in stock.

The Management's role in this process assumes paramount importance. They bear the responsibility for accurate maintenance of stock records, performing physical verification on the critical date, and compiling the declaration submitted in Form GST ITC-01. As professionals, while reliance is placed upon the records produced by the Management, professional skepticism remains our guiding principle. It demands a rigorous verification regime — checking stock registers, scrutinizing computation sheets, cross-verifying vendor invoices, and confirming that any adjustments through debit or credit notes have been aptly captured.

Particularly, attention must be directed to the preparation and review of the annexure to the certificate — Annexure A. This document encapsulates essential details such as invoice numbers, descriptions, quantities, valuation methods, and corresponding ITC amounts. In scenarios where tracing specific invoices proves infeasible, application of the FIFO (First-In-First-Out) principle becomes both a practical and acceptable solution. Consistency and transparency in applying valuation principles are critical, not just for audit integrity but for upholding the trust reposed in the certification process.



Ultimately, certifying under Section 18(1)(b) is not merely about affixing a professional signature to a document; it is about endorsing a business’s rightful claim to ITC with credibility and integrity. It acts as a bridge between voluntary compliance and the benefit of ITC, ensuring that entities integrating into the GST ecosystem do so seamlessly, without compromising the sanctity of the tax credit chain. It is in these silent yet significant moments that the true value of professional expertise, independence, and ethical adherence manifests, contributing meaningfully to the robustness of India’s GST framework.

**Section 18. Availability of credit in special circumstances.**

- (1) *Subject to such conditions and restrictions as may be prescribed—*
  - (a) .....
  - (b) *a person who takes registration under sub-section (3) of section 25 shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration.*
  - (c) .....
  - (d) .....
- (2) .....
- (3) .....
- (4) .....
- (5) *The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.*
- (6) .....

**Rule 40. Manner of claiming credit in special circumstances. -**

- (1) *The Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on Capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely,-*
  - (a) .....
  - <sup>1</sup>[(b) *the Registered person shall within a period of thirty days from the date of becoming eligible to avail the Input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the Common portal in FORM GST ITC-01 to the effect that he is eligible to avail the Input tax credit as aforesaid:*



Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.]

- (c) the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, Capital goods–
  - (i) on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub-section (1) of section 18;
  - (ii) on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18.
  - (iii) on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;
  - (iv) on the day immediately preceding the date from which the supplies made by the Registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of section 18;
- (d) the details furnished in the declaration under clause (b) shall be duly certified by a practicing Chartered accountant or a **Cost Accountant** if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees;
- (e) .....

(2) .....

- 1. Subs. by CGST (Fifth Amendment) Rules, 2017 dated 17.08.2017 w.e.f. 01.07.2017 for “(b) the Registered person shall within a period of thirty days from the date of his becoming eligible to avail the Input tax credit under sub-section (1) of section 18 shall make a declaration, electronically, on the Common portal in FORM GST ITC- 01 to the effect that he is eligible to avail the Input tax credit as aforesaid;”

**Certificate Under Section 18(1)(b) of The CGST Act**

*Suggested Format*

**Practising Cost and Management Accountants Certificate** under the **Central Goods and Services Tax Act, 2017 (CGST Act)** and the **State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 (SGST/UTGST Act)**, issued in accordance with the provisions of **Section 18(1)(b)** of the **CGST and SGST/UTGST Acts** and **Rule 40(1)(d)** of the rules framed thereunder.

**Name and Address of the Applicant**

- 1. This Certificate is issued pursuant to the terms of our Engagement Letter dated \_\_\_\_\_.



2. M/s. \_\_\_\_\_ (hereinafter referred to as the "Applicant"), a registered person under GSTIN \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ in the State of \_\_\_\_\_. The Applicant has the following additional places of business:
- (a) \_\_\_\_\_ [Insert Additional Place of Business, if any]
- (b) \_\_\_\_\_ [Insert Additional Place of Business, if any]
3. In compliance with Section 18(1)(b) of the CGST and SGST/UTGST Acts, read with Rule 40 of the respective CGST Rules 2017, a person obtaining registration under Section 25(3) of the CGST Act is eligible to avail input tax credit (ITC) on inputs held in stock, and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. The details of such inputs are to be electronically declared in Form GST ITC-01 (hereinafter referred to as the "Statement"). Certification by a practicing Chartered Accountant or **Cost Accountant** is required where the aggregate claim exceeds Rs. 2 Lakhs.

#### Management's Responsibility

4. The preparation of the Statement and declarations in relation to the stock under the CGST and SGST/UTGST Acts, and associated rules is the responsibility of the management of [Insert Applicant Name]. This includes:
- Preparation and maintenance of all accounting and supporting records and documents.
  - Designing, implementing, and maintaining internal controls relevant to the preparation and presentation of the Statement.
  - Ensuring compliance with all applicable provisions of the CGST and SGST/UTGST Acts and Rules.
5. Management is responsible for conducting physical verification of inputs held in stock, semi-finished goods, and finished goods as of the day immediately preceding [Insert Date of Grant of Registration].
6. Management must ensure the reliability and accuracy of the books, records, documents, and information provided for verification.

#### Practitioner's Responsibility

7. **It shall be our professional obligation to undertake a thorough examination of the Applicant's books of accounts and all pertinent documentation, with the express purpose of forming a reasonable assurance as to the veracity and accuracy of the particulars disclosed in Form GST ITC-01, ensuring that such disclosures have been appropriately and faithfully extracted from the underlying records.**



### Opinion

8. Pursuant to our review and reliance upon the information made available, we hereby certify that the particulars disclosed by the management of the Applicant, as enumerated in Annexure-A, are fairly stated and in consonance with the Applicant's books of accounts and supporting records as maintained under the provisions of the CGST and SGST/UTGST Acts, subject to the limitations of information and documentation made available for our verification.
9. The particulars relating to inputs and Input Tax Credit (ITC) as claimed have been derived from computations and representations furnished by the management, which have been verified by us, subject to the extent and adequacy of supporting evidence, including tax invoices, books of accounts, and other relevant records, as produced before us.

### Limitations of Use

10. This Certificate is issued exclusively in favour of [Insert Name of Authority] and is intended solely for the purpose of demonstrating compliance with the provisions of Section 18(1) (b) of the CGST Act and the applicable SGST/UTGST Acts, read with Rule 40(1)(d) of the corresponding Rules. It shall not be relied upon by any third party, nor shall it be used for any purpose other than as stated herein, without our prior written consent. We disclaim all responsibility and accept no liability whatsoever for any unauthorised use, reliance, or distribution of this Certificate.

For CMA and Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

**Place of Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### Signature

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE – A**

**Date of grant of voluntary registration -**

Sr. No	GSTIN/ Registration under CX/ VAT of supplier	Invoice*		Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note) (Specify the Valuation method)	Amount of ITC claimed (Rs.)				
		No.	Date					Central Tax	State Tax	UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock												
(b) Inputs contained in semi-finished or finished goods held in stock												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

As per our certificate of even date attached

For CMA and Co.

Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.

## Checklist for Cost Accountants

### Verification of Registration Details

Confirm the accuracy of registration particulars by comparing them with the Registration Certificate.

### Responsibility of Filing Statutory Forms

The responsibility for filing statutory forms rests with Management. The practitioner's role is limited to certifying the details provided in the declaration in Form GST ITC-01.



### **Review of Books and Records**

Examine the books, records, and relevant documents or registers related to the quantity and value of inputs lying in stock, as well as inputs contained in semi-finished or finished goods, as of the date immediately preceding the date of grant of registration.

### **Verification of Input Quantities in Stock**

Review the basis for calculating equivalent units of inputs contained in semi-finished and finished goods in stock.

### **Computation of Input Tax Credit**

Verify the computation of input tax credit using tax invoices, bills of entry, or other relevant documents. Ensure that no input tax credit has been claimed for capital goods or input services. The certificate should pertain solely to input tax credit on inputs.

### **Management-Provided Statements**

Obtain a statement from Management detailing bills of entry or tax invoices for goods lying in stock for less than one year as of the date of registration (per Section 18(2) of the CGST and SGST/UTGST Acts). Subject these documents to audit verification tests. Verify that tax invoices comply with the prescribed particulars under Section 16(2) of the CGST and SGST/UTGST Acts and Rule 46 of the associated Rules.

### **Eligibility for Input Tax Credit**

Conduct a thorough examination of the Applicant's books of account and records to confirm eligibility for credit under Section 18(1)(b) of the CGST and SGST/UTGST Acts, 2017. Ensure the Applicant was not previously liable to obtain registration under Section 22 or Section 24 of the Acts.

### **Recording of Debit and Credit Notes**

Confirm that any debit notes or credit notes are properly recorded and accounted for against vendor invoices forming part of the closing inventory.

### **Threshold for Certification**

Issue the certificate only if the aggregate value of the claim for CGST, SGST/UTGST, and IGST exceeds ₹2,00,000, as specified under Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017.

### **Applicability to Voluntary Registrants**

This certificate is applicable only to individuals or entities seeking voluntary registration under Section 25(3) of the CGST and SGST/UTGST Acts, 2017.

### **Management Representation Letter**

Obtain a letter of representation from Management detailing the information and documents provided for certification.



## CHAPTER 03

# Certificate under Section 18(1)(c) for Availing Input Tax Credit on Shifting from Composition Scheme to Regular Scheme

When it comes to transitioning from the Composition Scheme to the Regular Scheme under GST, the certificate issued under Section 18(1)(c) of the CGST Act, 2017 assumes a position of critical importance. This provision, read together with Rule 40(1)(d) of the CGST Rules, empowers a registered person—who ceases to pay tax under the composition scheme—to claim Input Tax Credit (ITC) on inputs, semi-finished and finished goods, and capital goods (subject to prescribed reductions) held as of the day immediately preceding the date of transition. The statutory requirement to declare such credits through Form GST ITC-01, and the necessity of certification by a practicing Cost Accountant or Chartered Accountant where the aggregate claim exceeds ₹2 lakh, underscores the need for professional diligence and accuracy in the preparation of this certificate.

For the Cost Accountant or Chartered Accountant, this certification is far from a clerical exercise. It demands a methodical examination of the registrant's accounting records, purchase invoices, stock registers, and fixed asset ledgers. The verification must take into account not only the eligibility criteria as per Section 18(2)—which disallows ITC on invoices older than a year—but also the specific reduction mechanism applicable to capital goods, wherein 5% of ITC is reduced per quarter or part thereof from the date of invoice, as mandated under Rule 40(1)(a). Practitioners must validate the accuracy of physical stock verification conducted by management and reconcile the declared quantities and values with the contemporaneous records maintained under GST law.

A particular area that demands scrutiny is the computation of ITC on capital goods. Here, compliance with the depreciation rule under the Income Tax Act, 1961 is essential—any portion of GST claimed as depreciation cannot simultaneously be availed as ITC. Furthermore, debit and credit notes related to stock purchases must be appropriately accounted for, and any mismatch with GSTR-1 or GSTR-4 data filed by suppliers must be reconciled to avoid future disputes. Professional skepticism and cross-verification techniques—such as reviewing FIFO-based inventory assumptions and performing substantive tests—form an integral part of the assurance process.



The Management's responsibilities are equally pivotal. They must ensure accurate declarations, undertake physical verification of stocks as of the transition date, and provide reliable, audit-ready documentation. Their internal control systems should be robust enough to support the declarations, particularly in terms of maintaining verifiable records of purchases, tax invoices, and fixed asset registers. A detailed representation letter from the Management confirming the correctness and completeness of the data becomes a critical part of the audit file, both as a safeguard and a compliance anchor.

Ultimately, issuing a certificate under Section 18(1)(c) is more than a statutory obligation; it is a professional assertion of trust, backed by verification, judgment, and domain knowledge. It facilitates a seamless shift into the regular tax regime for businesses, ensuring that eligible credits are preserved while protecting the integrity of the input tax credit system. For the certifying professional, this assignment is an opportunity to contribute to the robustness of GST implementation.

### What the CGST Act and CGST Rules say?

#### Section 18. Availability of credit in special circumstances.

(1) *Subject to such conditions and restrictions as may be prescribed—*

(a) .....

(b) .....

(c) *where any Registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9:*

*Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed;*

(d) .....

(2) *A Registered person shall not be entitled to take Input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.*

(3) .....

(4) *Where any Registered person who has availed of Input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the Electronic credit ledger or Electronic cash ledger, equivalent to the credit of*



*input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption: [See Rule 44]*

*Provided that after payment of such amount, the balance of Input tax credit, if any, lying in his Electronic credit ledger shall lapse.*

- (5) *The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.*
- (6) *In case of supply of capital goods or plant and machinery, on which Input tax credit has been taken, the Registered person shall pay an amount equal to the Input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher: [See Rule 44(6) & Rule 40(2)]*

*Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the Taxable person may pay tax on the transaction value of such goods determined under section 15.*

**Rule 40. Manner of claiming credit in special circumstances. -**

- (1) *The Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on Capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely,-*
  - (a) *the Input tax credit on capital goods, in terms of clauses (c) and (d) of sub-section (1) of section 18, shall be claimed after reducing the tax paid on such Capital goods by five percentage points per quarter of a year or part thereof from the date of the invoice or such other documents on which the Capital goods were received by the Taxable person.*
  - <sup>1</sup>(b) *the Registered person shall within a period of thirty days from the date of becoming eligible to avail the Input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the Common portal in FORM GST ITC-01 to the effect that he is eligible to avail the Input tax credit as aforesaid:*

*Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.]*



- (c) *the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, Capital goods–*
- (i) *on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub-section (1) of section 18;*
  - (ii) *on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18;*
  - (iii) *on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;*
  - (iv) *on the day immediately preceding the date from which the supplies made by the Registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of section 18;*
- (d) *the details furnished in the declaration under clause (b) shall be duly certified by a practicing Chartered accountant or a **Cost Accountant** if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees.*
- (e) *the Input tax credit claimed in accordance with the provisions of clauses (c) and (d) of sub-section (1) of section 18 shall be verified with the corresponding details furnished by the corresponding supplier in FORM GSTR-1 <sup>2</sup>[and in FORM GSTR-1A, if any,] or as the case may be, in FORM GSTR-4, on the Common portal.*
- (2) *The amount of credit in the case of supply of Capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods.*
1. *Subs. by CGST (Fifth Amendment) Rules, 2017 dated 17.08.2017 w.e.f. 01.07.2017 for “(b) the Registered person shall within a period of thirty days from the date of his becoming eligible to avail the Input tax credit under sub-section (1) of section 18 shall make a declaration, electronically, on the Common portal in FORM GST ITC- 01 to the effect that he is eligible to avail the Input tax credit as aforesaid;”*
  2. *Inserted by CGST (Amendment) Rules, 2024 dated 10.07.2024 w.e.f. 10.07.2024*



### **Certificate Under Section 18(1)(c) of The CGST Act**

*Suggested Format*

#### **Certificate Under Section 18(1)(c) of the Central Goods and Services Tax Act, 2017**

**Issued under the provisions of the Central Goods and Services Tax Act, 2017** (hereinafter referred to as the “CGST Act”) **and the State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017** (hereinafter collectively referred to as the “SGST/UTGST Act”), **pursuant to the requirements set forth under Section 18(1)(c) of the said enactments, read with Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017.**

Name and Address of the Applicant:

Issuance of Certificate:

This certificate is issued pursuant to the terms of our engagement letter dated \_\_\_\_\_.

Applicant Details:

M/s \_\_\_\_\_ (hereinafter referred to as the “Applicant”) is a registered taxable person under GST bearing GSTIN \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ in the State of \_\_\_\_\_.

The Applicant also has the following additional places of business:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

Statutory Framework:

Pursuant to Section 18(1)(c) of the CGST and SGST/UTGST Acts, 2017, read with Rule 40 of the associated Rules, a registered taxable person ceasing to pay tax under Section 10 of these Acts becomes eligible to claim input tax credit (ITC) in respect of:

Inputs held in stock.

Inputs contained in semi-finished or finished goods in stock; and

Capital goods (subject to prescribed depreciation).

The credit is applicable for the day immediately preceding the date of transition to payment of tax under Section 9 of the CGST and SGST/UTGST Acts. The details of such claims are to be declared electronically in Form GST ITC-01 (hereinafter referred to as the “Statement”), certified by a **Cost Accountant** or Chartered Accountant when the aggregate claim exceeds ₹2,00,000.



### **Management's Responsibility:**

Preparation of Statement:

The preparation of the Statement and declarations relating to stock as required under the CGST and SGST/UTGST Acts, and associated Rules, lies solely with the Management of \_\_\_\_\_ (Name of the Applicant). This responsibility includes:

Designing, implementing, and maintaining internal controls relevant to the preparation of the Statement and declarations;

Ensuring an appropriate basis for preparation;

Making reasonable estimates where applicable; and

Complying with the statutory requirements of the aforementioned Acts and Rules.

Physical Verification of Stock:

Management is responsible for the physical verification of inputs, semi-finished goods, finished goods, and capital goods held in stock as of \_\_\_\_\_ (date preceding liability under Section 9 of the Acts).

Truthfulness and Reliability of Records:

Management is accountable for ensuring the accuracy and reliability of books, records, documents, and information provided for verification, and their conformity to contemporaneous records for establishing credibility.

### **Practitioner's Responsibility**

**In accordance with the mandate under Section 18(1)(c) of the CGST Act and the respective SGST/UTGST Acts, read jointly with Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017, we are duty-bound to conduct a comprehensive examination of the Applicant's books of accounts and all relevant documents and records, with a view to providing reasonable assurance that the particulars declared in Form GST ITC-01 have been accurately and reliably derived from such primary records.**

### **Opinion on Particulars:**

Based on our examination and the **information and explanations** provided to us, and having carried out such verification as we considered appropriate, in our opinion, the **particulars** declared by the **Management** in **Form GST ITC-01**, as annexed in **Annexure A**, are **fairly stated in all material respects** and are in **conformity** with the **books of accounts** and other relevant records maintained in accordance with the provisions of the **Central Goods and Services Tax (CGST) Act, 2017** and the corresponding provisions of the **State Goods and Services Tax (SGST) / Union Territory Goods and Services Tax (UTGST) Acts**, as applicable.



### Verification of Stock Details

The **determination of quantity and value of inputs, semi-finished goods, finished goods, and capital goods** has been carried out by the **Management** of the entity. We have conducted a verification of these particulars based on the information provided, and have **corroborated** the same with reference to the corresponding **tax invoices, books of accounts, inventory records**, and other **relevant supporting documentation** maintained in the normal course of business operations. Our verification is limited to ensuring that the particulars declared are **consistent with the records produced before us**, and no independent physical verification or valuation has been undertaken.

### Computation of ITC on Capital Goods:

The **computation of Input Tax Credit (ITC)** in respect of **capital goods**, after making necessary **adjustments for depreciation** in accordance with the provisions of **Rule 40(1)(a)** of the **Central Goods and Services Tax (CGST) Rules, 2017** and the corresponding provisions of the **State Goods and Services Tax (SGST)/ Union Territory Goods and Services Tax (UTGST) Rules**, has been carried out by the **Management**. A detailed statement outlining such computation is enclosed herewith as **Annexure B** for reference and forms an integral part of this certificate.

### Limitations of Use:

This certificate is being issued solely for the exclusive use of \_\_\_\_\_ **[Name of the Applicant]**, for the specific purpose of **submission to** \_\_\_\_\_ **[Name of the Authority]**, in compliance with the provisions of **Section 18(1)(c)** of the **Central Goods and Services Tax (CGST) Act, 2017**, and the corresponding provisions of the **State Goods and Services Tax (SGST) / Union Territory Goods and Services Tax (UTGST) Acts**, read with **Rule 40(1)(d)** of the respective Rules.

This certificate is **not intended for circulation**, distribution, or reliance by any other person, entity, or authority, nor shall it be used for any purpose other than that explicitly stated herein. We expressly **disclaim any responsibility or liability** arising from the use of this certificate by any third party, or for any purpose other than its stated intent, unless **prior written consent** has been obtained from us for such use.

For CMA and Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

**Place of Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### Signature

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Date from which liability to pay tax arises under Section 9, except under Section 9(3) and Section 9(4) -

Sr. No	GSTIN/ Registration under CX/ VAT of supplier	Invoice*/ Bill of Entry		Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock, capital goods	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note)	Amount of ITC claimed (Rs.)				
		No.	Date					Central Tax	State Tax	UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock												
(b) Inputs contained in semi-finished or finished goods held in stock												
(c) Capital goods in stock**												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

\*\* The detailed calculation provided in Annexure -B, be treated as part of this certificate.

As per our certificate of even date attached

For CMA and Co.

Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)  
(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.



Annexure -B: Computation of ITC on Capital Goods (Example)

Sl. No	Particulars	Reference	Amount
1	Inward supply value of Machinery X IGST@12%	a	1,00,000 12,000
2	Invoice Value Date of invoice 15 <sup>th</sup> July 2023		1,12,000
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST/SGST Act 2017		1 <sup>st</sup> March 2024
4	Number of quarters till 29 <sup>th</sup> Feb 2024	b	3
5	Reduction percentage prescribed per quarter / part thereof	c	5%
	Eligible ITC as on 1 <sup>st</sup> March 2024	$d = (a - (a*b*c))$	10,200

### Checklist for Cost Accountants

#### Verification of Registration Details

Verify the registration particulars of the Applicant with the Registration Certificate to ensure accuracy.

#### Responsibility for Filing Statutory Forms

The responsibility for filing statutory forms lies solely with the Management. The Practitioner's role is limited to certifying the details provided in the declaration submitted via Form GST ITC-01.

#### Review of Books and Records

Examine the books of accounts, relevant records, and registers pertaining to the quantity and value of: Inputs held in stock, Inputs contained in semi-finished or finished goods, and Capital goods, as of the date immediately preceding the date of liability to pay tax under Section 9 of the CGST and SGST/UTGST Acts.

#### Basis of Calculation for Equivalent Units

Verify the basis for calculating equivalent units of inputs contained in semi-finished and finished goods in stock.

#### Verification of Stock Aging

Collect from the Management a statement of bills of entry and tax invoices evidencing that goods in stock are not older than one year as of the date the Applicant becomes liable to pay tax.

Ensure tax invoices comply with the prescribed particulars as per Section 16(2) of the CGST and SGST/UTGST Acts and Rule 46 of the CGST and SGST/UTGST Rules, 2017.



### **Input Tax Credit on Capital Goods**

Ensure that the input tax credit (ITC) on capital goods has been reduced by five percentage points per quarter (or part thereof) from the date of the invoice.

### **Detailed Listing of Stock and Capital Goods**

Obtain from the Applicant a detailed statement of stock and capital goods, including quantities and values, for verification.

### **Cross-Verification of Capital Assets**

Acquire a list of existing capital assets with purchase dates (covering the past five years) and cross-check with the fixed asset register or ledger maintained by the Applicant. Verify the Goods Receipt Note and invoice amount of the asset

### **Depreciation Claim on ITC**

Verify that no depreciation has been claimed on the ITC portion of capital goods under the Income Tax Act, 1961. If depreciation has been claimed, ensure that ITC on such amounts has not been availed.

### **Reconciliation of Debit and Credit Notes**

Confirm that debit and credit notes are properly recorded and accounted for against the vendor invoices included in the closing inventory. Obtain the list of debit and credit notes issued during the period

### **Compliance with Rule 40(1)(e)**

Ensure compliance with Rule 40(1)(e) of the CGST and SGST/UTGST Rules, 2017, by verifying the credits claimed with details furnished by the corresponding supplier in Form GSTR-1, amended in Form GSTR-1A (if applicable), or in Form GSTR-4 on the Common Portal.

### **Threshold for Certification**

Issue this certificate only if the aggregate value of the claim for CGST, SGST/UTGST, and IGST exceeds ₹2,00,000, as per Rule 40(1)(d) of the CGST and SGST/UTGST Rules, 2017.

### **Transition to Regular Taxation Scheme**

Issue this certificate for individuals ceasing to pay tax under Section 10 and transitioning to tax liability under Section 9 of the CGST and SGST/UTGST Acts.

### **Management Representation Letter**

Obtain a letter of representation from the Management of the Applicant detailing the information and data provided for certification purposes.

### **Verification of Tax Periods**

Verify the duration for which the Applicant was registered under Section 10 of the CGST and SGST/UTGST Acts. Confirm the date on which the Applicant transitioned to taxation under the regular scheme (Section 9 of the CGST and SGST/UTGST Acts).



## CHAPTER 04

# Certificate under Section 18(1)(d) for Availing Input Tax Credit on Exempt supply Becoming Taxable

When a business dealing in exempt supplies witnesses a transition to a taxable supply status, Section 18(1)(d) of the CGST Act, 2017 becomes operative, offering a much-needed gateway for availing Input Tax Credit (ITC) on goods that were previously ineligible. This provision allows the registered person to claim ITC on inputs, semi-finished and finished goods, and capital goods exclusively used for the exempt supply — all held as of the day immediately preceding the date from which such supply becomes taxable. However, this entitlement is subject to adherence to specific procedural and documentary requirements laid down under Rule 40 of the CGST Rules, including declaration via Form GST ITC-01 and certification where the aggregate claim exceeds ₹2 lakh.

From the standpoint of the certifying professional, typically a practicing Cost Accountant or Chartered Accountant, this certification is a matter of considerable professional responsibility. The practitioner must scrutinize whether the exempt supply in question has indeed become taxable by referring to the relevant notifications issued under the Act. It is also imperative to verify the accuracy of stock data, reconcile it with purchase records, and confirm that the capital goods in question were used exclusively for the exempt activity. The rules stipulate that ITC on capital goods must be reduced by five percentage points per quarter or part thereof from the date of the invoice, necessitating precise and transparent computation backed by corroborative documentation.

On the part of the Management, the responsibility begins with the timely and truthful declaration of the relevant stocks and capital goods in Form GST ITC-01. They are required to maintain and furnish contemporaneous records, carry out physical verification as of the crucial date, and ensure the correctness of the tax invoices used to support the ITC claim. Notably, the one-year limit on invoice dates (as per Section 18(2)) and the disallowance of ITC where depreciation has been claimed under the Income Tax Act for the GST component are essential compliance checks that need to be undertaken beforehand.

The process of assurance here extends beyond a mere reconciliation of numbers. Practicing CMA must ensure that no ITC is claimed on goods that are older than a year, that FIFO is correctly applied where invoice tracing is infeasible, and that all declarations are substantiated by data uploaded by



suppliers in their respective GSTR-1 returns. The certificate must mirror the CMA's confidence in the completeness, accuracy, and reliability of the data, underscoring the Management's accountability and the practitioner's due diligence.

It is also vital to underscore the principle of exclusivity in usage when it comes to capital goods. If such assets were used for both taxable and exempt supplies, then no ITC can be availed under this provision. Therefore, the assessment of eligibility must be granular and fact-based, preferably supported by fixed asset registers, usage logs, and invoice-level detail. The certificate, while addressed to the Applicant, is a crucial document for the GST authorities — it should reflect professional competence, integrity, and an in-depth understanding of the operational nuances of GST.

In essence, the certification under Section 18(1)(d) serves a dual purpose — it ensures that the transitioning business does not lose legitimate credit due to a change in the taxability status of its supplies, while also preserving the sanctity of the input tax credit mechanism within the GST framework. For the seasoned practitioner, it is yet another reminder that professional assurance is not just about numbers, but about aligning commercial reality with statutory compliance in a manner that is robust, reliable, and responsible.

**What the CGST Act and CGST Rules say?**

**Section 18. Availability of credit in special circumstances.**

(1) *Subject to such conditions and restrictions as may be prescribed—*

- (a) .....
- (b) .....
- (c) .....

(d) *where an Exempt supply of goods or services or both by a Registered person becomes a Taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such Exempt supply and on capital goods exclusively used for such Exempt supply on the day immediately preceding the date from which such supply becomes taxable:*

*Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed. [See Rule 40(1)]*

(2) *A Registered person shall not be entitled to take Input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.*

(3) .....



- (4) Where any Registered person who has availed of Input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the Electronic credit ledger or Electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption: [See Rule 44]

*Provided that after payment of such amount, the balance of Input tax credit, if any, lying in his Electronic credit ledger shall lapse.*

- (5) The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.
- (6) In case of supply of capital goods or plant and machinery, on which Input tax credit has been taken, the Registered person shall pay an amount equal to the Input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher: [See Rule 44(6) & Rule 40(2)]

*Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the Taxable person may pay tax on the transaction value of such goods determined under section 15.*

**Rule 40. Manner of claiming credit in special circumstances. -**

- (1) The Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on Capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely,-
- (a) the Input tax credit on capital goods, in terms of clauses (c) and (d) of sub-section (1) of section 18, shall be claimed after reducing the tax paid on such Capital goods by five percentage points per quarter of a year or part thereof from the date of the invoice or such other documents on which the Capital goods were received by the Taxable person.
- 1[(b) the Registered person shall within a period of thirty days from the date of becoming eligible to avail the Input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the Common portal in FORM GST ITC-01 to the effect that he is eligible to avail the Input tax credit as aforesaid:



*Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.]*

- (c) *the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, Capital goods–*
- (i) *on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub-section (1) of section 18;*
  - (ii) *on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18;*
  - (iii) *on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;*
  - (iv) *on the day immediately preceding the date from which the supplies made by the Registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of section 18;*
- (d) *the details furnished in the declaration under clause (b) shall be duly certified by a practicing Chartered accountant or a **Cost Accountant** if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees;*
- (e) *the Input tax credit claimed in accordance with the provisions of clauses (c) and (d) of sub-section (1) of section 18 shall be verified with the corresponding details furnished by the corresponding supplier in FORM GSTR-1 2[and in FORM GSTR-1A, if any,] or as the case may be, in FORM GSTR-4, on the Common portal.*
- (2) *The amount of credit in the case of supply of Capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods.*
- 1. *Subs. by CGST (Fifth Amendment) Rules, 2017 dated 17.08.2017 w.e.f. 01.07.2017 for “(b) the Registered person shall within a period of thirty days from the date of his becoming eligible to avail the Input tax credit under sub-section (1) of section 18 shall make a declaration, electronically, on the Common portal in FORM GST ITC- 01 to the effect that he is eligible to avail the Input tax credit as aforesaid;”*
  - 2. *Inserted by CGST (Amendment) Rules, 2024 dated 10.07.2024 w.e.f. 10.07.2024*



### Certificate under Section 18(1)(d) of the CGST Act

Independent Certification by a Practitioner under the Provisions of the Central Goods and Services Tax Act, 2017 ("CGST Act") and the Respective State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 ("SGST Act" / "UTGST Act"), in Compliance with the Requirements of Section 18(1)(d) of the Said Acts, Read with Rule 40(1)(d) of the Respective Rules Framed Thereunder

To,

[Name of the Applicant]

[Address of the Applicant]

#### Introduction

This Certificate is issued pursuant to the terms of our engagement letter dated \_\_\_\_\_.

- (a) M/s. \_\_\_\_\_ (hereinafter referred to as "the Applicant") is a registered entity under the CGST Act with GSTIN \_\_\_\_\_, having its principal place of business at \_\_\_\_\_ in the State/Union Territory of \_\_\_\_\_.
- (b) Additional places of business, if any, are listed as follows:

#### Context and Scope

In accordance with Section 18(1)(d) of the CGST Act and SGST/UTGST Acts, read with Rule 40 of the respective rules, a registered person is entitled to claim input tax credit (ITC) in relation to inputs held in stock, semi-finished goods, finished goods, and capital goods exclusively used for exempt supplies. Such entitlement arises on the day immediately preceding the date on which exempt supplies become taxable.

The particulars of such entitlement must be declared electronically on the Common Portal in Form GST ITC-01, certified by a practicing Chartered Accountant or **Cost Accountant** when the aggregate ITC claim exceeds ₹2,00,000.

#### Management's Responsibility

The **sole responsibility** for the **preparation, completeness, and accuracy** of the **Statement filed in Form GST ITC-01** rests entirely with the **Applicant**. This includes, but is not limited to, the following:

- (a) The **maintenance** of appropriate **books of accounts, records, and supporting documentation** as required under the applicable law;
- (b) The **design, implementation, and ongoing maintenance** of an effective system of **internal controls** to ensure proper accounting, compliance, and reporting;
- (c) The conduct of **physical verification** of **inputs, semi-finished goods, finished goods, and capital goods**, wherever necessary or required by law; and



- (d) Ensuring full **compliance** with the applicable provisions of the **Central Goods and Services Tax Act, 2017 (“CGST Act”)**, and the corresponding provisions of the **State Goods and Services Tax (SGST)/ Union Territory Goods and Services Tax (UTGST) Acts**, including the **rules framed thereunder**.

Furthermore, it is the responsibility of the **Management** to ensure that all **information, explanations, and representations** furnished to us for the purpose of this certification are **accurate, complete, and reliable**, and no material information has been withheld or misrepresented to the best of their knowledge and belief.

### **Practitioner’s Responsibility**

As an **independent practitioner**, it is our professional responsibility to provide a **reasonable level of assurance** as to the **accuracy, completeness, and consistency** of the particulars furnished in **Form GST ITC-01** by the **Applicant**. This certificate has been issued in accordance with applicable professional standards and is based on our **review of relevant documentation, verifications, and representations made by the Management**.

### **Examination Procedures**

As part of our examination, we undertook a verification of the following components, based on the information and documents provided by the **Applicant**:

- (a) The **books of accounts** and associated **supporting documents and records**, including inventory statements, purchase registers, and ledger extracts, to assess the correctness of the particulars declared in **Form GST ITC-01**;
- (b) The **quantity and value of inputs held in stock, semi-finished goods, finished goods, and capital goods**, as determined by the **Management**, and cross-verified with the relevant accounting records and documentation maintained in the ordinary course of business;
- (c) **Compliance with Rule 40(1)(a)** of the **Central Goods and Services Tax Rules, 2017**, and the corresponding **SGST/UTGST Rules**, specifically in relation to the **prescribed reduction in the amount of input tax credit (ITC)** claimed on capital goods, duly adjusted for depreciation in accordance with statutory requirements;
- (d) Examination of **tax invoices, bills of entry**, and other documentary evidence to validate the **eligibility of input tax credit** claimed under **Section 18(1)(d)** of the **CGST Act**, and the corresponding provisions under the **SGST/UTGST Acts**.

### **Opinion**

**Based on the procedures performed, the information and explanations provided** to us, and our review of the relevant records and documentation, we are of the professional opinion that:



- (a) The **particulars declared by the Management in Form GST ITC-01** are, to the best of our knowledge and belief, **true, correct, and complete**, and are **fairly stated** in all material respects. These particulars are consistent with the **Applicant's books of accounts**, supporting documentation, and records maintained in accordance with the applicable provisions of the law;
- (b) The **valuation of inputs, semi-finished goods, finished goods, and capital goods**, as well as the **computation of Input Tax Credit (ITC)** in respect thereof, has been carried out in accordance with the **provisions of the Central Goods and Services Tax (CGST) Act, 2017** and the corresponding provisions of the **State Goods and Services Tax (SGST) / Union Territory Goods and Services Tax (UTGST) Acts**, along with the **relevant rules** framed thereunder;
- (c) The **computation of Input Tax Credit on capital goods**, duly **reduced in accordance with the requirements of Rule 40(1)(a)** of the CGST and SGST/UTGST Rules, has been prepared by the Management and reviewed by us. The detailed workings thereof are annexed to this certificate as **Annexure B**.

### Restriction of Use

This Certificate has been issued exclusively for the purpose of submission to **[Name of the Authority]**, in compliance with the requirements of **Section 18(1)(d)** of the **Central Goods and Services Tax Act, 2017**, and the corresponding provisions of the **State Goods and Services Tax / Union Territory Goods and Services Tax Acts**, read with **Rule 40(1)(d)** of the respective rules framed thereunder. It is intended to serve only the purpose expressly stated herein and is not meant for general circulation or use by any other person or for any purpose beyond what is explicitly outlined.

This Certificate shall not be disclosed, cited, reproduced, or relied upon by any person, entity, or authority other than the intended recipient without our **prior written consent**. We do not assume any responsibility or legal liability to any third party who may, directly or indirectly, come into possession of this Certificate or place reliance on its contents for any reason whatsoever.

For CMA & Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signatory

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE - A**

Date on which goods or services or both becomes taxable -

Sr. No	GSTIN/ Registration under CX/ VAT of supplier	Invoice*/ Bill of Entry	Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock, capital goods	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note)	Amount of ITC claimed (Rs.)					
							No.	Date	Central Tax	State Tax	UT Tax	Integrated Tax
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock												
(b) Inputs contained in semi-finished or finished goods held in stock												
(c) Capital goods in stock**												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

\*\* The detailed calculation provided in Annexure - B, be treated as part of this certificate

As per our certificate of even date attached  
For CMA and Co.

Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)  
(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_



Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.



### Annexure -B: Computation of ITC on Capital Goods (Example)

Sl. No	Particulars	Reference	Amount (Rs)
1	Inward supply value of Machinery X IGST@12%	a	1,00,000 12,000
2	Invoice Value Date of invoice 15 <sup>th</sup> July 2022		1,12,000
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST/SGST Act 2017		01 <sup>st</sup> March 2023
4	Number of quarters till 28 <sup>th</sup> February 2023	b	3
5	Reduction percentage prescribed per quarter / part thereof	c	5%
	Eligible ITC as on 1 <sup>st</sup> March 2023	$d = (a - (a*b*c))$	10,800

### Checklist for Cost Accountants

#### Verification of Registration Details

Confirm the accuracy of the Applicant's registration details as per the Registration Certificate.

#### Scope of Responsibility

The practitioner's responsibility is limited to certifying the details furnished in Form GST ITC-The filing of the statutory form remains the sole responsibility of the Management.

#### Books and Records Verification

Review the books of accounts, records, and other relevant documentation to verify the quantity and value of:

#### Inputs held in stock

Inputs contained in semi-finished or finished goods.

Capital goods exclusively used for exempt supplies as of the day immediately preceding the date when such exempt supplies become taxable under the CGST and SGST/UTGST Acts.

#### Validation of Calculation Basis

Assess the methodology used for calculating equivalent units of inputs in semi-finished and finished goods held in stock.

#### Reduction of ITC on Capital Goods

Ensure input tax credit (ITC) on capital goods is reduced by 5% per quarter (or part thereof) from the date of the invoice, as per applicable provisions.



### **Depreciation on ITC Portion**

Verify that no ITC has been availed on capital goods where depreciation has been claimed under the Income Tax Act, 1961, on the ITC portion.

### **Capital Asset Review**

Obtain a list of capital assets with purchase dates for the past 5 years.

Cross-verify the list with the fixed asset register maintained by the Applicant.

### **Exempt Supplies and Notifications**

Examine the books of accounts and other records to identify exempt supplies. Review relevant CBIC notifications to ascertain the date on which such exempt supplies became taxable.

### **Stock and Capital Goods Statement**

Obtain a detailed statement from the Applicant, listing stock and capital goods with respective quantities.

### **ITC Claim Validation**

Ensure that ITC claims under Section 18(1)(d) are limited to:

#### **Inputs held in stock.**

Inputs contained in semi-finished or finished goods relatable to exempt supplies.

Capital goods exclusively used for exempt supplies.

Note: ITC on capital goods used for both taxable and exempt supplies is not eligible.

### **Invoice and Bill Verification**

Collect a statement of bills of entry and tax invoices for goods in stock (not older than one year).

Verify these invoices to ensure compliance with Section 16(2) of the CGST and SGST/UTGST Acts, read with Rule 46 of the rules.

### **Debit and Credit Notes**

Confirm that all debit and credit notes are recorded and appropriately accounted for against the relevant vendor invoices included in the closing inventory.

### **Supplier Data Validation**

Ensure compliance with Rule 40(1)(e) by verifying claimed credits with supplier-furnished details in:

Form GSTR-1 (and any amendments in GSTR-1A, if applicable).



Form GSTR-4, as the case may be.

### **Certificate Issuance Threshold**

Issue the certificate only if the aggregate value of CGST, SGST/UTGST, and IGST claims exceeds ₹2,00,000, as specified under Rule 40(1)(d).

### **Scope of Certificate**

The certificate is applicable to registered persons whose exempt supplies have become taxable subsequently.

### **Management Representation Letter**

Obtain a Management Representation Letter detailing all relevant information and data provided by the Applicant.

### **Taxability Assessment**

Review the period during which the Applicant was affecting exempt supplies (HSN: \_\_\_\_\_). Confirm the date on which such supplies became taxable and verify that applicable taxes are being duly discharged on such supplies.



## CHAPTER 05

### Certificate under Section 18(3) for Transfer of Input Tax Credit on Change in Constitution

When a registered taxpayer undergoes a change in constitution—be it through sale, merger, demerger, amalgamation, lease, or transfer of business—the provisions under Section 18(3) of the CGST Act, 2017 come into play, offering a pathway for the seamless transfer of unutilized Input Tax Credit (ITC). This facilitation hinges upon the fulfillment of specific conditions, including the presence of a clause for the transfer of liabilities in the agreement or legal order and the proper filing of Form GST ITC-02. As per Rule 41(2) of the CGST Rules, such transfer must also be certified by a practicing Cost Accountant or Chartered Accountant, who is tasked with attesting that the transaction indeed includes a provision for liability transfer.

For the practising CMA certifying under this provision, the engagement demands both procedural precision and contextual understanding. The scope of verification is clearly demarcated—not to affirm the quantum or eligibility of ITC per se—but to confirm that the legal event (merger, sale, etc.) explicitly provides for the assumption of liabilities by the transferee. The order of merger or the business transfer agreement must be scrutinized thoroughly, particularly for the relevant clause that deals with the transfer of both assets and liabilities. If the transfer results from succession (such as on the death of a proprietor), documentation must clearly establish the legal heir's eligibility and the continuity of business under a valid GSTIN.

The Management of the transferor bears the primary responsibility of preparing and submitting a true and fair declaration via GST ITC-02. They are also expected to provide all supporting documentation—books of account, board resolutions, contractual agreements, and legal orders—to the certifying professional. Ensuring that these records are contemporaneous and complete is critical for the practitioner's assurance process. A letter of representation from the Management further underlines their responsibility for the correctness and completeness of the information furnished.

The practitioner, in turn, must exercise professional skepticism, particularly in cross-verifying whether the ITC being transferred was duly recorded in the electronic credit ledger of the transferor and whether the transferee is a legally valid entity under GST with a functioning GSTIN. It is also imperative to ensure that the capital goods and inputs whose ITC is proposed to be transferred have been duly



accounted for in the books of the transferor. This certificate does not extend to certifying ITC eligibility against other conditions under Section 18(3)—a boundary that must be clearly acknowledged and adhered to.

Ethical compliance, evidence-based reporting, and clear scoping of the certificate ensure that the practitioner’s opinion holds water, especially in the event of scrutiny by tax authorities.

In essence, the certificate issued under Section 18(3) serves as a vital link in ensuring that business restructurings under GST are not only administratively smooth but also legally compliant. It fosters confidence among stakeholders by assuring that transitional tax liabilities are appropriately addressed, while simultaneously upholding the sanctity of the input tax credit framework.

**Section 18. Availability of credit in special circumstances.**

(1) *Subject to such conditions and restrictions as may be prescribed—*

- (a) .....
- (b) .....
- (c) .....
- (d) .....

(2) .....

(3) *Where there is a change in the constitution of a Registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said Registered person shall be allowed to transfer the Input tax credit which remains unutilised in his Electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.*

(4) .....

(5) .....

(6) .....

*Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the Taxable person may pay tax on the transaction value of such goods determined under section 15.*

**Rule 41. Transfer of credit on sale, merger, amalgamation, lease or transfer of a business.-**

(1) *A Registered person shall, in the event of sale, merger, de-merger, amalgamation, lease or transfer or change in the ownership of business for any reason, furnish the details of sale, merger, de-merger, amalgamation, lease or transfer of business, in FORM GST ITC-02, electronically on the Common*



portal along with a request for transfer of unutilized Input tax credit lying in his Electronic credit ledger to the transferee:

Provided that in the case of demerger, the Input tax credit shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.

1[Explanation:-For the purpose of this sub-rule, it is hereby clarified that the "value of assets" means the value of the entire assets of the business, whether or not Input tax credit has been availed thereon.]

- (2) The transferor shall also submit a copy of a certificate issued by a practicing Chartered accountant or **Cost Accountant** certifying that the sale, merger, de-merger, amalgamation, lease or transfer of business has been done with a specific provision for the transfer of liabilities.
- (3) The transferee shall, on the Common portal, accept the details so furnished by the transferor and, upon such acceptance, the un-utilized credit specified in FORM GST ITC-02 shall be credited to his Electronic credit ledger.
- (4) The inputs and Capital goods so transferred shall be duly accounted for by the transferee in his books of account.

1. Inserted by CGST (Second Amendment) Rules, 2019 dated 29.03.2019 w.e.f. 29.03.2019

**Independent Practitioner's Certificate under Section 18(3) of the Central Goods and Services Tax Act, 2017 ("CGST Act") and the corresponding State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 ("SGST/UTGST Act")**

**Issued under Section 18(3) of the Central Goods and Services Tax Act, 2017 ("CGST Act") and the Corresponding Provisions of the State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 ("SGST Act" / "UTGST Act"), Read with Rule 41(2) of the CGST Rules and the Respective SGST/UTGST Rules, 2017**

Applicant's Name and Address:

This **Certificate is issued pursuant to the terms and conditions** set forth in our **engagement letter dated** \_\_\_\_\_, and is based on the representations and information furnished by the Applicant.

\_\_\_\_\_ [Name of the Applicant], holding **GSTIN** \_\_\_\_\_, having its **principal place of business at** \_\_\_\_\_ in the State/Union Territory of \_\_\_\_\_ (hereinafter referred to as the "**Applicant**" or "**Transferor**"), has additionally declared the following **additional places of business** registered under the said GSTIN:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_



In accordance with the provisions of **Section 18(3)** of the **Central Goods and Services Tax Act, 2017** ("CGST Act") and the respective **State Goods and Services Tax Act / Union Territory Goods and Services Tax Act, 2017** ("SGST Act"/"UTGST Act"), read with **Rule 41** of the **CGST Rules and corresponding SGST/UTGST Rules**, a registered person is permitted to **transfer the unutilized input tax credit (ITC)** available in its **electronic credit ledger** to a resulting entity in cases involving a **change in the constitution of business** due to **sale, merger, demerger, amalgamation, lease, or transfer, provided there exists a specific provision for the transfer of liabilities** under the relevant contractual or statutory instrument.

As further prescribed under **Rule 41(2)** of the said Rules, such a transfer of credit is required to be supported by a **certificate issued by a practicing Cost Accountant or Chartered Accountant**, confirming that the instrument governing the change in business structure contains a clear and specific provision for the transfer of all liabilities, including tax liabilities.

The Applicant has undergone a **sale / merger / demerger / amalgamation / lease / transfer of business** [**strike out whichever is not applicable**], and accordingly, its business has been transferred to **[Name of the Transferee]**, holding **GSTIN** \_\_\_\_\_ (hereinafter referred to as the "**Transferee**"), pursuant to one of the following instruments:

An **Amalgamation / Merger / Demerger Order**, bearing **Order No.** \_\_\_\_\_ **dated** \_\_\_\_\_, issued by \_\_\_\_\_, which expressly provides for the **transfer of all assets and liabilities**, including tax obligations;

**OR**

A **Business Transfer Agreement** dated \_\_\_\_\_, duly executed between the Transferor and the Transferee, which contains a **specific clause providing for the transfer of all existing and contingent liabilities**;

**OR**

In the event of the **death of the Transferor on** \_\_\_\_\_, the business has been transferred to **[Name of Legal Heir]**, holding **GSTIN** \_\_\_\_\_, in the capacity of the **Legal Heir**, who has assumed all rights, duties, and liabilities of the Transferor.

#### **Management's Responsibility for the Statement:**

The **preparation and fair presentation** of the **Statement in Form GST ITC-02** (hereinafter referred to as the "Statement") are the **sole responsibility of the Management** of **[Name of the Applicant]**. This responsibility includes, but is not limited to:

- The **maintenance of accurate and complete records**, including all **relevant supporting documents**, such as agreements, orders, and ledgers;



- The **design, implementation, and continuous monitoring** of an appropriate system of **internal controls**, necessary for the preparation of the Statement in a manner that is free from material misstatement, whether due to fraud or error;
- The **application of a suitable and consistent basis of preparation**, in accordance with the provisions of the **Central Goods and Services Tax Act, 2017**, and the respective **State/Union Territory Goods and Services Tax Acts**, along with the **rules framed thereunder**;
- Ensuring that the contents of the Statement are **true, complete, and compliant** with the applicable **statutory requirements** for the transfer of input tax credit and associated liabilities.

Furthermore, it is the duty of the Management to ensure that all representations made to us are **accurate and not misleading**, and that **no material information has been withheld** to the best of their knowledge and belief.

#### **Practitioner's Responsibility:**

In accordance with the requirements laid down under **Section 18(3)** of the **Central Goods and Services Tax Act, 2017** ("CGST Act") and the corresponding provisions of the **State Goods and Services Tax / Union Territory Goods and Services Tax Act, 2017** ("SGST Act" / "UTGST Act"), read with **Rule 41(2)** of the **CGST Rules and SGST/UTGST Rules, 2017**, our responsibility is limited to conducting a **review of the books of accounts and other relevant supporting documents** maintained by the **Applicant**, for the purpose of verifying whether the instrument governing the transfer—be it by way of **amalgamation, demerger, merger, sale, lease, or other transfer of business**—**includes an express and specific provision for the transfer of liabilities**, including tax liabilities.

The scope of our review is **substantive but limited**, and we do not assume any responsibility for verifying the commercial or operational aspects of the transaction beyond the stated objective.

#### **Opinion**

**Based on our examination** of the books of accounts, agreements, and relevant documentation made available to us, and relying upon the **information and explanations provided by the Management**, we are of the opinion that the **sale / merger / demerger / amalgamation / lease / transfer of business** [~~strike out whichever is not applicable~~] undertaken by the **Applicant** has been carried out **in accordance with a legally binding instrument that contains an express and specific provision for the transfer of all liabilities**, including those arising under the applicable **Goods and Services Tax laws**.

It is further clarified that our opinion is formed solely for the purpose of compliance with **Section 18(3)** of the **CGST Act** and **SGST/UTGST Acts**, read with **Rule 41(2)** of the respective Rules, and does



not constitute a legal determination on the enforceability of such provisions beyond the scope of this certification.

### Limitations of Use:

This Certificate is **addressed to and intended solely for the use of [Name of the Applicant]**, for the exclusive purpose of **submission to [Name of the Authority]** in compliance with the provisions of **Section 18(3)** of the **Central Goods and Services Tax Act, 2017** and the respective **State Goods and Services Tax / Union Territory Goods and Services Tax Acts**, read with **Rule 41(2)** of the **CGST Rules and SGST/UTGST Rules, 2017**.

This Certificate is **not intended to be distributed, circulated, or relied upon by any person or entity** other than the intended recipient, and it shall not be used for any purpose other than expressly stated herein, without our **prior written consent**. We expressly **disclaim any duty of care or liability** to any third party who may obtain access to this Certificate or rely on its contents, whether directly or indirectly.

Further, this Certificate has been issued **solely to certify the existence of a specific provision for the transfer of liabilities** as required under the above-referenced statutory provisions. It **does not extend to, and shall not be construed as certifying**, the **admissibility, eligibility, or quantification of any input tax credit** under any other condition or provision of the **CGST Act, SGST/UTGST Acts**, or the **rules and notifications issued thereunder**.

For [Name of Firm] [Signature] [Name of Member Signing the Certificate] [Designation] Membership Number: \_\_\_\_\_ Place of Signature: \_\_\_\_\_ Date: \_\_\_\_\_ UDIN: \_\_\_\_\_

### Key Considerations for Cost Accountants:

#### Verification of Registration Details

Cross-check the registration particulars provided by the Applicant with the Registration Certificate to ensure accuracy.

#### Scope of Practitioner's Responsibility

The practitioner shall not assume responsibility for filing the statutory forms prescribed, as this remains the obligation of the Management. The practitioner's role is limited to certifying that the sale, merger, demerger, amalgamation, lease, or transfer of business has been executed, with specific provisions ensuring the transfer of liabilities.



### **Validation of Transferee's GSTIN and Legal Agreements**

Confirm that the transferee possesses a valid GSTIN. Thoroughly review the Amalgamation/Merger/Demerger Order or the Business Transfer Agreements to verify the inclusion of explicit provisions for the transfer of liabilities.

### **Accounting for Transferred Inputs and Capital Goods**

Ensure that inputs or capital goods for which the credit is proposed to be transferred are duly reflected in the books of accounts of the Applicant as part of the transfer.

### **Certification Scope**

The certificate must explicitly pertain to the sale, merger, demerger, amalgamation, lease, or transfer of business, including a specific provision addressing the transfer of liabilities.

### **Management Representation Letter**

Obtain a formal representation letter from the Management of the Applicant, detailing and confirming the information and data provided to the practitioner for certification.



## CHAPTER 06

# Certificate under Section 18(4) for Reversal of Input Tax Credit on Opting for Composition Scheme

When a registered taxpayer under GST opts to switch from the regular scheme to the Composition Scheme under Section 10 of the CGST Act, 2017 or the taxable supplies become exempt, the law mandates a crucial compliance exercise — the reversal of input tax credit (ITC) availed on stock and capital goods. This requirement arises from Section 18(4) of the CGST Act, which stipulates that the taxpayer must reverse the ITC in respect of inputs held in stock, inputs contained in semi-finished and finished goods, and on capital goods, to the extent attributable to the remaining useful life. Rule 44 of the CGST Rules further prescribes the methodology for computing such reversals, and Rule 44(5) necessitates certification by a practicing Cost Accountant or Chartered Accountant where invoices are not available.

This certification process, although narrow in scope, requires a high degree of professional judgment and careful scrutiny of facts. The certifying professional is not certifying the entire transition per se, but specifically validating the estimates made by the taxpayer in Form GST ITC-03. This includes reviewing the prevailing market prices used for estimating values, ensuring the adoption of FIFO (First-In-First-Out) where applicable in cases where tax invoices are not there, and confirming that the reversal is done correctly in the electronic credit or cash ledger. For capital goods, the remaining useful life is determined on a pro-rata basis over five years, requiring both precision and familiarity with asset registers and historical usage.

From the Management's side, the responsibilities are clearly demarcated. They must undertake physical verification of all stocks and capital goods on the date immediately preceding the switch to the Composition Scheme, declare such details in Form GST ITC-03, and maintain detailed records justifying the reversal computation. If invoices are not available, a documented rationale for estimating market value becomes indispensable. Furthermore, a formal representation to the certifying professional — confirming the correctness and completeness of information — is a key audit input that cannot be overlooked.

The professional's role extends to ensuring that the turnover thresholds under Section 10 have been complied with, that the date of opting into the Composition Scheme has been correctly applied, and that



ITC reversal covers all applicable tax heads — Central, State, UT, and Integrated taxes. The practitioner must also cross-check data with bank-submitted stock statements and evaluate input-output norms to confirm the veracity of quantities and valuations. Reliance on Management declarations must be tempered with reasonable checks, especially when invoice data is unavailable.

It is equally critical to ensure that all procedural formalities are adhered to — including filing of Form CMP-02 for opting into composition, and proper reflection of reversed ITC in the ledgers. Any deviation here can result in future scrutiny or penal consequences.

In essence, a certificate under Section 18(4) for reversal of ITC on opting into the Composition Scheme is not merely a statutory ritual, but a finely calibrated assurance tool. It bridges the statutory requirement with financial accountability, ensuring that transitions under GST are not only seamless but also fiscally sound and transparent. For the seasoned professional, it presents an opportunity to reaffirm the integrity of the tax ecosystem through diligent and insightful certification.

**Section 18. Availability of credit in special circumstances**

(1) *Subject to such conditions and restrictions as may be prescribed—*

- (a) .....
- (b) .....
- (c) .....
- (d) .....

(2) .....

(3) .....

(4) *Where any Registered person who has availed of Input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the Electronic credit ledger or Electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption: [See Rule 44]*

*Provided that after payment of such amount, the balance of Input tax credit, if any, lying in his Electronic credit ledger shall lapse.*

(5) *The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.*



- (6) *In case of supply of capital goods or plant and machinery, on which Input tax credit has been taken, the Registered person shall pay an amount equal to the Input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher: [See Rule 44(6) & Rule 40(2)]*

*Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the Taxable person may pay tax on the transaction value of such goods determined under section 15.*

**Rule 44. Manner of reversal of credit under special circumstances. -**

- (1) *The amount of Input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and Capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely, -*
- (a) *for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered Taxable person on such inputs;*
- (b) *for Capital goods held in stock, the Input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.*

*Illustration:*

*Capital goods have been in use for 4 years, 6 month and 15 days.*

*The useful remaining life in months= 5 months ignoring a part of the month*

*Input tax credit taken on such Capital goods= C*

*Input tax credit attributable to remaining useful life= C multiplied by 5/60*

- 4[(2) *The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of central tax, State tax, Union territory tax and integrated tax.*
- (3) *Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.]*
- (4) *The amount determined under sub-rule (1) shall form part of the Output tax liability of the Registered person and the details of the amount shall be furnished in FORM GST ITC- 03, where such amount relates to any event specified in sub-section (4) of section 18 and in FORM GSTR-10, where such amount relates to the cancellation of registration.*



- (5) The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing Chartered accountant or **Cost Accountant**.
- (6) The amount of Input tax credit for the purposes of sub-section (6) of section 18 relating to Capital goods shall be determined in the same manner as specified in clause (b) of subrule (1) and the amount shall be determined separately for Input tax credit of 3[central tax, State tax, Union territory tax and integrated tax]:

Provided that where the amount so determined is more than the tax determined on the transaction value of the Capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in FORM GSTR-1.

1. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "integrated tax and central tax"
2. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "(2)"
3. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "IGST and CGST"
4. Subs. by CGST (Fourth Amendment) Rules, 2017 dated 27.07.2017 w.e.f. 01.07.2017 for "(2)  
The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of 1[central tax, State tax, Union territory tax and integrated tax].

2[(3)] Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, subsection (5) of section 29."

### **Certificate under Section 18(4) for Reversal of Input Tax Credit on Opting for Composition Scheme**

**Issued under the Provisions of the Central Goods and Services Tax Act, 2017 and the Respective State Goods and Services Tax Act / Union Territory Goods and Services Tax Act, 2017, in Accordance with Section 18(4) Read with Rule 44(5) of the CGST Rules and Corresponding SGST/ UTGST Rules**

#### **Name and Address of the Applicant**

This Certificate is issued pursuant to the terms of our **engagement agreement dated** \_\_\_\_\_.  
**M/s** \_\_\_\_\_ (hereinafter referred to as the "**Applicant**") is a **registered person under the Goods and Services Tax (GST) regime**, bearing **GSTIN** \_\_\_\_\_, having its **principal place of business** located at \_\_\_\_\_ in the



State/Union Territory of \_\_\_\_\_. The Applicant has also declared the following **additional places of business** registered under the same GSTIN:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

In accordance with the provisions of **Section 18(4)** of the **Central Goods and Services Tax Act, 2017** and the respective **State Goods and Services Tax Act / Union Territory Goods and Services Tax Act, 2017**, read with **Rule 44** of the **CGST Rules** and the corresponding **SGST/UTGST Rules**, the Applicant, having availed **Input Tax Credit (ITC)** under the regular scheme, has subsequently opted to **pay tax under the Composition Scheme as per Section 10** of the said Acts.

Pursuant to this change, the Applicant is required to **reverse and discharge an amount equivalent to the input tax credit** pertaining to:

- Inputs held in stock,
- Inputs contained in semi-finished or finished goods held in stock, and
- Capital goods held in stock,

as of the **day immediately preceding the effective date of opting for composition levy**. This amount is to be paid through a **debit in the electronic credit ledger or the electronic cash ledger**, and declared by the Applicant in **Form GST ITC-03** (hereinafter referred to as the **“Statement”**) filed on the **GST portal**.

Further, as per **Rule 44(3)** of the CGST and SGST/UTGST Rules, where the **tax invoices relating to such inputs are not available**, the Applicant is required to **estimate the amount payable based on the prevailing market value** of such goods as on the effective date of the switch to the composition scheme.

In terms of **Rule 44(5)**, the details furnished in **Form GST ITC-03** are required to be **certified by a practicing Cost Accountant or Chartered Accountant**, confirming that the computation has been carried out in accordance with the prescribed legal provisions and is supported by relevant records, valuation basis, and documentation.

### **Management’s Responsibility for the Statement**

The **preparation of the Statement in Form GST ITC-03**, as well as the declarations and disclosures relating to **stock holdings**—including inputs, semi-finished goods, finished goods, and capital goods—as mandated under the provisions of the **Central Goods and Services Tax Act, 2017**, and the relevant **State / Union Territory Goods and Services Tax Acts and Rules**, rests solely with the **Management of \_\_\_\_\_ [Name of the Applicant]**.



This responsibility includes, inter alia:

- Ensuring the **accuracy, completeness, and integrity** of all underlying **accounting records** and related documentation;
- The **design, implementation, and maintenance** of effective **internal controls**, particularly with respect to stock management and ITC reporting;
- Applying an **appropriate basis of preparation** in accordance with the applicable statutory framework;
- Making **reasonable estimates** where required, including in cases where original tax invoices are unavailable, as per **Rule 44(3)** of the relevant Rules.

It is the Management's obligation to ensure that a **physical verification of stock**—comprising **inputs, semi-finished goods, finished goods, and capital goods**—has been conducted as of the **day immediately preceding the date** on which the option to pay tax under **Section 10** of the CGST Act and SGST/UTGST Acts is exercised.

Furthermore, Management is required to ensure that all **books of accounts, supporting records, and documentary evidence** submitted for our verification are:

- **Authentic and contemporaneous,**
- **Prepared in accordance with applicable laws,** and
- **Capable of substantiating the declarations made** in the Statement to a reasonable degree of accuracy and compliance.

Our certification relies on the assumption that such obligations have been duly fulfilled by the Applicant's Management.

### **Practitioner's Responsibility**

Our responsibility, as prescribed under **Section 18(4)** of the **Central Goods and Services Tax Act, 2017** and the corresponding provisions of the **State Goods and Services Tax / Union Territory Goods and Services Tax Acts**, read with **Rule 44(5)** of the respective Rules, is limited to conducting a **verification of the books of accounts and relevant records** maintained by the **Applicant**, for the purpose of providing **reasonable assurance** on the **correctness and adequacy of the particulars declared in Form GST ITC-03**.

This verification pertains specifically to the **quantification and valuation** of:

- **Inputs held in stock,**
- **Inputs contained in semi-finished goods,**



- **Finished goods held in stock**, and
- **Capital goods**,

as on the **day immediately preceding the effective date** from which the Applicant has opted to pay tax under **Section 10** of the CGST Act and SGST/UTGST Acts (i.e., the Composition Scheme).

Where the **original tax invoices** in relation to such inputs are **not available**, we have examined whether the Applicant has followed a **reasonable and consistent basis of estimation**, as required under **Rule 44(3)**, including reliance on **prevailing market prices** for valuation purposes.

It is to be noted that our role is limited to ensuring that the **declarations made in Form GST ITC-03 are supported by available records and computations** and that they are **not inconsistent with the legal requirements**.

### Opinion

Based on our examination and the information and explanations provided to us, it is our opinion that the amounts declared by the Management of the Applicant in Annexure-A, which relate to inputs held in stock, inputs contained in semi-finished or finished goods held in stock, and capital goods held in stock as on \_\_\_\_\_ (the day immediately preceding the date of opting for tax under Section 10 of the CGST and SGST Acts), are fairly presented in all material respects and are in conformity with the books of accounts and other records maintained by the Applicant.

The description, quantity, value, and applicable GST rate of the inputs, inputs contained in semi-finished or finished goods held in stock, and capital goods as on \_\_\_\_\_ have been verified based on the records provided by the Management. The value of such goods, where tax invoices are unavailable, has been estimated by the Management based on the prevailing market price as on the said date.

We have reviewed the assumptions and calculations made by the Management for compliance with Section 18(4) of the CGST and SGST Acts read with Rule 44(3) of the corresponding Rules. In our professional judgment, these assumptions provide a reasonable basis for the estimates, although actual results may differ materially.

Our verification does not extend to the physical stock, as reliance has been placed on the declarations made by the Applicant with respect to the quantity of goods held in stock as on \_\_\_\_\_.

### Limitations of Use

This Certificate has been issued **solely for the limited purpose of submission to \_\_\_\_\_ [Name of the Authority]**, in accordance with the statutory requirements under **Section 18(4)** of the **Central Goods and Services Tax Act, 2017** and the corresponding provisions of the **State / Union Territory Goods and Services Tax Acts**, read with **Rule 44(5)** of the **CGST Rules** and applicable **SGST/UTGST**



**Rules, 2017.**

It is **not intended for circulation, publication, or reliance by any person, entity, or authority** other than the intended recipient named above, and **shall not be used for any purpose other than expressly stated herein**, without our **prior written consent**.

We expressly **disclaim any responsibility or liability** to any third party who may gain access to or rely upon this Certificate or its contents, either directly or indirectly. The Certificate is based on the information and representations provided to us for the stated purpose and does not constitute an audit or assurance engagement under any professional or statutory standards.

For CMA & Co.

Cost Accountants

(Firm Registration Number: \_\_\_\_\_)

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE – A**

Date from which liability to pay tax arises under Section 9, except under Section 9(3) and Section 9(4) - \_\_\_\_\_

Sr. No	GSTIN/ Registration under CX/ VAT of supplier	Invoice*/ Bill of Entry	Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note)	Amount of ITC claimed (Rs.)					
							No.	Date	Central Tax	State Tax	UT Tax	Integrated Tax
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock (Where invoice is not available)												
(b) Inputs contained in semi-finished or finished goods held in stock (where invoice is not available)												
(c) Capital goods in stock (where invoice is not available) ***												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

\*\* where invoices are not available, value shall be estimated based on prevailing market price.

\*\*\* The detailed calculation provided in Annexure - B, be treated as part of this certificate.

As per our certificate of even date attached  
 For CMA and Co.  
 Cost Accountants  
 Firm's Registration Number: \_\_\_\_\_  
 Signature

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_



Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.

**Annexure -B: Computation of ITC on Capital Goods**

Sl. no	Particulars	Reference	[Amount] <sup>12</sup>
1	Inward supply value of Machinery X		1,00,000
	IGST@12%	A	12,000
	Invoice Value		1.12.000
2	Date of invoice 15 <sup>th</sup> July 2023		
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST & SGST/UTGST Act, 2017		01 <sup>st</sup> March 2024
4	Capital goods have been in use for		7 Months 16 Days
	Remaining useful life (ignoring part of the month)	B	52 Months
	Total useful life	C	60 Months
5	ITC for remaining useful life	$D = (A - (A*B/C))$	$=12,000*52/60$ $=10,400$
	ITC to be reversed		10.400

**Key Checkpoints for Cost Accountants**

**Applicability of Certificate**

Confirm that this certificate is required only when the tax invoices for inputs held in stock, inputs contained in semi-finished or finished goods held in stock, and capital goods are unavailable, as per the requirements of Rule 44(3) and Rule 44(5) of the CGST and SGST/UTGST Rules, 2017.

**Verification of Registration**

Cross-check the Applicant’s registration particulars with the GST Registration Certificate for accuracy and compliance.

**Filing of GST ITC-03**

Verify that the Applicant has duly filed Form GST ITC-03 on the GST portal, declaring the amounts in the respective columns.

**Turnover Limit Compliance**

Confirm that the Applicant’s aggregate turnover is within the limits specified under Sections 10(1) and 10(3) of the CGST and SGST/UTGST Acts. Aggregate turnover should be computed as per the definition provided in Section 2(6) of the CGST and SGST/UTGST Acts.

**Stock Verification**

Validate the quantity and value of stock through physical verification and corroborate the same with external statements, such as stock statements submitted to banks. Assess the input-output ratio applied by the Applicant for finished goods and semi-finished goods for reasonableness.



### **Computation of Input Tax Credit (ITC) to Be Reversed**

Examine the computation of ITC to be reversed, ensuring it aligns with the effective tax rate specified under Notification No. 1/2017-CT (Rate) dated 28.06.2017, as amended. This should be applied to the estimated value of inputs and inputs contained in semi-finished or finished goods.

### **Segregation of ITC**

Ensure that the ITC reversal is determined separately for Central Tax, State Tax, Union Territory Tax, and Integrated Tax. Verify and reconcile the figures with the ledger balances.

### **Date of Transition to Composition Scheme**

Validate the date on which the Applicant has opted to pay tax under Section 10 of the CGST and SGST/UTGST Acts. Review compliance with the conditions outlined in GST laws for opting into the composition scheme.

### **Stock-in-Transit**

Address any stock-in-transit as on the specified date of eligibility for credits. In case of practical difficulties in determining credit amounts for work-in-progress (WIP), semi-finished, and finished goods, consider applying a fixed percentage with appropriate assumptions, which should be clearly disclosed in the certificate.

### **Verification of GST CMP-02**

Cross-check the details filed by the Applicant in Form GST CMP-02, which serves as an intimation to opt for the composition scheme under Section 10 of the CGST and SGST/UTGST Acts.

### **Reversal of ITC**

Ensure that the reversal of ITC has been properly accounted for in the electronic credit ledger and that any amount payable has been discharged through the electronic cash ledger, as specified in Form GST ITC-03.

### **Representation from Management**

Obtain a management representation letter from the Applicant affirming the accuracy and completeness of the details and information provided.

### **Declaration on Non-Availability of Invoices**

Secure a declaration from the Applicant explaining the non-availability of tax invoices and the reasons for the same.

### **Transition Period Validation**

Verify the period during which the Applicant paid tax under Section 9 of the CGST and SGST/UTGST Acts and confirm the date when the Applicant ceased to pay tax under Section 9 and opted for the composition scheme under Section 10 of the CGST and SGST/UTGST Acts.



# CHAPTER 07

## Certificate under Section 18(4) for Reversal of Input Tax Credit on Taxable Supply Becoming Exempt

When a **registered person engaged in the supply of taxable goods or services** subsequently finds that such supplies have become **wholly exempt**, the provisions of **Section 18(4) of the Central Goods and Services Tax Act, 2017** are triggered. This section mandates the **reversal of input tax credit (ITC)** that was previously availed in relation to those supplies. The reversal obligation extends to:

- **Inputs held in stock,**
- **Inputs contained in semi-finished or finished goods,** and
- **Capital goods** used for the affected outward supplies.

To operationalize this statutory requirement, **Rule 44 of the CGST Rules** sets out the methodology for computing the amount of ITC to be reversed. Notably, where the **relevant tax invoices are unavailable**, the Rule provides that the taxpayer must determine the value of inputs based on the **prevailing market price** as on the date immediately preceding the exemption becoming effective. In such circumstances, **Rule 44(5)** further stipulates that the details furnished in **Form GST ITC-03** shall be **certified by a practicing Cost Accountant or Chartered Accountant** thereby lending credibility and professional assurance to the reversal process.

For the professional undertaking this certification, the engagement demands both **technical diligence and informed judgment**. The certifier is expected to review and validate:

- The **estimation methods** adopted by the Management in valuing the relevant stocks,
- The **accuracy of assumptions** used in the absence of original documentation,
- The **stock registers and related inventory records,** and
- The **status of exemption** through analysis of applicable government **notifications or circulars.**

It is imperative to ensure that the reversals are appropriately allocated across all applicable tax components—namely **CGST, SGST/UTGST, and IGST**—and that the amount has been duly **debited to the electronic credit or cash ledger** as declared in Form GST ITC-03.



On the part of the **Management**, strict compliance with procedural discipline is expected. This includes:

- Conducting a **physical verification** of stock as on the **date preceding the exemption**,
- Maintaining **contemporaneous records** and **inventory valuations**,
- Clearly documenting all **assumptions, valuation methods**, and **justifications** where invoices are unavailable, and
- Furnishing a **written declaration** confirming the non-availability of tax invoices, along with a **management representation letter** certifying the accuracy and completeness of the information shared.

In practice, professionals often encounter **valuation complexities**, particularly in relation to **semi-finished goods, work-in-progress**, or **stock-in-transit**. In such cases, reliance may be placed on **industry benchmarks, input-output ratios**, historical pricing trends, or **collateral reports submitted to financial institutions**.

Equally important is verifying that the **exemption has legally taken effect** on the stated date, by referring to the relevant **notifications issued under the GST law**, and that the taxpayer has **ceased charging tax** on such supplies from that date forward, in compliance with statutory requirements.

In essence, the certification required under **Section 18(4) read with Rule 44(5)**—in scenarios where taxable supplies become exempt—is not a routine procedural endorsement. It is a **significant professional responsibility** that calls for sound commercial understanding, legal insight, and strong ethical judgment. The certifying professional plays a critical role in upholding the **integrity of the GST credit mechanism**, while enabling a **compliant and orderly transition** for the taxpayer into a revised tax position.

**Section 18. Availability of credit in special circumstances.**

- (1) *Subject to such conditions and restrictions as may be prescribed—*
  - (a) .....
  - (b) .....
  - (c) .....
  - (d) .....
- (2) .....
- (3) .....
- (4) *Where any Registered person who has availed of Input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount,*

by way of debit in the Electronic credit ledger or Electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption: [See Rule 44]

Provided that after payment of such amount, the balance of Input tax credit, if any, lying in his Electronic credit ledger shall lapse.

- (5) The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.
- (6) In case of supply of capital goods or plant and machinery, on which Input tax credit has been taken, the Registered person shall pay an amount equal to the Input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher: [See Rule 44(6) & Rule 40(2)]

Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the Taxable person may pay tax on the transaction value of such goods determined under section 15.

**Rule 44. Manner of reversal of credit under special circumstances.-**

- (1) The amount of Input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and Capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely,-
  - (a) for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered Taxable person on such inputs;
  - (b) for Capital goods held in stock, the Input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.

Illustration:

Capital goods have been in use for 4 years, 6 month and 15 days.

The useful remaining life in months= 5 months ignoring a part of the month

Input tax credit taken on such Capital goods= C

Input tax credit attributable to remaining useful life= C multiplied by 5/60



- <sup>4</sup>[(2) The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of central tax, State tax, Union territory tax and integrated tax.
- (3) Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.]
- (4) The amount determined under sub-rule (1) shall form part of the Output tax liability of the Registered person and the details of the amount shall be furnished in FORM GST ITC- 03, where such amount relates to any event specified in sub-section (4) of section 18 and in FORM GSTR-10, where such amount relates to the cancellation of registration.
- (5) The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing Chartered accountant or **Cost Accountant**.
- (6) The amount of Input tax credit for the purposes of sub-section (6) of section 18 relating to Capital goods shall be determined in the same manner as specified in clause (b) of subrule (1) and the amount shall be determined separately for Input tax credit of 3[central tax, State tax, Union territory tax and integrated tax]:

Provided that where the amount so determined is more than the tax determined on the transaction value of the Capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in FORM GSTR-1.

1. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "integrated tax and central tax"
2. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "(2)"
3. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "IGST and CGST"
4. Subs. by CGST (Fourth Amendment) Rules, 2017 dated 27.07.2017 w.e.f. 01.07.2017 for "(2) The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of 1[central tax, State tax, Union territory tax and integrated tax].

<sup>2</sup>[(3)] Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, subsection (5) of section 29."



**Certificate under Section 18(4) of the CGST Act, 2017 –  
Taxable Supplies Becoming Wholly Exempt**

**Independent Practitioner’s Certificate**

**Issued under the Central Goods and Services Tax Act, 2017 (“CGST Act”) and the Respective State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act (“SGST/UTGST Act”). In Compliance with Section 18(4) of the Said Acts, Read with Rule 44(5) of the Rules Framed Thereunder, Pertaining to the Reversal of Input Tax Credit upon Taxable Supplies Becoming Wholly Exempt.**

To,

**Name and Address of the Applicant:**

M/s. \_\_\_\_\_

Address: \_\_\_\_\_

**Issuance of Certificate**

This Certificate is issued pursuant to the terms and scope of our **engagement letter dated** \_\_\_\_\_, entered into for the limited purpose of certification under the applicable provisions of the **Central Goods and Services Tax Act, 2017** and the relevant **State / Union Territory Goods and Services Tax Act, 2017**, as specified herein.

**Applicant Details**

M/s. \_\_\_\_\_ (hereinafter referred to as the **“Applicant”**) is a registered person under the **Goods and Services Tax (GST) law**, bearing **GSTIN** \_\_\_\_\_, having its **principal place of business** situated at: \_\_\_\_\_  
\_\_\_\_\_ in the State / Union Territory of \_\_\_\_\_.

The Applicant has also declared the following **additional places of business** under the same GST registration:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

**Statutory Compliance:**

Pursuant to the provisions of **Section 18(4)** of the **Central Goods and Services Tax Act, 2017** and the corresponding provisions of the **State Goods and Services Tax / Union Territory Goods and Services Tax Acts**, read with **Rule 44** of the **CGST Rules and SGST/UTGST Rules, 2017**, a registered person whose **outward taxable supplies become wholly exempt** is required to **reverse the input tax credit (ITC)** previously availed in relation to the said supplies.



Such reversal shall be in respect of:

- **Inputs held in stock,**
- **Inputs contained in semi-finished or finished goods held in stock,** and
- **Capital goods used in providing such exempted supplies,**

as on the **day immediately preceding the date** on which the exemption becomes effective.

#### **Inputs held in stock**

The reversal of input tax credit shall also include **inputs contained in semi-finished goods and finished goods held in stock**, as well as **capital goods** that were earlier used for making taxable supplies, as on the **day immediately preceding the date** on which such supplies became exempt.

The amount so determined is required to be **discharged by the Applicant** through a corresponding **debit entry in the electronic credit ledger or the electronic cash ledger**, and must be **declared electronically on the GST Common Portal** by filing **Form GST ITC-03** (hereinafter referred to as the “**Statement**”), in accordance with the applicable rules and procedures prescribed under the GST law.

#### **Estimation of Amount in the Absence of Invoices**

In terms of **Rule 44(3)** of the **Central Goods and Services Tax Rules, 2017** and the corresponding **SGST/UTGST Rules**, where **tax invoices in respect of inputs held in stock are not available**, the **Applicant is required to estimate the input tax credit (ITC)** based on the **prevailing market price** of such goods as on the **effective date** of the change in tax status.

Further, **Rule 44(5)** expressly mandates that the **particulars declared in Form GST ITC-03**—including such estimated values—shall be **duly certified by a practicing Cost Accountant or Chartered Accountant**, thereby providing professional validation of the basis of estimation and compliance with the applicable statutory provisions.

#### **Management’s Responsibility for the Statement**

##### **Preparation of the Statement**

The responsibility for the **preparation, accuracy, and timely submission** of **Form GST ITC-03**, including all accompanying **declarations in respect of stock**, as required under the provisions of the **Central Goods and Services Tax Act, 2017**, and the corresponding **SGST/UTGST Acts and Rules**, rests **solely with the Applicant**.

This responsibility encompasses, inter alia:

- The **maintenance of proper accounting records**, including relevant **supporting documentation**, stock registers, and valuation records;



- The **design, implementation, and maintenance** of effective **internal control systems** to ensure the accurate preparation and presentation of the Statement;
- **Compliance with all applicable statutory provisions**, rules, and notifications governing the reversal of input tax credit upon the supply of goods or services becoming wholly exempt.

In addition, it is the Applicant's duty to conduct a **physical verification** of all stock—including **inputs, semi-finished goods, finished goods, and capital goods**—as on the day immediately preceding the date on which the taxable supplies are rendered exempt under law.

### Accuracy and Reliability of Data

The **Management of the Applicant** is responsible for ensuring that the **books of accounts, records, and supporting documents** made available for verification are:

- **Accurate** and free from material misstatements,
- **Contemporaneous**, reflecting the actual stock position as of the relevant date, and
- **Sufficiently detailed** to support the figures and declarations presented in **Form GST ITC-03**.

Such information forms the **basis for certification** and is assumed to be **complete and reliable** for the limited purpose of this engagement. The certifying professional places reliance on the representations made by the Applicant, and does not assume responsibility for independent verification of the stock quantities or physical existence unless specifically agreed upon.

### Practitioner's Responsibility

Scope of Examination:

In accordance with the requirements of **Section 18(4)** of the **Central Goods and Services Tax Act, 2017** and the respective **SGST/UTGST Acts**, read with **Rule 44(5)** of the **CGST Rules and SGST/UTGST Rules, 2017**, our professional responsibility in this engagement is confined to the following:

- To **examine the books of accounts**, relevant **financial and stock records**, and **supporting documentation** made available by the Applicant in connection with the reversal of input tax credit (ITC); and
- To provide **reasonable assurance**, based on such examination, as to the **correctness and completeness** of the values and particulars declared by the Applicant in **Form GST ITC-03**, specifically in respect of:
  - **Inputs held in stock**,
  - **Inputs contained in semi-finished or finished goods held in stock**, and



- **Capital goods** for which **input tax credit is required to be reversed** due to the supplies becoming wholly exempt.

The engagement is limited to the scope defined herein and is based on information and representations provided by the Applicant.

## Opinion

### Examination and Verification

Based on our **review of the Applicant's books of accounts**, relevant **supporting documentation**, and the **information and explanations provided** to us, we are of the considered opinion that the **amounts declared in Form GST ITC-03**, as detailed in **Annexure-A**, in respect of the following:

- **Inputs held in stock,**
- **Inputs contained in semi-finished or finished goods held in stock,** and
- **Capital goods held in stock,**

as on the **day immediately preceding the effective date** on which the taxable supplies of the Applicant became wholly exempt, are **fairly stated in all material respects** and are **in conformity with the books of accounts and records maintained** by the Applicant under the applicable provisions of the **Central Goods and Services Tax Act, 2017**, and the respective **SGST/UTGST Acts**.

### Estimates by Management:

The **description, quantity, value**, and the **applicable rate of GST** in respect of the **inputs, semi-finished goods, finished goods**, and **capital goods** as on \_\_\_\_\_ have been **reviewed and verified** by us with reference to the **books of accounts, supporting documentation**, and **declarations made by the Management**.

Where original tax invoices were not available, the **values have been estimated by the Applicant** based on the **prevailing market price** as of the said date. Based on our examination and in our professional judgment, such estimates appear to be **reasonable and appropriately supported** under the prevailing circumstances, subject to the inherent limitations of estimates involving valuation.

### Physical Verification

It is specifically noted that we have **not conducted an independent physical verification** of the stock as part of this engagement. Accordingly, we have placed **reliance on the declarations and representations made by the Applicant** with respect to the **existence, quantity, and description**



**of inputs, semi-finished goods, finished goods, and capital goods** as on \_\_\_\_\_, which is the date immediately preceding the effective date of exemption.

Our verification is limited to reviewing the **documentary and accounting records** produced by the Applicant and does not extend to physical validation of stock-in-trade or fixed assets.

### Limitations of Use

This Certificate is issued **solely for the purpose of submission to** \_\_\_\_\_ [Name of the **Authority**], in compliance with the provisions of **Section 18(4)** of the **Central Goods and Services Tax Act, 2017**, and the respective **SGST/UTGST Acts**, read with **Rule 44(5)** of the **CGST Rules and SGST/UTGST Rules, 2017**.

It is **not intended for circulation, distribution, or reliance by any person, authority, or entity** other than the **Applicant** and the above-mentioned statutory authority. This Certificate shall not be used for any purpose other than as expressly stated, without our **prior written consent**.

We expressly **disclaim any responsibility or legal liability** to any third party who may come into possession of this Certificate or rely on its contents, whether directly or indirectly, for any reason whatsoever.

For CMA and Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signatory

(Signature)

(Name of the Member Signing the Certificate)

Designation: \_\_\_\_\_

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE – A**

Date from which liability to pay tax arises under Section 9, except under Section 9(3) and Section 9(4) - \_\_\_\_\_

Sr. No	GSTIN/ Registration under CX/VAT of supplier	Invoice*/ Bill of Entry	Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note)	Amount of ITC claimed (Rs.)					
							Central Tax	State Tax	UT Tax	Integrated Tax	Cess	
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock (Where invoice is not available)												
(b) Inputs contained in semi-finished or finished goods held in stock (where invoice is not available)												
(c) Capital goods / plant and machinery held in stock (where invoice is not available) ***												

\*In case it is not feasible to identify invoice, the principle of first-in-first out may be followed.

\*\* where invoices are not available, value shall be estimated based on prevailing market price.

\*\*\* The detailed calculation provided in Annexure - B, be treated as part of this certificate.

As per our certificate of even date attached  
For CMA and Co.

Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.

**Annexure -B: Computation of ITC on Capital Goods**

Sl. no	Particulars	Reference	Amount
1	Inward supply value of Machinery X		1,00,000
	IGST@12%	A	12,000
	Invoice Value		1,12,000
2	Date of invoice		15 <sup>th</sup> July 2023
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST/SGST Act 2017		01 <sup>st</sup> March 2024
4	Capital goods have been in use for		7 Months 16 Days
	Remaining useful life (ignoring part of the month)	B	52 Months
	Total useful life	C	60 Months
5	ITC for remaining useful life	$D = (A - (A*B/C))$	$=12,000*52/60$ $=10,400$
	ITC to be reversed		10,400

**Key Checkpoints for Cost Accountants****Applicability of Certificate**

Confirm that this certificate is issued only in cases where tax invoices related to:

Inputs held in stock, Inputs contained in semi-finished or finished goods held in stock, and Capital goods, are unavailable with the Applicant. This is in compliance with Rule 44(3) and Rule 44(5) of the CGST and SGST/UTGST Rules, 2017.

**Verification of Registration Details**

Ensure that the registration particulars of the Applicant are verified with the GST Registration Certificate.

**Form GST ITC-03 Submission**

Confirm that the Applicant has filed Form GST ITC-03 on the GST portal, declaring the relevant amounts in the respective fields.

**Computation of Input Tax Credit (ITC) Reversal**

Validate the calculation of ITC to be reversed by applying the effective tax rate as specified under Notification No. 1/2017-CT (Rate) dated 28.06.2017 (as amended) to the estimated value of:

- Inputs,
- Inputs contained in semi-finished or finished goods, and Capital goods.



### **Segregation and Reconciliation**

Ensure that the ITC reversal amount is computed separately for:

- Central Tax (CGST),
- State Tax (SGST),
- Union Territory Tax (UTGST), and
- Integrated Tax (IGST).

Reconcile these amounts with the respective ledger balances in the books of accounts.

### **Physical Verification and External Corroboration**

Corroborate the declared quantity and values through physical stock verification and external statements submitted by the Applicant, such as stock statements provided to banks.

Validate the input-output ratio adopted by the Applicant for Finished Goods and Semi-Finished Goods.

### **Identification of Taxable to Exempt Supplies**

Perform a detailed review of the books of accounts and relevant records to identify supplies that were previously taxable but have now become exempt. Verify the applicable government notifications to determine the effective date of exemption.

### **Treatment of Stock-in-Transit**

For stock-in-transit as on the specified date of exemption, ensure appropriate treatment in the ITC reversal computation. Note that practical challenges may arise in determining credit amounts and invoice-wise details for items consumed at various stages (e.g., work-in-progress, semi-finished goods, or finished goods). In such cases:

Use a fixed percentage based on relevant assumptions, and include detailed notes and explanations in the Certificate.

### **Reversal or Payment Verification**

Verify the reversal of ITC or payment of the specified amount by way of debit in the electronic credit ledger or electronic cash ledger, as declared in Form GST ITC-03.

### **Verification of Exemption Date**

Meticulously verify the date on which taxable supplies became exempt. Ensure that the reversal of ITC corresponds with this date.



### **Management Representation**

Obtain a signed representation letter from the Management of the Applicant, certifying the accuracy of the details and information provided for the purpose of issuing this certificate.

### **Declaration of Non-Availability of Invoices**

Obtain a written declaration from the Applicant stating the non-availability of tax invoices, along with an explanation for the same.

### **Review of Taxable Supply Period**

Examine the period during which the Applicant was making taxable supplies under the relevant HSN code(s).

Verify the date from which such taxable supplies became exempt and ensure that the Applicant ceased to discharge tax liability on these supplies from the correct date.



# CHAPTER 08

## Certificate under Section 29(5) for Reversal of Input Tax Credit on Cancellation of Registration

When the **registration of a GST-registered person is cancelled** under the provisions of **Section 29 of the Central Goods and Services Tax Act, 2017**, whether due to **discontinuation of business, change in the constitution of the entity, or voluntary surrender**, the law imposes a statutory obligation to **reverse the input tax credit (ITC)** in respect of goods and capital assets **remaining in stock** at the time of cancellation.

Specifically, **Section 29(5)** requires that the taxpayer shall pay an amount equivalent to:

- The **input tax credit on inputs held in stock**,
- **Inputs contained in semi-finished or finished goods**, and
- **Capital goods or plant and machinery**,

or the **output tax payable** on such goods—**whichever is higher**.

The manner of computing such reversal is prescribed under **Rule 44** of the **CGST Rules, 2017**. In situations where **original tax invoices are not available**, the law provides for estimation based on the **prevailing market value**. Importantly, **Rule 44(5)** mandates that in such cases, the reversal details, as declared in **Form GSTR-10**, must be **certified by a practicing Cost Accountant or Chartered Accountant**.

From the standpoint of a **certifying professional**, this is not a mere procedural formality—it is a matter of **professional assurance**, grounded in **documentary evidence and reasoned estimation**. The practitioner is expected to:

- **Verify the correctness of computation** reflected in Form GSTR-10;
- Ensure that, where invoices are missing, the **market-based estimates** are reasonable and properly documented;
- Confirm that for **capital goods**, ITC reversal is calculated proportionately based on the **remaining useful life**, as standardized over **five years**, necessitating a detailed review of **fixed asset registers, invoice dates, and utilization periods**;



- Ascertain that the **reversed amount** has been **debited appropriately** in the **electronic credit ledger** or **cash ledger**, in accordance with law.

On the part of the **taxpayer**, the Management bears the responsibility to:

- Undertake a **physical verification of stocks and capital goods** as on the **day immediately preceding the cancellation date**;
- Prepare a **declaration of estimated values** in line with **Rule 44(3)**, especially where supporting invoices are unavailable;
- Maintain **accurate and contemporaneous records**, and ensure transparency in the **valuation assumptions** used;
- Provide a **representation and declaration letter** affirming the **accuracy and completeness of the data** submitted for certification.

In practice, the certifier may encounter **complexities** such as:

- Valuing **stock-in-transit**,
- Segregating **semi-finished goods**, or
- Handling **mixed inventories** with limited invoice traceability.

In such cases, professionals may reasonably rely on **input-output ratios**, **bank-submitted stock statements**, and **industry-standard estimation methodologies** to arrive at fair valuations.

Moreover, **meticulous care** must be taken to **separately compute and reconcile** the reversal amounts across **CGST**, **SGST/UTGST**, and **IGST** components, and to match these with ledger balances to avoid misreporting or short reversals.

The **certificate issued under Section 29(5)** is not merely a compliance artefact—it serves as an important document for **audit trail**, **regulatory examination**, and **tax governance**. It evidences that ITC benefits availed during the life of the registration have been duly reversed upon closure of business, thereby upholding the **neutrality of the input tax system**.

For the professional, certifying ITC reversal under Section 29(5) is an exercise in **discipline**, **documentation**, and **diligence**. It reflects their critical role in preserving the **integrity of the GST regime**, anchored in **statutory compliance**, **informed judgment**, and **ethical accountability**.

#### **Section 29. Cancellation 1[or suspension] of registration. [See Rule 22]**

- (1) *The Proper officer may, either on his own motion or on an application filed by the Registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and*



*within such period as may be prescribed, having regard to the circumstances where,— [See Rule 41 for ITC]*

(a) *the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or*

(b) *there is any change in the constitution of the business; or*

<sup>2</sup>(c) *the Taxable person is no longer liable to be registered under section 22 or section 24 or intends to optout of the registration voluntarily made under sub-section (3) of section 25.]*

<sup>1</sup>*[Provided that during pendency of the proceedings relating to cancellation of registration filed by the Registered person, the registration may be suspended for such period and in such manner as may be prescribed.]*

(2) *The Proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,— [See Rule 21]*

(a) *a Registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or*

(b) *a person paying tax under section 10 has not furnished <sup>3</sup>[the return for a financial year beyond three months from the due date of furnishing the said return]; or*

(c) *any Registered person, other than a person specified in clause (b), has not furnished returns for <sup>4</sup>[such continuous Tax period as may be prescribed]; or*

(d) *any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or*

(e) *registration has been obtained by means of fraud, wilful misstatement or suppression of facts:*

*Provided that the Proper officer shall not cancel the registration without giving the person an opportunity of being heard.*

<sup>1</sup>*[Provided further that during pendency of the proceedings relating to cancellation of registration, the Proper officer may suspend the registration for such period and in such manner as may be prescribed.] [See Rule 21A]*

(3) *The cancellation of registration under this section shall not affect the liability of the person to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.*



- (4) *The cancellation of registration under The State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a cancellation of registration under this Act.*
- (5) *Every Registered person whose registration is cancelled shall pay an amount, by way of debit in the Electronic credit ledger or Electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or Capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the Output tax payable on such goods, whichever is higher, calculated in such manner as may be prescribed: [See Rule 44]*

*Provided that in case of Capital goods or plant and machinery, the Taxable person shall pay an amount equal to the Input tax credit taken on the said Capital goods or plant and machinery, reduced by such percentage points as may be prescribed or the tax on the transaction value of such Capital goods or plant and machinery under section 15, whichever is higher.*

- (6) *The amount payable under sub-section (5) shall be calculated in such manner as may be prescribed. [See Rule 44]*
- 1. Inserted by CGST (Amendment) Act, 2018 w.e.f. 01.02.2019*
  - 2. Subs. by Finance (No.12) Act, 2020 dated 27.03.2020 w.e.f. 01.01.2021 by Noti. No. 92/2020-Central Tax dated 22.12.2020 for "(c) the Taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24."*
  - 3. Subs. by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022 for "returns for three consecutive Tax periods"*
  - 4. Subs. by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022 for "a continuous period of six months"*

**Rule 44. Manner of reversal of credit under special circumstances.-**

- (1) The amount of Input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and Capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely,-
- (a) for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the



corresponding invoices on which credit had been availed by the registered Taxable person on such inputs;

- (b) for Capital goods held in stock, the Input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.

Illustration:

Capital goods have been in use for 4 years, 6 month and 15 days.

The useful remaining life in months= 5 months ignoring a part of the month

Input tax credit taken on such Capital goods= C

Input tax credit attributable to remaining useful life= C multiplied by 5/60

<sup>4</sup>[(2) The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of central tax, State tax, Union territory tax and integrated tax.

(3) Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.]

(4) The amount determined under sub-rule (1) shall form part of the Output tax liability of the Registered person and the details of the amount shall be furnished in FORM GST ITC- 03, where such amount relates to any event specified in sub-section (4) of section 18 and in FORM GSTR-10, where such amount relates to the cancellation of registration.

(5) The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing Chartered accountant or **Cost Accountant**.

(6) The amount of Input tax credit for the purposes of sub-section (6) of section 18 relating to Capital goods shall be determined in the same manner as specified in clause (b) of subrule (1) and the amount shall be determined separately for Input tax credit of 3[central tax, State tax, Union territory tax and integrated tax]:

Provided that where the amount so determined is more than the tax determined on the transaction value of the Capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in FORM GSTR-1.

1. *Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for "integrated tax and central tax"*



2. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for “(2)”
  3. Subs. by CGST (Third Amendment) Rules, 2017 dated 01.07.2017 for “IGST and CGST”
  4. Subs. by CGST (Fourth Amendment) Rules, 2017 dated 27.07.2017 w.e.f. 01.07.2017 for “(2)  
The amount, as specified in sub-rule (1) shall be determined separately for Input tax credit of 1[central tax, State tax, Union territory tax and integrated tax].
- <sup>2</sup>[(3)] Where the tax invoices related to the inputs held in stock are not available, the Registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, subsection (5) of section 29.”

### Certificate under Section 29(5) of the CGST Act

#### Suggested Format of Certificate

#### Independent Practitioner’s Certificate

**Issued under Section 29(5) of the Central Goods and Services Tax Act, 2017 (“CGST Act”) and the Respective State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017 (“SGST Act” / “UTGST Act”), Read with Rule 44(5) of the Respective Rules Framed Thereunder.**

#### Name and Address of the Applicant

This Certificate is issued pursuant to the terms of our **engagement letter dated** \_\_\_\_\_.

**M/s.** \_\_\_\_\_ (hereinafter referred to as the “**Applicant**”), a registered entity under the **Goods and Services Tax (GST) regime**, is identified by **GSTIN** \_\_\_\_\_ and has its **principal place of business** located at \_\_\_\_\_ in the State/Union Territory of \_\_\_\_\_.

The Applicant has further declared the following **additional places of business**, if any, registered under the same GSTIN:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

In accordance with the provisions of **Section 29(5)** of the **Central Goods and Services Tax Act, 2017** and the corresponding **State / Union Territory Goods and Services Tax Acts**, read in conjunction with **Rule 44** of the **CGST Rules and SGST/UTGST Rules, 2017**, every registered person whose **GST registration is cancelled**—whether voluntarily or otherwise—is obligated to discharge tax liability



by **remitting an amount through debit in the electronic credit ledger or electronic cash ledger**, equivalent to:

- The **input tax credit (ITC)** attributable to:
  - **Inputs held in stock,**
  - **Inputs contained in semi-finished or finished goods,** and
  - **Capital goods or plant and machinery,****as on the day immediately preceding the date of cancellation of registration; or**
- The **output tax payable** on such goods,  
**whichever is higher,** as declared electronically through **Form GSTR-10 (Final Return)** on the **GST Common Portal.**

Further, as per **Rule 44(3)** of the CGST and SGST/UTGST Rules, in cases where **tax invoices for inputs held in stock are unavailable**, the Applicant is required to **estimate the reversal amount based on the prevailing market value of the goods** as on the effective date of cancellation.

Moreover, **Rule 44(5)** mandates that such declarations, where estimation is involved, must be **duly certified by a practicing Cost Accountant or Chartered Accountant**, confirming that the reversal is **fairly stated, reasonably estimated, and in compliance with the applicable legal provisions.**

### **Responsibility of Management**

The responsibility for the **preparation and submission of Form GSTR-10 (Final Return)**, along with all relevant **declarations concerning the stock of goods and capital assets**, in compliance with the provisions of the **Central Goods and Services Tax Act, 2017**, and the respective **State / Union Territory Goods and Services Tax Acts and Rules**, rests solely with the **Management of the Applicant.**

This responsibility includes, without limitation:

- Ensuring the **accurate preparation and maintenance of accounting records**, inventory registers, and supporting documentation relevant to the reversal of input tax credit (ITC);
- **Designing, implementing, and maintaining an effective system of internal controls**, sufficient to ensure the accuracy, completeness, and reliability of the information declared in Form GSTR-10;



- Establishing a **basis of preparation** that is **reasonable, consistent, and appropriate under the prevailing circumstances**, especially where tax invoices are unavailable and market-based estimation is applied;
- Conducting a **physical verification** of:
  - **Inputs held in stock,**
  - **Inputs contained in semi-finished or finished goods, and**
  - **Capital goods / plant and machinery, as on the day immediately preceding the date of cancellation** of GST registration under **Section 29** of the CGST and SGST/UTGST Acts.

Management is further obligated to ensure that all **books of accounts, financial records, and supporting documentation** provided for verification are:

- **Accurate and complete** to the best of their knowledge and belief,
- **Contemporaneous**, and maintained in accordance with standard accounting and compliance practices,
- **Capable of substantiating the values and particulars** declared in Form GSTR-10.

The practitioner has placed reliance on these records and representations for the purpose of certification and has not undertaken any independent audit or physical verification unless specifically stated.

### Practitioner's Responsibility

Our responsibility, as prescribed under **Section 29(5)** of the **Central Goods and Services Tax Act, 2017** and the corresponding provisions of the **State / Union Territory Goods and Services Tax Acts**, read with **Rule 44(5)** of the **CGST Rules and SGST/UTGST Rules, 2017**, is to carry out a **professional examination of the Applicant's books of accounts and other relevant records and documents** made available to us for verification.

The objective of this engagement is to **verify and provide reasonable assurance** as to the **accuracy and adequacy** of the amounts declared by the Applicant in **Form GSTR-10 (Final Return)**, specifically in relation to the following:

- **Input tax credit attributable to inputs held in stock,**
- **Inputs contained in semi-finished and finished goods, and**
- **Capital goods or plant and machinery,**  
as on the **day immediately preceding the date of cancellation** of registration under the CGST and SGST/UTGST Acts.



This verification also includes reviewing whether, in cases where **tax invoices are not available**, the values declared have been **reasonably estimated based on prevailing market prices**, and that such estimates are consistent with the methodology permitted under **Rule 44(3)**. Additionally, the scope includes **ensuring compliance with the prescribed method of proportionate reversal of ITC on capital goods** based on remaining useful life, as applicable.

Our assurance is **limited to the specific matters outlined above**, based on the information, explanations, and representations provided by the Applicant

### Opinion

Based on our **examination of the books of accounts, records, and supporting documents** maintained by the Applicant, as well as the **information and explanations provided** to us, it is our professional opinion that the amounts declared by the Applicant in **Form GSTR-10** (enclosed herewith as **Annexure A**) in respect of:

- **Inputs held in stock,**
- **Inputs contained in semi-finished or finished goods, and**
- **Capital goods or plant and machinery,**

are **fairly stated in all material respects** and appear to be in **compliance with the provisions of Section 29(5)** of the **Central Goods and Services Tax Act, 2017** and the corresponding **SGST/UTGST Acts**.

The **description, quantity, value, and applicable GST rates** of the aforementioned goods and assets, as of \_\_\_\_\_ (the day immediately preceding the cancellation of GST registration), have been **confirmed by the Applicant's management** and **verified against the available books of accounts and relevant records**.

Where original tax invoices were **unavailable**, the **valuation has been estimated by the Applicant based on the prevailing market prices**, in accordance with the provisions of **Rule 44(3)** of the CGST and SGST/UTGST Rules. We have **reviewed the basis of such valuation**, including **assumptions and computations** used by the Management. Based on our examination, **nothing has come to our attention** that causes us to believe that the assumptions adopted were **unreasonable under the circumstances**. However, we draw attention to the fact that **actual results may vary** due to factors outside the scope of this certification.

We have **not conducted an independent physical verification** of stock. Accordingly, we have placed **reliance on the declarations made by the Applicant** in respect of the quantity and



condition of goods held in stock as of \_\_\_\_\_, particularly for which tax invoices were not traceable.

### Restriction on Use

This Certificate has been issued **solely for the purpose of submission to** \_\_\_\_\_ [Name of the Authority], in compliance with the provisions of **Section 29(5)** of the **Central Goods and Services Tax Act, 2017** and the relevant **State / Union Territory Goods and Services Tax Acts**, read with **Rule 44(5)** of the **CGST Rules and SGST/UTGST Rules, 2017**.

It is intended **exclusively for the use of the Applicant and the specified statutory authority**, and shall not be used, circulated, quoted, or relied upon by **any other person, entity, or authority** for any purpose whatsoever without our **prior written consent**.

We expressly **disclaim any responsibility or liability** for any loss, damage, or consequence that may arise from the use of this Certificate by any party **other than the intended recipient**, or for any purpose other than that which is expressly stated herein.

Our work is limited to the verification and certification procedures as defined in our scope and should be interpreted accordingly.

For CMA & Co.

Cost Accountants

(Firm's Registration Number)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signatory

(Name)

Designation: Partner/Proprietor

Membership No.: \_\_\_\_\_

UDIN: \_\_\_\_\_



**ANNEXURE – A**

Date from which liability to pay tax arises under Section 9, except under Section 9(3) and Section 9(4) - \_\_\_\_\_

Sr. No	GSTIN/Registration under CX/VAT of supplier	Invoice*/Bill of Entry	Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods/plant and machinery	Unit Quantity Code (UQC)	Qty	Value (As adjusted by debit note/ credit note)	Amount of ITC claimed (Rs.)					
							No.	Date	Central Tax	State Tax	UT Tax	Integrated Tax
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Inputs held in stock (Where invoice is not available)												
(b) Inputs contained in semi-finished or finished goods held in stock (where invoice is not available)												
(c) Capital goods / plant and machinery held in stock **												

\*Value shall be estimated based on prevailing market price.

\*\*The detailed calculation provided in Annexure - B, be treated as part of this certificate.

As per our certificate of even date attached  
For CMA and Co.

Cost Accountants

Firm's Registration Number: \_\_\_\_\_

Signature

(Name of the Member Signing the Certificate)  
(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_



Column No.	Column Title	Explanation
1	<b>Sr. No</b>	Serial number for each entry; used for easy reference.
2	<b>GSTIN/Registration under CX/VAT of supplier</b>	Supplier's registration number under GST and for Central Excise (CX) or State VAT; essential for validating pre-GST procurement.
3	<b>Invoice No.</b>	Number of the invoice issued under the earlier tax regime (CX/VAT) or under GST within one year from the grant of registration date
4	<b>Invoice Date</b>	Date of the invoice; important for verifying eligibility under the transitional provisions or under GST within one year from the grant of registration date
5	<b>Description of Inputs held in stock, inputs contained in semi-finished or finished goods held in stock</b>	Details of goods (raw materials, semi-finished or finished) held in stock as on the transition date.
6	<b>Unit Quantity Code (UQC)</b>	Standard code for units of measurement (e.g., KG, NOS, LTR), as per CBIC guidelines.
7	<b>Qty</b>	Quantity of goods in stock, matching the unit in the UQC column.
8	<b>Value (As adjusted by debit note/credit note)</b>	Total value of inputs after adjustments, if any, through debit/credit notes/written off.
9	<b>Central Tax</b>	Amount of Central Tax (CGST/Excise Duty) eligible for transitional ITC or credit under GST.
10	<b>State Tax</b>	Amount of State GST/VAT claimed as transitional ITC or credit under GST.
11	<b>UT Tax</b>	Applicable for businesses in Union Territories GST; reflects UT tax credit.
12	<b>Integrated Tax</b>	Applicable IGST or similar tax paid on interstate purchases under earlier law.
13	<b>Cess</b>	Any applicable cesses paid under the old regime, e.g., GST Compensation Clean Energy Cess, if credit is allowed.

### Annexure -B: Computation of ITC on Capital Goods

Sl.no	Particulars	Reference	Amount
1	Inward supply value of Machinery X		1,00,000
	IGST@12%	A	12,000
	Invoice Value		1,12,000
2	Date of invoice		15 <sup>th</sup> July 2023
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST & SGST/UTGST Act, 2017		01 <sup>st</sup> March 2024
4	Capital goods have been in use for		7 Months 16 Days
	Remaining useful life (ignoring part of the month)	B	52 Months
	Total useful life	C	60 Months
5	ITC for remaining useful life	$D = (A - (A*B/C))$	$=12,000*52/60$ $=10,400$
	ITC to be reversed		12,400

### Checklist for Cost Accountants

#### Verification of Registration Details

Confirm the Applicant's registration particulars with the GST Registration Certificate to ensure accuracy and validity.

#### Applicability of the Certificate

Issue this certificate only in cases where tax invoices related to inputs held in stock, inputs contained in semi-finished or finished goods, and capital goods/plant and machinery are not available, as per Rule 44(3) and Rule 44(5) of the CGST and SGST/UTGST Rules, 2017.

#### Filing of Form GSTR-10

Verify whether the Applicant has filed Form GSTR-10 (Final Return) on the GST portal, declaring the required amounts in the appropriate columns.

#### Reconciliation of Quantities and Values

Cross-verify quantities and values of inputs, semi-finished goods, finished goods, and capital goods through:

#### Physical stock verification

External statements such as stock statements submitted to banks, and Input-output ratios adopted by the Applicant for semi-finished and finished goods.



### **Computation of Input Tax Credit (ITC)**

Verify the ITC reversal by applying the effective rate of tax specified under Notification 1/2017-CT (Rate) dated 28.06.2017 (as amended) to the estimated value of inputs or inputs contained in semi-finished or finished goods.

### **Segregation of Tax Components**

Ensure the ITC amount is determined and reported separately for:

Central Tax,

State Tax,

Union Territory Tax, and

Integrated Tax.

### **Reconcile these amounts with the respective ledger balances**

Stock-in-Transit Treatment

Review any stock-in-transit as of the specified date and ensure appropriate treatment is applied.

Address any practical difficulties in determining credit amounts and invoice-wise details for items in Work-in-Progress (WIP), semi-finished, and finished goods stages. Where applicable, consider computing values based on fixed percentages and include relevant assumptions/notes in the certificate.

### **Reversal of Credit and Payment**

Verify the reversal of ITC in the electronic credit ledger and the payment of the specified amount in the electronic cash ledger as reported in Form GSTR-10.

### **Management Representation Letter**

Obtain a signed Management Representation Letter from the Applicant confirming the accuracy and completeness of the details and information provided.

### **Declaration from the Applicant**

Secure a declaration from the Applicant regarding the non-availability of tax invoices and the reasons for their unavailability.

### **Assessment of Tax Periods and Registration Cancellation**

Examine the period during which the Applicant has been paying taxes under Section 9 of the CGST and SGST/UTGST Acts, 2017.

Verify the date on which the Applicant's GST registration was cancelled under Section 29 of the respective Acts.



### **Verification of Registration Details**

Confirm the Applicant's registration particulars with the GST Registration Certificate to ensure accuracy and validity.

### **Applicability of the Certificate**

Issue this certificate only in cases where tax invoices related to inputs held in stock, inputs contained in semi-finished or finished goods, and capital goods/plant and machinery are not available, as per Rule 44(3) and Rule 44(5) of the CGST and SGST/UTGST Rules, 2017.

### **Filing of Form GSTR-10**

Verify whether the Applicant has filed Form GSTR-10 (Final Return) on the GST portal, declaring the required amounts in the appropriate columns.

### **Reconciliation of Quantities and Values**

Cross-verify quantities and values of inputs, semi-finished goods, finished goods, and capital goods through:

Physical stock verification, External statements such as stock statements submitted to banks, and Input-output ratios adopted by the Applicant for semi-finished and finished goods.

### **Computation of Input Tax Credit (ITC)**

Verify the ITC reversal by applying the effective rate of tax specified under Notification 1/2017-CT (Rate) dated 28.06.2017 (as amended) to the estimated value of inputs or inputs contained in semi-finished or finished goods.

### **Segregation of Tax Components**

Ensure the ITC amount is determined and reported separately for:

Central Tax, State Tax, Union Territory Tax, and Integrated Tax.

Reconcile these amounts with the respective ledger balances.

### **Stock-in-Transit Treatment**

Review any stock-in-transit as of the specified date and ensure appropriate treatment is applied.

Address any practical difficulties in determining credit amounts and invoice-wise details for items in Work-in-Progress (WIP), semi-finished, and finished goods stages. Where applicable, consider computing values based on fixed percentages and include relevant assumptions/notes in the certificate.



### **Reversal of Credit and Payment**

Verify the reversal of ITC in the electronic credit ledger and the payment of the specified amount in the electronic cash ledger as reported in Form GSTR-10.

### **Management Representation Letter**

Obtain a signed Management Representation Letter from the Applicant confirming the accuracy and completeness of the details and information provided.

### **Declaration from the Applicant**

Secure a declaration from the Applicant regarding the non-availability of tax invoices and the reasons for their unavailability.

### **Assessment of Tax Periods and Registration Cancellation**

Examine the period during which the Applicant has been paying taxes under Section 9 of the CGST and SGST/UTGST Acts, 2017.

Verify the date on which the Applicant's GST registration was cancelled under Section 29 of the respective Acts.



## CHAPTER 09

# Certificate under Section 54 for Non-Passing of Tax Incidence in Refund Claim

When a taxpayer files a **refund claim under Section 54 of the CGST Act, 2017**, one of the key conditions that arises in certain cases is the need to demonstrate that the **incidence of tax has not been passed on to another person**. This requirement is rooted in the well-established doctrine of **unjust enrichment**, a concept that has long shaped the jurisprudence of indirect taxation in our country.

As per **Section 54(4)** of the Act, read with **Rule 89(2)(m)** of the CGST Rules, if the **amount of refund claimed exceeds ₹2 lakh**, the applicant must furnish a **certificate issued by a practicing Cost Accountant or Chartered Accountant**. This certificate must confirm that the **tax burden has not been shifted to the customer, buyer, or any other party**.

From a practitioner's standpoint, this certification is not a routine formality—it requires **careful professional evaluation and judgment**. The purpose is **not to validate the admissibility of the refund**, but rather to confirm that the **claimant has borne the tax cost** and is not seeking a refund of tax already recovered from others.

The engagement typically involves a detailed review of **contracts, tax invoices, ledgers, payment records, and other supporting documents**, with specific attention to whether the tax element was charged to and collected from the customer. These checks are especially important in refund situations arising from:

- **Excess payment of tax,**
- **Refund of unutilised input tax credit (in special cases), or**
- **Tax paid on supplies that were later not made or completed.**

On the applicant's part, it is essential that they maintain and present a **complete set of relevant records**, including **invoices, challans, accounting entries**, and a **representation letter** confirming that the burden of tax has not been passed on. In cases where conventional billing documents are not applicable, suitable explanations must be provided.



It is worth noting that for **refund claims up to ₹2 lakh**, a **self-declaration** by the applicant suffices. However, once this threshold is crossed, the GST framework requires **independent verification and certification** by a qualified professional.

The certificate must clearly outline:

- The **scope of examination** undertaken,
- The **documents reviewed**, and
- The **basis for concluding** that unjust enrichment does not arise in the given case.

Importantly, the certificate should **limit itself to the specific purpose** for which it is issued and must avoid broad conclusions about the overall eligibility or entitlement to refund under GST.

This exercise is not without its complications. Often, professionals are called upon to distinguish between categories of refunds, such as those relating to **zero-rated exports, SEZ supplies, or deemed exports**. A sound understanding of **Section 54(8)** is vital, as refunds falling under these provisions are **specifically exempted from the unjust enrichment test**.

In conclusion, the **certificate under Section 54(4)** functions as a safeguard—ensuring that refunds are granted only where legally justified and not as a result of inadvertent financial benefit. It plays a critical role in maintaining the **fiscal integrity** of the GST regime and highlights the **professional responsibility** of the certifying accountant in upholding the law with diligence and impartiality.

#### **Section 54. Refund of tax.**

(1) *Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner as may be prescribed: [See Rule 89]*

*Provided that a Registered person, claiming refund of any balance in the Electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in 5[such form and] manner as may be prescribed.*

(2) .....

(3) *Subject to the provisions of sub-section (10), a Registered person may claim refund of any unutilised Input tax credit at the end of any Tax period:*

*Provided that no refund of unutilised Input tax credit shall be allowed in cases other than—*

- (i) *zero rated supplies made without payment of tax;*
- (ii) *where the credit has accumulated on account of rate of tax on inputs being higher than the*



rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council: (For Goods) (For Services)

<sup>10</sup>[Provided further that no refund of unutilised Input tax credit shall be allowed in cases where the goods exported out of India are subjected to export duty:]

Provided also that no refund of Input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.

(4) The application shall be accompanied by—

- (a) such documentary evidence as may be prescribed to establish that a refund is due to the applicant; and
- (b) such documentary or other evidence (including the documents referred to in section 33) as the applicant may furnish to establish that the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on to any other person:

Provided that where the amount claimed as refund is less than two lakh rupees, it shall not be necessary for the applicant to furnish any documentary and other evidences but he may file a declaration, based on the documentary or other evidences available with him, certifying that the incidence of such tax and interest had not been passed on to any other person.

(5) .....

(6) .....

(7) .....

(8) Notwithstanding anything contained in sub-section (5), the refundable amount shall, instead of being credited to the Fund, be paid to the applicant, if such amount is relatable to—

- (a) refund of tax paid on 1[export] of goods or services or both or on inputs or input services used in making such 1[exports];
- (b) refund of unutilised Input tax credit under sub-section (3);
- (c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;



- (d) *refund of tax in pursuance of section 77;*
- (e) *the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or*
- (f) *the tax or interest borne by such other class of applicants as the Government may, on the recommendations of the Council, by notification, specify.*

<sup>4</sup>[(8A) *The Government may disburse the refund of the State tax in such manner as may be prescribed.]*

- (9) *Notwithstanding anything to the contrary contained in any judgment, decree, order or direction of the Appellate Tribunal or any court or in any other provisions of this Act or the rules made thereunder or in any other law for the time being in force, no refund shall be made except in accordance with the provisions of sub-section (8).*
- (10) *Where any refund is due 7[under sub-section (3)] to a Registered person who has defaulted in furnishing any return or who is required to pay any tax, interest or penalty, which has not been stayed by any court, Tribunal or Appellate Authority by the specified date, the Proper officer may—*
  - (a) *withhold payment of refund due until the said person has furnished the return or paid the tax, interest or penalty, as the case may be;*
  - (b) *deduct from the refund due, any tax, interest, penalty, fee or any other amount which the Taxable person is liable to pay but which remains unpaid under this Act or under the Existing law.*

*Explanation. —For the purposes of this sub-section, the expression “specified date” shall mean the last date for filing an appeal under this Act.*

- (11) *Where an order giving rise to a refund is the subject matter of an appeal or further proceedings or where any other proceedings under this Act is pending and the Commissioner is of the opinion that grant of such refund is likely to adversely affect the revenue in the said appeal or other proceedings on account of malfeasance or fraud committed, he may, after giving the Taxable person an opportunity of being heard, withhold the refund till such time as he may determine.*
- (12) *Where a refund is withheld under sub-section (11), the Taxable person shall, notwithstanding anything contained in section 56, be entitled to interest at such rate not exceeding six per cent. as may be notified on the recommendations of the Council, if as a result of the appeal or further proceedings he becomes entitled to refund.*
- (13) *Notwithstanding anything to the contrary contained in this section, the amount of advance tax deposited by a casual Taxable person or a non-resident Taxable person under sub-section (2) of*



*section 27, shall not be refunded unless such person has, in respect of the entire period for which the certificate of registration granted to him had remained in force, furnished all the returns required under section 39.*

(14) *Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6) shall be paid to an applicant, if the amount is less than one thousand rupees.*

<sup>11</sup>*[(15) Notwithstanding anything contained in this section, no refund of unutilised Input tax credit on account of zero rated supply of goods or of integrated tax paid on account of zero rated supply of goods shall be allowed where such zero rated supply of goods is subjected to export duty.]*

*Explanation.—For the purposes of this section,—*

(1) *“refund” includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as Deemed exports, or refund of unutilised Input tax credit as provided under sub-section (3).*

(2) *“relevant date” means—*

(a) *in the case of goods exported out of India where a refund of tax paid is available in respect of goods themselves or, as the case may be, the inputs or input services used in such goods,—*

(i) *if the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India; or*

(ii) *if the goods are exported by land, the date on which such goods pass the frontier; or*

(iii) *if the goods are exported by post, the date of despatch of goods by the Post Office concerned to a place outside India;*

(b) *in the case of supply of goods regarded as Deemed exports where a refund of tax paid is available in respect of the goods, the date on which the return relating to such Deemed exports is furnished;*

*8[(ba) in case of Zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, the due date for furnishing of return under section 39 in respect of such supplies;]*

(c) *in the case of services exported out of India where a refund of tax paid is available in respect of services themselves or, as the case may be, the inputs or input services used in such services, the date of—*



- (i) receipt of payment in convertible foreign exchange <sup>2</sup>[or in Indian rupees wherever permitted by the Reserve Bank of India], where the supply of services had been completed prior to the receipt of such payment; or
- (ii) issue of invoice, where payment for the services had been received in advance prior to the date of issue of the invoice;
- (d) in case where the tax becomes refundable as a consequence of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court, the date of communication of such judgment, decree, order or direction;
- <sup>3</sup>[(e) in the case of refund of unutilised Input tax credit under clause (ii) of the first proviso to sub-section (3), the due date for furnishing of return under section 39 for the period in which such claim for refund arises;]
- (f) in the case where tax is paid provisionally under this Act or the rules made thereunder, the date of adjustment of tax after the final assessment thereof;
- (g) in the case of a person, other than the supplier, the date of receipt of goods or services or both by such person; and
- (h) in any other case, the date of payment of tax.

Interest rates notified by Noti. No. 13/2017-Central Tax dated 28.06.2017

State tax officers authorized for the purpose of refund by Noti. No. 39/2017-Central Tax dated 13.10.2017

1. Subs. by CGST (Amendment) Act, 2018 w.e.f. 01.02.2019 for "zero-rated supplies"
2. Inserted by CGST (Amendment) Act, 2018 w.e.f. 01.02.2019
3. Subs. by CGST (Amendment) Act, 2018 w.e.f. 01.02.2019 for "(e) in the case of refund of unutilised Input tax credit under sub-section (3), the end of the financial year in which such claim for refund arises;"
4. Inserted by Finance (No.2) Act, 2019 dated 01.08.2019 w.e.f. 01.09.2019 by Noti. No. 39/2019-Central Tax dated 31.08.2019
5. Subs. by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022 for "the return furnished under section 39 in such"
6. Subs. by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022 for "six months"
7. Omitted by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022



8. *Inserted by Finance Act 2022 dated 30.03.2022 w.e.f. 01.10.2022 by Noti. No. 18/2022-Central Tax dated 28.09.2022*
9. *Omitted by Finance Act, 2023 dated 31.03.2023 w.e.f. 01.10.2023 by Noti. No. 28/2023-Central Tax dated 31.07.2023*
10. *Omitted by Finance (No. 2) Act, 2024 dated 16.08.2024 w.e.f. 01.11.2024 by Noti. No. 17/2024-CT dated 27.09.2024*
11. *Inserted by Finance (No. 2) Act, 2024 dated 16.08.2024 w.e.f. 01.11.2024 by Noti. No. 17/2024-CT dated 27.09.2024*

**Rule 89. Application for refund of tax, interest, penalty, fees or any other amount.-**

- (1) *Any person, except the persons covered under notification issued under section 55, claiming refund 16[any balance in the Electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 or] of any tax, interest, penalty, fees or any other amount paid by him, other than refund of integrated tax paid on goods exported out of India, may file 12[, subject to the provisions of rule 10B,] an application electronically in FORM GST RFD-01 through the Common portal, either directly or through a Facilitation Centre notified by the Commissioner:*

*17 [Provided that any claim for refund relating to balance in the Electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 may be made through the return furnished for the relevant Tax period in FORM GSTR-3 or FORM GSTR-4 or FORM GSTR-7, as the case may be:]*

*18 [Provided that] in respect of supplies to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the –*

- (a) *supplier of goods after such goods have been admitted in full in the Special Economic Zone for authorised operations, as endorsed by the specified officer of the Zone;*
- (b) *supplier of services along with such evidence regarding receipt of services for authorised operations as endorsed by the specified officer of the Zone:*

*2[19[Provided further that] in respect of supplies regarded as Deemed exports, the application may be filed by, -*

- (a) *the recipient of deemed export supplies; or*
- (b) *the supplier of deemed export supplies in cases where the recipient does not avail of Input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund]:*



*Provided also that refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 at the time of registration, shall be claimed 21[only after the last return required to be furnished by him has been so furnished].*

*14[Explanation.-For the purposes of this sub-rule, “specified officer” means a “specified officer” or an “authorised officer” as defined under rule 2 of the Special Economic Zone Rules, 2006.]*

*13[(1A) .....*

*23[(1B) Any person, claiming refund of additional integrated tax paid on account of upward revision in price of the goods subsequent to exports, and on which the refund of integrated tax paid at the time of export of such goods has already been sanctioned as per rule 96, may file an application for such refund of additional integrated tax paid, electronically in FORM GST RFD-01 through the common portal, subject to the provisions of rule 10B, before the expiry of two years from the relevant date as per clause (a) of Explanation (2) of section 54:*

*Provided that the said application for refund can, in cases where the relevant date as per clause (a) of Explanation (2) of section 54 of the Act was before the date on which this sub-rule comes into force, be filed before the expiry of two years from the date on which this sub-rule comes into force.]*

*(2) The application under sub-rule (1) shall be accompanied by any of the following documentary evidences in Annexure 1 in Form GST RFD-01, as applicable, to establish that a refund is due to the applicant, namely:-*

*(a) the reference number of the order and a copy of the order passed by the Proper officer or an appellate authority or Appellate Tribunal or court resulting in such refund or reference number of the payment of the amount specified in subsection (6) of section 107 and sub-section (8) of section 112 claimed as refund;*

*(b) a statement containing the number and date of shipping bills or bills of export and the number and the date of the relevant export invoices, in a case where the refund is on account of Export of goods 14[, other than electricity];*

*14[(ba) .....*

*23[(bb) a statement containing the number and date of export invoices along with copy of such invoices, the number and date of shipping bills or bills of export along with copy of such shipping bills or bills of export, the number and date of Bank Realisation Certificate or foreign inward remittance certificate in respect of such shipping bills or bills of export along with copy of such Bank Realisation Certificate or foreign inward remittance certificate issued*



by Authorised Dealer-I Bank, the details of refund already sanctioned under sub-rule (3) of rule 96, the number and date of relevant supplementary invoices or debit notes issued subsequent to the upward revision in prices along with copy of such supplementary invoices or debit notes, the details of payment of additional amount of integrated tax, in respect of which such refund is claimed, along with proof of payment of such additional amount of integrated tax and interest paid thereon, the number and date of foreign inward remittance certificate issued by Authorised Dealer-I Bank in respect of additional foreign exchange remittance received in respect of upward revision in price of exports along with copy of such foreign inward remittance certificate, along with a certificate issued by a practicing chartered accountant or a **cost accountant** to the effect that the said additional foreign exchange remittance is on account of such upward revision in price of the goods subsequent to exports and copy of contract or other documents, as applicable, indicating requirement for the revision in price of exported goods and the price revision thereof, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;

(bc) a reconciliation statement, reconciling the value of supplies declared in supplementary invoices, debit notes or credit notes issued along with relevant details of Bank Realisation Certificate or foreign inward remittance certificate issued by Authorised Dealer-I Bank, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;]

(c) a statement containing the number and date of invoices and the relevant Bank Realisation Certificates or Foreign Inward Remittance Certificates, as the case may be, in a case where the refund is on account of the Export of services;

(d) .....

(e) .....

10[(f) .....

(g) .....

(h) .....

(i) .....

(j) .....

(k) .....

20[(ka) .....



(kb) .....

(l) a declaration to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed does not exceed two lakh rupees:

*Provided that a declaration is not required to be furnished in respect of the cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of sub-section (8) of section 54;*

(m) a Certificate in Annexure 2 of FORM GST RFD-01 issued by a Chartered accountant or a **Cost Accountant** to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds two lakh rupees:

*Provided that a certificate is not required to be furnished in respect of cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of subsection (8) of section 54;*

*20[Provided further that a certificate is not required to be furnished in cases where refund is claimed by an unregistered person who has borne the incidence of tax.]*

*Explanation.– For the purposes of this rule-*

(i) in case of refunds referred to in clause (c) of sub-section (8) of section 54, the expression “invoice” means invoice conforming to the provisions contained in section 31;

(ii) where the amount of tax has been recovered from the recipient, it shall be deemed that the incidence of tax has been passed on to the ultimate consumer.

(3) Where the application relates to refund of Input tax credit, the Electronic credit ledger shall be debited by the applicant by an amount equal to the refund so claimed.

*3[(4) In the case of Zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of subsection (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of Input tax credit shall be granted as per the following formula –*

*Refund Amount = (Turnover of Zero-rated supply of goods + Turnover of Zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover*

*Where, -*

(A) “Refund amount” means the maximum refund that is admissible;

(B) “Net ITC” means Input tax credit availed on inputs and input services during the relevant period



24[other than the Input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both];

11[(C) "Turnover of Zero-rated supply of goods" means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, 24[other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both];]

(D) "Turnover of Zero-rated supply of services" means the value of Zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for Zero-rated supply of services and Zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for Zero-rated supply of services for which the supply of services has not been completed during the relevant period;

7[(E) "Adjusted Total Turnover" means the sum total of the value of-

- (a) the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the turnover of services; and
- (b) the turnover of Zero-rated supply of services determined in terms of clause (D) above and non-Zero-rated supply of services,

25[excluding the value of exempt supplies other than zerorated supplies during the relevant period].]

(F) "Relevant period" means the period for which the claim has been filed.

14 [Explanation. – For the purposes of this sub-rule, the value of goods exported out of India shall be taken as –

- (i) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export form, as the case may be, as per the Shipping Bill and Bill of Export (Forms) Regulations, 2017; or
- (ii) the value declared in tax invoice or bill of supply, whichever is less.]

24[4[(4A) In the case of supplies received on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.48/2017-Central Tax dated the 18th



October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1305 (E) dated the 18th October, 2017, refund of Input tax credit, availed in respect of other inputs or input services used in making Zero-rated supply of goods or services or both, shall be granted.]

24[8[(4B) Where the person claiming refund of unutilised Input tax credit on account of zero rated supplies without payment of tax has–

- (a) received supplies on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.40/2017-Central Tax (Rate), dated the 23rd October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E), dated the 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate), dated the 23rd October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1321(E), dated the 23rd October, 2017; or
- (b) availed the benefit of notification No.78/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E), dated the 13th October, 2017 or notification No.79/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299(E), dated the 13th October, 2017, the refund of Input tax credit, availed in respect of inputs received under the said notifications for export of goods and the Input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted.]]]

5[(5) In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula:-

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - 15[{tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services)}]

Explanation:- For the purposes of this sub-rule, the expressions –

(a) Net ITC shall mean Input tax credit availed on inputs during the relevant period 24[other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both]; and 9[Adjusted Total turnover” and “relevant period” shall have the same meaning as assigned to them in sub-rule (4).]]



1. Subs. by CGST (Fourth Amendment) Rules, 2017 dated 27.07.2017, w.e.f. 01.07.2017 for "sub-section"
2. Subs. by CGST (Tenth Amendment) Rules, 2017 dated 18.10.2017 for "Provided also that in respect of supplies regarded as Deemed exports, the application shall be filed by the recipient of deemed export supplies:"
3. Subs. by CGST (Fourteenth Amendment) Rules, 2017 dated 29.12.2017 w.e.f. 23.10.2017 for "(4) In the case of Zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of input tax credit shall be granted as per the following formula -

$$\text{Refund Amount} = (\text{Turnover of Zero-rated supply of goods} + \text{Turnover of Zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$$

Where,-

- (A) "Refund amount" means the maximum refund that is admissible;
- (B) "Net ITC" means Input tax credit availed on inputs and input services during the relevant period;
- (C) "Turnover of Zero-rated supply of goods" means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking;
- (D) "Turnover of Zero-rated supply of services" means the value of Zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

*Zero-rated supply of services is the aggregate of the payments received during the relevant period for Zero-rated supply of services and Zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for Zero-rated supply of services for which the supply of services has not been completed during the relevant period;*

- (E) "Adjusted Total turnover" means the turnover in a State or a Union territory, as defined under 1[clause] (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;
  - (F) "Relevant period" means the period for which the claim has been filed."
4. Subs. by CGST (Amendment) Rules, 2018 dated 23.01.2018 w.e.f. 23.10.2017 for "(4A) In the case of supplies received on which the supplier has availed the benefit of notification No.48/2017-Central



*Tax dated 18th October, 2017, refund of Input tax credit, availed in respect of other inputs or input services used in making Zero-rated supply of goods or services or both, shall be granted.*

*(4B) In the case of supplies received on which the supplier has availed the benefit of notification No.40/2017-Central Tax (Rate) dated 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate) dated 23rd October, 2017, or both, refund of Input tax credit, availed in respect of inputs received under the said notifications for Export of goods and the input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted."*

5. *Subs. by CGST (Fourth Amendment) Rules, 2018 dated 18.04.2018 for "(5) In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula -*

*Maximum Refund Amount = {(Turnover of inverted rated supply of goods) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods.*

*Explanation.-For the purposes of this sub rule, the expressions "Net ITC" and "Adjusted Total turnover" shall have the same meanings as assigned to them in sub-rule (4)."*

6. *Subs. by CGST (Fifth Amendment) Rules, 2018 dated 13.06.2018 w.e.f. 01.07.2017 for "5[(5). In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula:-*

*Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods and services.*

*Explanation:- For the purposes of this sub-rule, the expressions –*

(a) *"Net ITC" shall mean Input tax credit availed on inputs during the relevant period other than the Input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both; and*

(b) *"Adjusted Total turnover" shall have the same meaning as assigned to it in sub-rule (4).]"*

7. *Subs. by CGST (Eighth Amendment) Rules, 2018 dated 04.09.2018 for "(E) "Adjusted Total turnover" means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding–*

(a) *the value of exempt supplies other than zero-rated supplies and*

(b) *the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both, if any, during the relevant period;"*



8. *Subs. by CGST (Twelfth Amendment) Rules, 2018 dated 09.10.2018 for “(4B) In the case of supplies received on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.40/2017-Central Tax (Rate) dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E) dated the 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate) dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1321(E) dated the 23rd October, 2017 or notification No.78/2017-Customs dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E) dated the 13th October, 2017 or notification No.79/2017-Customs dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299(E) dated the 13th October, 2017, or all of them, refund of Input tax credit, availed in respect of inputs received under the said notifications for Export of goods and the Input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted.”*
9. *Subs. by CGST (Fourteenth Amendment) Rules, 2018 dated 31.12.2018 for “(b) Adjusted Total turnover shall have the same meaning as assigned to it in sub-rule (4).”*
10. *Subs. by CGST (Amendment) Rules, 2019 dated 29.01.2019 w.e.f. 01.02.2019 for “(f) a declaration to the effect that the Special Economic Zone unit or the Special Economic Zone developer has not availed the Input tax credit of the tax paid by the supplier of goods or services or both, in a case where the refund is on account of supply of goods or services made to a Special Economic Zone unit or a Special Economic Zone developer;”*
11. *Subs. by CGST (Third Amendment) Rules, 2020 dated 23.03.2020 for “(C) “Turnover of Zero-rated supply of goods” means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking, other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both;”*
12. *Inserted by CGST (Eighth Amendment) Rules, 2021 dated 24.09.2021 w.e.f. 01.01.2022 by Noti. No. 38/2021 dated 21.12.2021*
13. *Inserted by CGST (Eighth Amendment) Rules, 2021 dated 24.09.2021*
14. *Inserted by CGST (Amendment) Rules, 2022 dated 05.07.2022 w.e.f. 05.07.2022*
15. *Subs. by CGST (Amendment) Rules, 2022 dated 05.07.2022 w.e.f. 05.07.2022 before it was read as, “tax payable on such inverted rated supply of goods and services.”*
16. *Inserted by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022*



17. Omitted by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022
18. Subs. by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022 for "Provided further that"
19. Subs. by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022 for "Provided also that"
20. Inserted by CGST (Fifth Amendment) Rules, 2022 dated 26.12.2022 w.e.f. 26.12.2022
21. Subs. by CGST (Second Amendment) Rules, 2023 dated 04.08.2023 w.e.f. 04.08.2023 for "in the last return required to be furnished by him"
22. Inserted by CGST (Second Amendment) Rules, 2023 dated 04.08.2023 w.e.f. 04.08.2023
23. Inserted by CGST (Amendment) Rules, 2024 dated 10.07.2024 w.e.f. 10.07.2024
24. Omitted by CGST (Second Amendment) Rules, 2024 dated 08.10.2024 w.e.f. 08.10.2024
25. Subs. by CGST (Second Amendment) Rules, 2024 dated 08.10.2024 w.e.f. 08.10.2024 for "excluding-
  - (i) the value of exempt supplies other than zero-rated supplies; and
  - (ii) the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period"

Sl. No.	Type of Refund	Declaration/ Statement/ Undertaking/Certificates to be filed online	Supporting documents to be additionally uploaded
a	Refund of unutilized Input tax credit (ITC) on account of exports without payment of tax;	Declaration under second and third proviso to section 54(3)	Copy of GSTR-2A of the relevant period
		Undertaking in relation to sections 16(2)(c) and section 42(2)	Statement of invoices (Annexure-B)
		Statement 3 under rule 89(2)(b) and rule 89(2)(c)	Self-certified copies of invoices entered in Annexure-B whose details are not found in GSTR-2A of the relevant period
		Statement 3A under rule 89(4)	BRC/FIRC /any other document indicating the receipt of sale proceeds of services
b	Refund of tax paid on Export of services with payment of tax;	Declaration under second and third proviso to section 54(3)	Copy of GSTR-2A of the relevant period
		Undertaking in relation to sections 16(2)(c) and section 42(2)	Statement of invoices (Annexure-B)
		Statement 2 under rule 89(2)(c)	Self-certified copies of invoices entered in Annexure-A whose details are not found in GSTR-2A of the relevant period
			Self-declaration regarding non-prosecution under sub-rule (1) of rule 91 of the CGST Rules for availing provisional refund
c	Refund of unutilized ITC on account of supplies made to SEZ Unit/SEZ Developer without payment of tax;	Declaration under third proviso to section 54(3)	Copy of GSTR-2A of the relevant period
		Statement 5 under rule 89(2)(d) and rule 89(2)(e)	Statement of invoices (Annexure-B)
		Statement 5A under rule 89(4)	Self-certified copies of invoices entered in Annexure-B whose details are not found in GSTR-2A of the relevant period
		Declaration under rule 89(2)(f)	Endorsement(s) from the specified officer of the SEZ regarding receipt of goods/services for authorized operations under second proviso to rule 89(1)



Sl. No.	Type of Refund	Declaration/ Statement/ Undertaking/Certificates to be filled online	Supporting documents to be additionally uploaded
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
d	Refund of tax paid on supplies made to SEZ Unit/SEZ Developer with payment of tax;	Declaration under second and third proviso to section 54(3)	Endorsement(s) from the specified officer of the SEZ regarding receipt of goods/services for authorized operations under second proviso to rule 89(1)
		Declaration under rule 89(2)(f)	Self-certified copies of invoices entered in Annexure-A whose details are not found in GSTR-2A of the relevant period
		Statement 4 under rule 89(2)(d) and rule 89(2)(e)	Self-declaration regarding non-prosecution under sub-rule (1) of rule 91 of the CGST Rules for availing provisional refund
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
e	Refund of unutilized ITC on account of accumulation due to inverted tax structure;	Declaration under second and third proviso to section 54(3)	Copy of GSTR-2A of the relevant period
		Declaration under section 54(3)(ii)	Statement of invoices (Annexure-B)
		Undertaking in relation to sections 16(2)(c) and section 42(2)	Self-certified copies of invoices entered in Annexure-B whose details are not found in GSTR-2A of the relevant period
		Statement 1 under rule 89(5)	
		Statement 1A under rule 89(2)(h)	

Sl. No.	Type of Refund	Declaration/ Statement/ Undertaking/Certificates to be filled online	Supporting documents to be additionally uploaded
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
f	Refund to supplier of tax paid on deemed export supplies;	Statement 5(B) under rule 89(2)(g)	Documents required under Notification No. 49/2017-Central Tax dated 18.10.2017 and Circular No. 14/14/2017-GST dated 06.11.2017
		Declaration under rule 89(2)(g)	
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
g	Refund to recipient of tax paid on deemed export supplies;	Statement 5(B) under rule 89(2)(g)	Documents required under Circular No. 14/14/2017-GST dated 06.11.2017
		Declaration under rule 89(2)(g)	
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
h	Refund of excess balance in the Electronic cash ledger;	Statement 7 under rule 89(2)(k)	
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	
i	Refund of excess payment of tax;	Statement 7 under rule 89(2)(k)	
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	



Sl. No.	Type of Refund	Declaration/ Statement/ Undertaking/Certificates to be filed online	Supporting documents to be additionally uploaded
j	Refund of tax paid on intra-State supply which is subsequently held to be inter-State supply and vice versa;	Statement 6 under rule 89(2)(j)	
		Undertaking in relation to sections 16(2)(c) and section 42(2)	
k	Refund on account of assessment/ provisional assessment/ appeal/ any other order;	Undertaking in relation to sections 16(2)(c) and section 42(2)	Reference number of the order and a copy of the Assessment / Provisional Assessment / Appeal / Any Other Order
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	Reference number/proof of payment of pre-deposit made earlier for which refund is being claimed
l	Refund on account of "any other" ground or reason.	Undertaking in relation to sections 16(2)(c) and section 42(2)	
		Self-declaration under rule 89(2)(l) if amount claimed does not exceed two lakh rupees, certification under rule 89(2)(m) otherwise	

**Annexure B**

Statement of invoices to be submitted with application for refund of unutilized ITC

Sr. No.	GSTIN of the Supplier	Name of the Supplier	Invoice Details			Type	Central Tax	State/ UT Tax	IGST	Cess	Eligible for ITC	Amount of eligible ITC	Whether invoices included in GSTR-2A Y/N
			Invoice No.	Date	Value								Inputs/ Input Services/ Capital goods
1	2	3	4	5	6	7	8	9	10	11	Whether invoices included in GSTR-2AY/N	Whether invoices included in GSTR-2AY/N	Whether invoices included in GSTR-2AY/N
											Whether invoices included in GSTR-2AY/N	Whether invoices included in GSTR-2AY/N	Whether invoices included in GSTR-2AY/N

Column No.	Column Title	Explanation
1	<b>Sr. No.</b>	Serial number to identify each row or entry for easy reference.
2	<b>GSTIN of the Supplier</b>	GSTIN of the supplier who issued the invoice; used for validation of credit claim.
3	<b>Name of the Supplier</b>	Full legal name of the supplier as per the invoice or GST registration.
4	<b>Invoice No.</b>	Number of the tax invoice issued by the supplier.
5	<b>Invoice Date</b>	Date on which the tax invoice was issued. Helps in determining eligibility based on the time of supply.
6	<b>Invoice Value</b>	Total taxable value of the invoice (excluding GST).
7	<b>Type (Inputs/Input Services/Capital goods)</b>	Specifies the nature of the item for which ITC is claimed: Input (raw materials), Input Service (services availed), or Capital Goods (assets used in business).
8	<b>Central Tax</b>	CGST charged in the invoice, depending on location.
9	<b>State/UT Tax</b>	SGST or UTGST charged in the invoice, depending on location.
10	<b>IGST</b>	IGST charged in case of interstate supplies.
11	<b>Cess</b>	Any applicable Cess (e.g., Compensation Cess) mentioned on the invoice.
12	<b>Eligible for ITC</b>	Indicates whether the particular item is eligible for ITC under GST laws (Yes/No).
13	<b>Amount of Eligible ITC</b>	The actual amount of ITC being claimed from the invoice.
14	<b>Whether invoice included in GSTR-2A Y/N</b>	Confirms if the invoice appears in the auto-populated GSTR-2A form for the recipient (Yes/No).



## Certificate under Section 54 for Non-Passing of Tax Incidence in Refund Claim

### Certificate Under Section 54 Of The CGST Act, 2017

(As per Rule 89 of the CGST and SGST/UTGST Rules, 2017 and Circular No. 125/44/2019-GST dated 18.11.2019)

#### Independent Practitioner's Certificate

To,

[Name of the Applicant]

[Address of the Applicant]

This Certificate is issued pursuant to the terms of our **engagement agreement dated [insert date]**, and relates to the refund application submitted by the Applicant under the provisions of **Section 54 of the Central Goods and Services Tax Act, 2017** (hereinafter referred to as the "**CGST Act**") and the corresponding provisions of the **State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017** (hereinafter collectively referred to as the "**SGST/UTGST Act**").

M/s [Name of Applicant], bearing **GSTIN [GST Identification Number]**, is a registered taxpayer under the Goods and Services Tax regime, having its **principal place of business** located at: [Address of Principal Place of Business], in the **State of [Name of the State]**.

The Applicant has also declared the following **additional places of business**, as registered under the same GSTIN:

- [Address of Additional Place 1]
- [Address of Additional Place 2]

The Applicant has filed a **refund application under Section 54** of the **CGST and SGST/UTGST Acts, 2017**. In accordance with **Rule 89(2)(m)** of the **CGST and SGST/UTGST Rules, 2017**, where the **amount of refund claimed exceeds ₹2,00,000**, the Applicant is required to furnish a **certificate issued by a practicing Chartered Accountant or Cost Accountant**, in the format prescribed as **Annexure 2 to Form GST RFD-01**.

This Certificate is intended to **confirm that the incidence of tax, interest, or any other amount claimed as refund has not been passed on to any other person**, and that the Applicant has **borne the tax cost** for which refund is now being sought, thereby ensuring compliance with the principle of **unjust enrichment**.



### Management's Responsibility:

The **preparation and submission of the refund application** under the applicable provisions of the **Goods and Services Tax laws**, along with the collation of all supporting documents and records, is the **sole responsibility of the management of M/s [Name of Applicant]**.

This responsibility includes, but is not limited to:

- Ensuring that all **books of account, registers, and underlying records** relevant to the refund claim are **complete, accurate, and contemporaneously maintained**;
- Establishing, implementing, and monitoring **adequate internal controls and systems** to facilitate the **accurate preparation and fair presentation** of the refund application;
- Maintaining compliance with the relevant provisions of the **CGST Act**, the **SGST/UTGST Acts**, and the **corresponding Rules and procedural requirements** laid down under the GST framework;
- Providing us with **truthful, complete, and reliable information**, and ensuring that all **documents, explanations, and representations** furnished during the course of our verification are **authentic** and based on verifiable records maintained in the ordinary course of business.

Our verification and certification are **based entirely on the representations and records provided** by the management, and we have not independently audited or validated the overall eligibility of the refund itself unless otherwise specified

### Practitioner's Responsibility:

Our responsibility under this engagement is **confined to verifying whether the incidence of tax, interest, or any other amount being claimed as refund has been passed on to any other person**. This assessment has been carried out by **examining the Applicant's books of accounts, financial records, relevant supporting documentation**, and representations provided by the management.

We have undertaken this engagement with the objective of providing **reasonable assurance**—based on the information and documentation made available to us—that the **burden of tax has not been transferred to any third party**, in accordance with the principle of **unjust enrichment** and the requirements set forth in **Rule 89(2)(m)** of the CGST Rules.

It is expressly clarified that the **scope of our verification does not include**:

- Determining the **eligibility of the Applicant to claim refund** under the CGST or SGST/UTGST Acts;
- Validating the **accuracy or applicability of the output tax rate** charged on outward supplies;



- Assessing the **admissibility, quantum, or documentation of input tax credit (ITC)** claimed by the Applicant.

This certificate should therefore be read and relied upon strictly **within the scope defined herein**.

### **Opinion:**

Based on our **review of the books of accounts, underlying documents, and relevant records** maintained by the Applicant, and relying upon the **information and explanations provided** by the Management, we are of the considered opinion that, in relation to the **refund amounting to ₹[Refund Amount]** for the **tax period [Tax Period]**, as detailed in **Annexure 2 of Form GST RFD-01**, the **incidence of tax, interest, or any other amount claimed as refund has not been passed on to any other person**.

This Certificate is issued in compliance with the requirements under **Rule 89(2)(m)** of the CGST and SGST/UTGST Rules, 2017, and forms an integral part of **Annexure 2 to Form GST RFD-01**. It should be read in conjunction with the details and declarations furnished therein.

### **Restrictions on Use**

This Certificate is **addressed exclusively to M/s [Name of the Applicant]** for the limited purpose of submission to **[Name of the Tax Authority]**, in compliance with the requirements of **Section 54** of the **Central Goods and Services Tax Act, 2017** and the corresponding **SGST/UTGST Acts**, read with **Rule 89(2)(m)** of the **CGST Rules and SGST/UTGST Rules, 2017**.

It is not intended for circulation, reference, or reliance by **any other person, entity, or authority**, nor shall it be used for any purpose other than that explicitly stated, **without our prior written consent**.

We expressly **disclaim any responsibility or legal liability to any third party** who may come into possession of this Certificate or rely upon its contents, whether directly or indirectly, in any manner whatsoever.

For [CMA & Co],

Cost Accountants

Firm Registration No: [Insert FRN]

[Name of Signatory]

[Designation of Signatory]



Membership No.: [Insert Membership Number]

UDIN: [Insert UDIN]

Place: [City of Issuance]

Date: [Date of Issuance]

## Checklist for Cost Accountants

### Audit of Refund Claim under Section 54 of the CGST and SGST/UTGST Acts, 2017

#### Verification of Registration Details

Cross-check the particulars of the Applicant with the GST Registration Certificate to ensure accuracy and validity.

#### Examination of Refund Claim Documents

Obtain and review the copy of the refund claim filed by the Applicant, verifying that the claim has been submitted within the prescribed time limit as per GST law.

Confirm that the refund amounts are reflected in the balance sheet as current assets and have not been expensed, capitalized, or directly debited to any customer through invoices.

Note: Provisions made for refundable amounts due to uncertainty of sanction do not disqualify the refund claim or issuance of this certificate.

#### Eligibility of the Applicant for Refund

Verify that the Applicant is not disqualified from claiming refunds under Section 54(3) of the CGST and SGST/UTGST Acts, 2017.

Document the rationale for the refund claim and compare the GST rates applicable to inputs and outputs.

#### Supplier Declaration on Refund or Drawback Claims

Obtain declarations from suppliers affirming that they have not claimed a refund or drawback on supplies made to the Applicant, as required under Section 54(3) of the CGST and SGST/UTGST Acts, 2017.

Ensure this step eliminates the risk of double refunds or revenue loss to the Government.

#### Assessment of Unjust Enrichment

Review documentary evidence provided by the Applicant to ensure no unjust enrichment has occurred concerning the refund claim [as per Section 54(4)(b) of the CGST and SGST/UTGST Acts, 2017].



For businesses with a uniform pricing policy (e.g., sales based on standard list price), compare two successive invoices—one involving a refundable amount and another without any refund claim—to check for pricing discrepancies.

For negotiated pricing policies, secure a management representation confirming that the refundable amount has not been passed on to customers.

### **Reconciliation with Books of Accounts**

Verify that the refund amount claimed is recorded as a receivable in the Applicant's books of accounts.

Cross-check ledger balances, test-check tax invoices, and examine the flow of accounting entries related to the supply and associated taxes.

### **Compliance with Section 54(10)**

Ensure compliance with Section 54(10) of the CGST and SGST/UTGST Acts, 2017, specifically regarding defaults in return filing, tax payment, interest, or penalties.

### **Refund Claim Threshold**

Confirm that this certificate is being issued only where the aggregate value of the refund claim exceeds ₹2,00,000, as stipulated under Rule 89 of the CGST and SGST/UTGST Rules, 2017.

### **Disclosure of Conclusion Basis**

Clearly disclose the methodology and basis of the conclusion reached regarding the non-passing of the tax incidence. A mere declaration of non-passing of tax incidence is insufficient.

### **Applicant Eligibility**

Confirm that the certificate pertains to an Applicant who has submitted a refund claim under Section 54 of the CGST and SGST/UTGST Acts, 2017.



# CHAPTER 10

## Certificate under Section 54 for Additional Foreign Exchange Remittance Due to Upward Price Revision

When the **price of exported goods is revised upward after the original export transaction**, a specific mechanism under the **Goods and Services Tax (GST) law** comes into play. As per **Section 54 of the CGST Act, 2017**, read with **Rule 89(1B) of the CGST Rules**, exporters are permitted to claim a **refund of the additional Integrated Goods and Services Tax (IGST)** paid on such upward price revisions—provided the refund on the original export has already been sanctioned.

Significantly, **Notification No. 12/2024–Central Tax dated 10.07.2024** introduces an additional compliance requirement: a **certificate from a Chartered Accountant or Cost Accountant**, certifying that the **additional foreign exchange remitted** is attributable solely to the upward revision in the price of exported goods.

From the certifier's perspective, this is a narrowly defined yet critical assurance engagement. The objective is **not to certify the overall refund eligibility**, but to **confirm that the additional foreign exchange received pertains only to a post-export price escalation**, and not to unrelated factors such as bundled services, incidental charges, or supply of other goods.

To form such an opinion, the professional must examine the following:

- **Supplementary invoices or debit notes** issued for the upward revision;
- The **original export invoices, shipping bills, and export documentation**;
- The **relevant contract(s) or written agreement** evidencing the price revision;
- The corresponding **Bank Realisation Certificates (BRCs) or Foreign Inward Remittance Certificates (FIRC)s** linked to the revised payment;
- Proof of **IGST paid on the additional amount**, through tax invoices and challans.

On the part of **Management**, it is essential to maintain a clear and complete **documentation trail**, including:

- Amended contracts or commercial correspondence explicitly referencing the **upward price revision**;



- Copies of **revised/supplementary invoices** issued;
- BRCs/FIRCs clearly showing the **foreign exchange receipt linked to the additional value**;
- A **management declaration** affirming the authenticity and nature of the remittance.

Management must also ensure that the **refund claim is filed within the statutory two-year window**, as stipulated in the notification.

The scope of certification must be clearly delineated: the professional is **not certifying the refund claim as a whole**, but **solely the linkage between the upward price revision and the remittance received**.

In practice, several complexities may arise. For instance:

- **Foreign exchange inflows may cover multiple shipments**,
- Remittances may span **different accounting periods**, or
- Adjustments might involve **credit notes or partial reconciliations**.

To address this, the certificate should include a **clear reconciliation**, preferably in **tabular format**, mapping:

- The **original invoice**,
- The **supplementary invoice**,
- The **amount of additional tax paid**, and
- The **corresponding foreign exchange received**.

This reconciliation also aligns with the requirement of **Statement 9A** in **Form GST RFD-01**, which accompanies such refund claims.

Lastly, the certificate should include a **limitation of use clause**, making it clear that the certificate is issued for submission to the GST authorities only and is not intended for any other purpose or person—thus conforming to best practices in professional assurance engagements.

In conclusion, issuing a certificate under Rule 89(1B) is a precise and purpose-driven professional task. It bridges commercial realities with legal mandates and ensures that **trade facilitation through legitimate refunds** is balanced with the **integrity of tax administration**. For professionals, it underscores the importance of a focused, evidence-backed approach grounded in sound GST interpretation and ethical responsibility.



**Rule 89. Application for refund of tax, interest, penalty, fees or any other amount.-**

(1) Any person, except the persons covered under notification issued under section 55, claiming refund 16[any balance in the Electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 or] of any tax, interest, penalty, fees or any other amount paid by him, other than refund of integrated tax paid on goods exported out of India, may file 12[, subject to the provisions of rule 10B,] an application electronically in FORM GST RFD-01 through the Common portal, either directly or through a Facilitation Centre notified by the Commissioner:

<sup>17</sup>[Provided that any claim for refund relating to balance in the Electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 may be made through the return furnished for the relevant Tax period in FORM GSTR-3 or FORM GSTR-4 or FORM GSTR-7, as the case may be:]

<sup>18</sup>[Provided that] in respect of supplies to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the –

- (a) supplier of goods after such goods have been admitted in full in the Special Economic Zone for authorised operations, as endorsed by the specified officer of the Zone;
- (b) supplier of services along with such evidence regarding receipt of services for authorised operations as endorsed by the specified officer of the Zone:

<sup>2</sup>[<sup>19</sup>Provided further that] in respect of supplies regarded as Deemed exports, the application may be filed by, -

- (a) the recipient of deemed export supplies; or
- (b) the supplier of deemed export supplies in cases where the recipient does not avail of Input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund]:

Provided also that refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 at the time of registration, shall be claimed <sup>21</sup>[only after the last return required to be furnished by him has been so furnished].

<sup>14</sup>[Explanation.-For the purposes of this sub-rule, “specified officer” means a “specified officer” or an “authorised officer” as defined under rule 2 of the Special Economic Zone Rules, 2006.]

<sup>13</sup>[(1A) .....

<sup>23</sup>[(1B) Any person, claiming refund of additional integrated tax paid on account of upward revision in price of the goods subsequent to exports, and on which the refund of integrated tax paid at the



*time of export of such goods has already been sanctioned as per rule 96, may file an application for such refund of additional integrated tax paid, electronically in FORM GST RFD-01 through the common portal, subject to the provisions of rule 10B, before the expiry of two years from the relevant date as per clause (a) of Explanation (2) of section 54:*

*Provided that the said application for refund can, in cases where the relevant date as per clause (a) of Explanation (2) of section 54 of the Act was before the date on which this sub-rule comes into force, be filed before the expiry of two years from the date on which this sub-rule comes into force.]*

(2) *The application under sub-rule (1) shall be accompanied by any of the following documentary evidences in Annexure 1 in Form GST RFD-01, as applicable, to establish that a refund is due to the applicant, namely:-*

(a) *the reference number of the order and a copy of the order passed by the Proper officer or an appellate authority or Appellate Tribunal or court resulting in such refund or reference number of the payment of the amount specified in subsection (6) of section 107 and sub-section (8) of section 112 claimed as refund;*

(b) *a statement containing the number and date of shipping bills or bills of export and the number and the date of the relevant export invoices, in a case where the refund is on account of Export of goods 14[, other than electricity];*

14[(ba) .....

23[(bb) *a statement containing the number and date of export invoices along with copy of such invoices, the number and date of shipping bills or bills of export along with copy of such shipping bills or bills of export, the number and date of Bank Realisation Certificate or foreign inward remittance certificate in respect of such shipping bills or bills of export along with copy of such Bank Realisation Certificate or foreign inward remittance certificate issued by Authorised Dealer-I Bank, the details of refund already sanctioned under sub-rule (3) of rule 96, the number and date of relevant supplementary invoices or debit notes issued subsequent to the upward revision in prices along with copy of such supplementary invoices or debit notes, the details of payment of additional amount of integrated tax, in respect of which such refund is claimed, along with proof of payment of such additional amount of integrated tax and interest paid thereon, the number and date of foreign inward remittance certificate issued by Authorised Dealer-I Bank in respect of additional foreign exchange remittance received in respect of upward revision in price of exports along with copy of such foreign inward remittance certificate, along with a certificate issued by a practicing chartered accountant or a **cost accountant** to the effect that the said additional foreign exchange remittance is*



on account of such upward revision in price of the goods subsequent to exports and copy of contract or other documents, as applicable, indicating requirement for the revision in price of exported goods and the price revision thereof, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;

(bc) a reconciliation statement, reconciling the value of supplies declared in supplementary invoices, debit notes or credit notes issued along with relevant details of Bank Realisation Certificate or foreign inward remittance certificate issued by Authorised Dealer-I Bank, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;]

(c) a statement containing the number and date of invoices and the relevant Bank Realisation Certificates or Foreign Inward Remittance Certificates, as the case may be, in a case where the refund is on account of the Export of services;

(d) .....

(e) .....

10[(f) .....

(g) .....

(h) .....

(i) .....

(j) .....

(k) .....

<sup>20</sup>[(ka) .....

(kb) .....

(l) a declaration to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed does not exceed two lakh rupees:

Provided that a declaration is not required to be furnished in respect of the cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of sub-section (8) of section 54;

(m) a Certificate in Annexure 2 of FORM GST RFD-01 issued by a Chartered accountant or a **Cost Accountant** to the effect that the incidence of tax, interest or any other amount claimed as



*refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds two lakh rupees:*

*Provided that a certificate is not required to be furnished in respect of cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of subsection (8) of section 54;*

*<sup>20</sup>[Provided further that a certificate is not required to be furnished in cases where refund is claimed by an unregistered person who has borne the incidence of tax.]*

*Explanation.– For the purposes of this rule-*

- (i) in case of refunds referred to in clause (c) of sub-section (8) of section 54, the expression “invoice” means invoice conforming to the provisions contained in section 31;*
- (ii) where the amount of tax has been recovered from the recipient, it shall be deemed that the incidence of tax has been passed on to the ultimate consumer.*

- (3) Where the application relates to refund of Input tax credit, the Electronic credit ledger shall be debited by the applicant by an amount equal to the refund so claimed.*

*3[(4) In the case of Zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of subsection (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of Input tax credit shall be granted as per the following formula –*

*Refund Amount = (Turnover of Zero-rated supply of goods + Turnover of Zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover*

*Where, -*

- (A) “Refund amount” means the maximum refund that is admissible;*
- (B) “Net ITC” means Input tax credit availed on inputs and input services during the relevant period 24[other than the Input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both];*

*11[(C) “Turnover of Zero-rated supply of goods” means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, 24[other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both];]*

- (D) “Turnover of Zero-rated supply of services” means the value of Zero-rated supply of services*



*made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-*

*Zero-rated supply of services is the aggregate of the payments received during the relevant period for Zero-rated supply of services and Zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for Zero-rated supply of services for which the supply of services has not been completed during the relevant period;*

*7[(E) "Adjusted Total Turnover" means the sum total of the value of-*

- (a) the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the turnover of services; and*
- (b) the turnover of Zero-rated supply of services determined in terms of clause (D) above and non-Zero-rated supply of services,*

*25[excluding the value of exempt supplies other than zerorated supplies during the relevant period].]*

*(F) "Relevant period" means the period for which the claim has been filed.*

*14[Explanation. – For the purposes of this sub-rule, the value of goods exported out of India shall be taken as –*

- (i) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export form, as the case may be, as per the Shipping Bill and Bill of Export (Forms) Regulations, 2017; or*
- (ii) the value declared in tax invoice or bill of supply, whichever is less.]*

*24[4[(4A) In the case of supplies received on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.48/2017-Central Tax dated the 18th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1305 (E) dated the 18th October, 2017, refund of Input tax credit, availed in respect of other inputs or input services used in making Zero-rated supply of goods or services or both, shall be granted.]*

*24[8[(4B) Where the person claiming refund of unutilised Input tax credit on account of zero rated supplies without payment of tax has–*

- (a) received supplies on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.40/2017-Central Tax (Rate), dated the 23rd*



October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E), dated the 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate), dated the 23rd October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1321(E), dated the 23rd October, 2017; or

- (b) availed the benefit of notification No.78/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E), dated the 13th October, 2017 or notification No.79/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299(E), dated the 13th October, 2017, the refund of Input tax credit, availed in respect of inputs received under the said notifications for export of goods and the Input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted.]]]]

5[(5) In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula:-

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - 15[{{tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services)}}]

Explanation:- For the purposes of this sub-rule, the expressions –

- (a) Net ITC shall mean Input tax credit availed on inputs during the relevant period 24[other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both]; and

9[Adjusted Total turnover” and “relevant period” shall have the same meaning as assigned to them in sub-rule (4).]]

1. Subs. by CGST (Fourth Amendment) Rules, 2017 dated 27.07.2017, w.e.f. 01.07.2017 for “sub-section”
2. Subs. by CGST (Tenth Amendment) Rules, 2017 dated 18.10.2017 for “Provided also that in respect of supplies regarded as Deemed exports, the application shall be filed by the recipient of deemed export supplies:”
3. Subs. by CGST (Fourteenth Amendment) Rules, 2017 dated 29.12.2017 w.e.f. 23.10.2017



for “(4) In the case of Zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of input tax credit shall be granted as per the following formula -

$$\text{Refund Amount} = (\text{Turnover of Zero-rated supply of goods} + \text{Turnover of Zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$$

Where,-

- (A) “Refund amount” means the maximum refund that is admissible;
- (B) “Net ITC” means Input tax credit availed on inputs and input services during the relevant period;
- (C) “Turnover of Zero-rated supply of goods” means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking;
- (D) “Turnover of Zero-rated supply of services” means the value of Zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for Zero-rated supply of services and Zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for Zero-rated supply of services for which the supply of services has not been completed during the relevant period;

- (E) “Adjusted Total turnover” means the turnover in a State or a Union territory, as defined under 1[clause] (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;
  - (F) “Relevant period” means the period for which the claim has been filed.”
4. Subs. by CGST (Amendment) Rules, 2018 dated 23.01.2018 w.e.f. 23.10.2017 for “(4A) In the case of supplies received on which the supplier has availed the benefit of notification No.48/2017-Central Tax dated 18th October, 2017, refund of Input tax credit, availed in respect of other inputs or input services used in making Zero-rated supply of goods or services or both, shall be granted.
- (4B) In the case of supplies received on which the supplier has availed the benefit of notification No.40/2017-Central Tax (Rate) dated 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate) dated 23rd October, 2017, or both, refund of Input tax credit, availed in respect of inputs



received under the said notifications for Export of goods and the input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted.”

5. Subs. by CGST (Fourth Amendment) Rules, 2018 dated 18.04.2018 for “(5) In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula -

Maximum Refund Amount = {(Turnover of inverted rated supply of goods) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods.

Explanation.-For the purposes of this sub rule, the expressions “Net ITC” and “Adjusted Total turnover” shall have the same meanings as assigned to them in sub-rule (4).”

6. Subs. by CGST (Fifth Amendment) Rules, 2018 dated 13.06.2018 w.e.f. 01.07.2017 for “5[(5). In the case of refund on account of inverted duty structure, refund of Input tax credit shall be granted as per the following formula:-

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods and services.

Explanation:- For the purposes of this sub-rule, the expressions –

- (a) “Net ITC” shall mean Input tax credit availed on inputs during the relevant period other than the Input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both; and
- (b) “Adjusted Total turnover” shall have the same meaning as assigned to it in sub-rule (4).]”

7. Subs. by CGST (Eighth Amendment) Rules, 2018 dated 04.09.2018 for “(E) “Adjusted Total turnover” means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding–

- (a) the value of exempt supplies other than zero-rated supplies and
- (b) the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both, if any, during the relevant period;”

8. Subs. by CGST (Twelfth Amendment) Rules, 2018 dated 09.10.2018 for “(4B) In the case of supplies received on which the supplier has availed the benefit of the Government of India, Ministry of Finance, notification No.40/2017-Central Tax (Rate) dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E) dated the 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate) dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R



1321(E) dated the 23rd October, 2017 or notification No.78/2017-Customs dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E) dated the 13th October, 2017 or notification No.79/2017-Customs dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299(E) dated the 13th October, 2017, or all of them, refund of Input tax credit, availed in respect of inputs received under the said notifications for Export of goods and the Input tax credit availed in respect of other inputs or input services to the extent used in making such Export of goods, shall be granted.”

9. Subs. by CGST (Fourteenth Amendment) Rules, 2018 dated 31.12.2018 for “(b) Adjusted Total turnover shall have the same meaning as assigned to it in sub-rule (4).”
10. Subs. by CGST (Amendment) Rules, 2019 dated 29.01.2019 w.e.f. 01.02.2019 for “(f) a declaration to the effect that the Special Economic Zone unit or the Special Economic Zone developer has not availed the Input tax credit of the tax paid by the supplier of goods or services or both, in a case where the refund is on account of supply of goods or services made to a Special Economic Zone unit or a Special Economic Zone developer;”
11. Subs. by CGST (Third Amendment) Rules, 2020 dated 23.03.2020 for “(C) “Turnover of Zero-rated supply of goods” means the value of Zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking, other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both;”
12. Inserted by CGST (Eighth Amendment) Rules, 2021 dated 24.09.2021 w.e.f. 01.01.2022 by Noti. No. 38/2021 dated 21.12.2021
13. Inserted by CGST (Eighth Amendment) Rules, 2021 dated 24.09.2021
14. Inserted by CGST (Amendment) Rules, 2022 dated 05.07.2022 w.e.f. 05.07.2022
15. Subs. by CGST (Amendment) Rules, 2022 dated 05.07.2022 w.e.f. 05.07.2022 before it was read as, “tax payable on such inverted rated supply of goods and services.”
16. Inserted by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022
17. Omitted by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022
18. Subs. by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022 for “Provided further that”
19. Subs. by CGST (Second Amendment) Rules, 2022 dated 28.09.2022 w.e.f. 01.10.2022 for “Provided also that”



20. *Inserted by CGST (Fifth Amendment) Rules, 2022 dated 26.12.2022 w.e.f. 26.12.2022*
21. *Subs. by CGST (Second Amendment) Rules, 2023 dated 04.08.2023 w.e.f. 04.08.2023 for "in the last return required to be furnished by him"*
22. *Inserted by CGST (Second Amendment) Rules, 2023 dated 04.08.2023 w.e.f. 04.08.2023*
23. *Inserted by CGST (Amendment) Rules, 2024 dated 10.07.2024 w.e.f. 10.07.2024*
24. *Omitted by CGST (Second Amendment) Rules, 2024 dated 08.10.2024 w.e.f. 08.10.2024*
25. *Subs. by CGST (Second Amendment) Rules, 2024 dated 08.10.2024 w.e.f. 08.10.2024 for "excluding-*
  - (i) *the value of exempt supplies other than zero-rated supplies; and*
  - (ii) *the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period"*

**Rule 96. Refund of integrated tax paid on goods <sup>3</sup>[or services] exported out of India.-**

(1) *The shipping bill filed by <sup>5</sup>[an exporter of goods] shall be deemed to be an application for refund of integrated tax paid on the goods exported out of India and such application shall be deemed to have been filed only when: -*

(a) *the person in charge of the conveyance carrying the export goods duly files <sup>9</sup>[a departure manifest or] an export manifest or an export report covering the number and the date of shipping bills or bills of export; and*

<sup>16</sup>*[(b) the applicant has furnished a Valid return in FORM GSTR-3B:*

*Provided that if there is any mismatch between the data furnished by the exporter of goods in Shipping Bill and those furnished in statement of outward supplies in FORM GSTR-1 <sup>24</sup>[, as amended in FORM GSTR-1A if any,], such application for refund of integrated tax paid on the goods exported out of India shall be deemed to have been filed on such date when such mismatch in respect of the said shipping bill is rectified by the exporter;]*

<sup>15</sup>*[(c) the applicant has undergone Aadhaar authentication in the manner provided in rule 10B;]*

<sup>24</sup>*[Provided that the exporter of goods may file an application electronically in FORM GST RFD-01 through the common portal for refund of additional integrated tax paid on account of upward revision in price of goods subsequent to export of such goods, and on which the amount of integrated tax paid at the time of export of such goods has already been refunded in accordance with provisions of sub-rule (3) of this rule, and such application shall be dealt with in accordance with the provisions of rule 89.]*



<sup>3</sup>Inserted by CGST (Fourteenth Amendment) Rules, 2017 dated 29.12.2017 w.e.f. 23.10.2017

<sup>5</sup>Subs. by CGST (Amendment) Rules, 2018 dated 23.01.2018 w.e.f. 23.10.2017 for “an exporter”

<sup>9</sup>Subs. by CGST (Eleventh Amendment) Rules, 2018 dated 09.10.2018 w.r.e.f. 23.10.2017 for <sup>48</sup>[(10) The persons claiming refund of integrated tax paid on exports of goods or services should not have-

- (a) received supplies on which the benefit of the Government of India, Ministry of Finance notification No. 48/2017-Central Tax, dated the 18th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1305 (E), dated the 18th October, 2017 or notification No.40/2017-Central Tax (Rate), dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E), dated the 23rd October, 2017 or notification No.41/2017-Integrated Tax (Rate), dated the 23rd October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1321 (E), dated the 23rd October, 2017 has been availed; or
- (b) availed the benefit under notification No.78/2017-Customs, dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E), dated the 13th October, 2017 or notification No.79/2017-Customs, dated the 13th October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299 (E), dated the 13th October, 2017]

<sup>15</sup>Inserted by CGST (Eighth Amendment) Rules, 2021 dated 24.09.2021 w.e.f. 01.01.2022 by Noti. No. 38/2021 dated 21.12.2021

<sup>16</sup>Subs. by CGST (Amendment) Rules, 2022 dated 05.07.2022 w.r.e.f. 01.07.2017 for “(b) the applicant has furnished a Valid return in FORM GSTR-3 1[or FORM GSTR-3B, as the case may be]”

### **Certificate under Section 54 for Additional Foreign Exchange Remittance Due to Upward Price Revision**

#### **Certificate under Section 54 of the Central Goods and Services Tax Act, 2017**

*(In respect of supplementary invoices or debit notes issued pursuant to the upward revision of prices)*

**[Refer: Notification No. 12/2024–Central Tax dated 10.07.2024]**

This Certificate is issued under the provisions of the **Central Goods and Services Tax Act, 2017** (hereinafter referred to as the “**CGST Act**”) and the respective **State Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017** (hereinafter referred to as the “**SGST/ UTGST Act**”), pursuant to the requirements under **Section 54** of the said Acts.



It pertains to the refund claim filed by the Applicant in respect of **additional Integrated Goods and Services Tax (IGST)** paid on account of **upward revision in the price of goods after export**, as supported by **supplementary invoices or debit notes**, in accordance with **Rule 89(1B)** of the CGST Rules, as amended.

### Details of the Applicant:

This Certificate is issued pursuant to the terms of our **engagement agreement dated** \_\_\_\_\_.

**M/s.** \_\_\_\_\_ (hereinafter referred to as the **“Applicant”**) is a registered person under the Goods and Services Tax laws, holding **GSTIN:** \_\_\_\_\_, with its **principal place of business located at:** \_\_\_\_\_, in the State/Union Territory of \_\_\_\_\_.

The Applicant has also declared the following **additional places of business**, as registered under the same GSTIN:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

### Purpose of this Certificate

The Applicant has submitted a **refund application** seeking the return of **additional Integrated Goods and Services Tax (IGST)** paid on account of an **upward revision in the price of goods exported**. This refund claim has been made under the provisions of **Section 54 of the CGST Act and the SGST/UTGST Act**, read in conjunction with **sub-rule (1B) of Rule 89** of the **Central Goods and Services Tax Rules, 2017** (hereinafter referred to as the **“CGST Rules”**), as notified vide **Notification No. 12/2024–Central Tax dated 10.07.2024**.

Further, in terms of **Clause (bb) of sub-rule (2) of Rule 89** of the CGST Rules, 2017, where a refund is claimed on such upward revision, the Applicant is mandated to furnish a **certificate from a practicing Chartered Accountant or Cost Accountant**. The said certificate must confirm that the **additional foreign exchange remitted** by the customer or recipient is **directly attributable to the upward revision in the price of the exported goods**, and not for any other consideration.

### Management’s Responsibilities:

The responsibility for the **preparation and submission of the refund application**, including all related declarations and supporting documentation, lies solely with the **management of the Applicant**. This includes ensuring full compliance with the provisions of the **CGST Act, SGST/UTGST Acts**, and the applicable provisions of the **CGST Rules, 2017**.



Specifically, the Applicant's management is responsible for:

- Maintaining **accurate, complete, and contemporaneous accounting records**;
- Preserving **supporting documentation** that clearly evidences the nature of the export transaction and subsequent price revision;
- Implementing and operating **internal control mechanisms** to ensure the reliability of financial data and statutory compliance;
- Ensuring that all **books, records, documents, and representations** made available to the undersigned for verification are **truthful, accurate, and free from material misstatement**, whether due to fraud or error.

### **Practitioner's Responsibilities**

In accordance with the requirements under **Section 54 of the CGST Act and SGST/UTGST Acts**, read with **Rule 89(1B) and Rule 89(2)(bb)** of the **CGST Rules, 2017**, our responsibility is limited to conducting an **independent examination** of the Applicant's **books of accounts, transactional records, remittance documents, and relevant agreements**.

The objective of our engagement is to provide **reasonable assurance** that the **additional foreign exchange received** by the Applicant **is attributable solely to the upward revision in the price** of goods that were exported earlier, and that such remittance does not pertain to any other goods, services, or unrelated commercial arrangements.

### **Practitioner's Opinion**

Based on our **review of the relevant books of accounts, export documentation, supplementary invoices, bank remittance records**, and the **information and explanations provided** by the Applicant, we hereby **certify** that the **additional foreign exchange remittance amounting to ₹\_\_\_\_\_**, as declared in **Statement 9A of Form GST RFD-01** for the **tax period \_\_\_\_\_**, is, to the best of our knowledge and belief, **solely attributable to the upward revision in the price of goods** that were exported under the original invoices.





Column No.	Column Title	Explanation
8	<b>Original Export Remittance Details - Date</b>	Date of realisation/receipt of export proceeds from the foreign buyer.
9	<b>Original Export Remittance Details - Remittance amount</b>	Amount of foreign exchange received against the original export invoice.
10	<b>Refund Detail - Amount</b>	Refund amount sanctioned under GST for tax paid on exports.
11	<b>Refund Detail - Date of Sanction</b>	Date on which the tax authority sanctioned the GST refund.
12	<b>Supplementary Invoice/ Debit Note - No.</b>	Number of supplementary invoice or debit note issued due to post-export price escalation.
13	<b>Supplementary Invoice/ Debit Note - Date</b>	Date of issue of supplementary invoice or debit note.
14	<b>Supplementary Invoice/ Debit Note - Total Value</b>	Total revised invoice value after price escalation.
15	<b>Additional IGST Payment - Tax paid</b>	Additional IGST paid due to the increased value post-price revision.
16	<b>Additional IGST Payment - Tax period</b>	GST return period (e.g., July 2024) in which the additional tax was paid.
17	<b>Additional IGST Payment - Tax paid date</b>	Date of payment of additional IGST.
18	<b>Additional Export Remittance - BRC/FIRC No.</b>	New or additional BRC/FIRC number linked to escalated remittance, if applicable.
19	<b>Additional Export Remittance - Date</b>	Date of receipt of escalated export proceeds (foreign exchange).
20	<b>Additional Export Remittance - Amount</b>	Additional amount received in foreign exchange due to post-export price revision.



**Limitations of Use:**

This Certificate is issued **solely for the purpose of submission to \_\_\_\_\_ (Name of the Authority)** in compliance with the provisions of **Section 54** of the **CGST Act** and the corresponding **SGST/UTGST Acts**, read with **Rule 89(2)(bb)** of the **CGST Rules, 2017**.

It is intended **exclusively for use by the Applicant and the aforementioned authority**. This Certificate **must not be used, reproduced, or relied upon by any other person, entity, or for any purpose other than that expressly stated**, without our **prior written consent**.

We expressly **disclaim any liability or responsibility** to any party other than the intended recipient, in connection with this Certificate or the use thereof.

For CMA & Co.,

Cost Accountants

Firm Registration Number: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signatory

(Name of the Cost Accountant)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



## Key Audit Checkpoints for Cost Accountants

### Verification of Contractual Provisions

Ascertain the existence of a valid contract or agreement between the Applicant and the buyer, explicitly stipulating provisions for upward revision of prices post-export.

### Supplementary Invoice Validation

Verify the number, date, and details of the supplementary invoice or debit note issued subsequent to the export. Ensure that:

The supplementary invoice reflects the upward price revision.

The additional integrated tax (IGST) amount is accurately computed and aligned with the price revision.

### Foreign Inward Remittance Certificate (FIRC)

Examine the FIRC issued by the Authorized Dealer-I Bank. Ensure that it clearly indicates the additional foreign exchange remittance attributable to the upward price revision.

Review of Original Export Documentation:

Compare the original export invoices and shipping bills with the supplementary invoice. Ensure:

The correctness of the initial export value.

The upward revision in value aligns with the supplementary invoice and supporting documents.

### Analysis of Foreign Exchange Remittance Breakdown

Where the remittance includes multiple components (e.g., payments for services or other goods), obtain a detailed breakdown. Validate that the portion attributable to the upward price revision of exported goods is clearly identified and substantiated.

### Supporting Documentation for Remittance

Review contracts, invoices, and agreements that detail the composition of the foreign exchange remittance. Ensure that the portion of the remittance related to the upward price revision is clearly delineated and traceable.

### Management Representation Letter (MRL)

Obtain a formal representation letter from the management of the Applicant. The MRL should affirm the accuracy and completeness of the information and details provided for verification.



## CHAPTER 11

### Certificate under Circular No.183/15/2022-GST for wrong classification or filing of GSTR-3B only

In the initial years of GST implementation, particularly during **FY 2017–18 and FY 2018–19**, several practical and systemic challenges led to discrepancies between the **input tax credit (ITC)** claimed by recipients in **Form GSTR-3B** and the details auto-populated in **Form GSTR-2A**. Such mismatches were often due to suppliers either not filing their GSTR-1 returns on time, incorrectly reporting invoices, or omitting transactions altogether, despite having collected and deposited tax through GSTR-3B.

To address this issue pragmatically and enable a smooth resolution process, the **CBIC, through Circular No. 183/15/2022-GST dated 27.12.2022**, prescribed a procedure for recipients to justify their ITC claims in cases where invoices are not reflected in GSTR-2A. Where the **aggregate amount of disputed ITC exceeds ₹5 lakh**, the recipient is required to furnish a **certificate from a practicing Cost Accountant or Chartered Accountant**. This requirement has since been clarified and reiterated in **Circular No. 193/05/2023-GST dated 17.07.2023**.

The core objective of the certificate is **not to confirm the eligibility of ITC under Section 16** per se, but rather to provide **reasonable assurance** that the supplier has indeed:

- Supplied the goods or services or both to the recipient, and
- Paid the applicable tax on such supply by duly filing Form GSTR-3B.

For the certifying professional, this engagement entails a **focused verification** exercise. The scope of work includes the examination of:

- **Tax invoices** issued by the supplier;
- **Proof of movement of goods or rendering of services**, including e-way bills, delivery challans, transport documentation, or service reports;
- **Accounting entries** recorded in the recipient's and supplier's books;
- **Bank statements or payment confirmations** evidencing commercial settlement;
- Copies of the supplier's **GSTR-3B returns** for the relevant period showing discharge of tax liability.



The professional must ensure that there is a **clear audit trail linking the transaction and the tax payment**, and that no contradictory evidence exists to suggest tax evasion or circular trading. Where invoices are not traceable in GSTR-2A but tax has been deposited by the supplier and the underlying supply is genuine, the certificate supports the recipient's claim.

The **responsibility of the recipient's management** includes compiling complete and accurate records, securing confirmation from the supplier, and providing a representation affirming the authenticity of the documents and transactions submitted for certification. In the absence of such representations or supporting records, certification cannot proceed.

It is essential to note that this certification does **not replace an audit** or amount to a statutory attestation of books. It is a **certificate for a specific purpose**, to facilitate the refund or retention of ITC based on evidence that satisfies the condition under **Section 16(2)(c)** of the CGST Act, i.e., that tax has been paid to the government.

In conclusion, this certificate serves as a **compliance and assurance instrument** that protects both the taxpayer's legitimate entitlement and the interests of the revenue. It helps resolve data mismatches in a fair and evidence-based manner and underscores the important role of independent professionals in ensuring trust and transparency in the GST ecosystem.

**S.No. 778 [F. No. 183/15/2022-GST] Dated:27th December, 2022**

*Subject: Clarification to deal with difference in Input tax credit (ITC) availed in FORM GSTR-3B as compared to that detailed in FORM GSTR-2A for FY 2017-18 and 2018-19 – reg.*

1. ....
2. ....
3. ....
4. *The Proper officer shall first seek the details from the Registered person regarding all the invoices on which ITC has been availed by the Registered person in his FORM GSTR 3B but which are not reflecting in his FORM GSTR 2A. He shall then ascertain fulfillment of the following conditions of section 16 of CGST Act in respect of the Input tax credit availed on such invoices by the said Registered person:*
  - i) *that he is in possession of a tax invoice or Debit note issued by the supplier or such other tax paying documents;*
  - ii) *that he has received the goods or services or both;*
  - iii) *that he has made payment for the amount towards the value of supply, along with tax payable thereon, to the supplier.*



Besides, the Proper officer shall also check whether any reversal of Input tax credit is required to be made in accordance with section 17 or section 18 of CGST Act and also whether the said Input tax credit has been availed within the time period specified under sub-section (4) of section 16 of CGST Act.

4.1 In order to verify the condition of clause (c) of sub-section (2) of section 16 of CGST Act that tax on the said supply has been paid by the supplier, the following action may be taken by the Proper officer:

4.1.1 In case, where difference between the ITC claimed in FORM GSTR-3B and that available in FORM GSTR 2A of the Registered person in respect of a supplier for the said financial year exceeds Rs 5 lakh, the Proper officer shall ask the Registered person to produce a certificate for the concerned supplier from the Chartered accountant (CA) or the **Cost Accountant (CMA)**, certifying that supplies in respect of the said invoices of supplier have actually been made by the supplier to the said Registered person and the tax on such supplies has been paid by the said supplier in his return in FORM GSTR 3B. Certificate issued by CA or CMA shall contain UDIN. UDIN of the certificate issued by CAs can be verified from ICAI website <https://udin.icai.org/search-udin> and that issued by CMAs can be verified from ICMAI website <https://eicmai.in/udin/VerifyUDIN.aspx>

4.1.2 In cases, where difference between the ITC claimed in FORM GSTR-3B and that available in FORM GSTR 2A of the Registered person in respect of a supplier for the said financial year is upto Rs 5 lakh, the Proper officer shall ask the claimant to produce a certificate from the concerned supplier to the effect that said supplies have actually been made by him to the said Registered person and the tax on said supplies has been paid by the said supplier in his return in FORM GSTR 3B.

4.2 However, it may be noted that for the period FY 2017-18, as per proviso to section 16(4) of CGST Act, the aforesaid relaxations shall not be applicable to the claim of ITC made in the FORM GSTR-3B return filed after the due date of furnishing return for the month of September, 2018 till the due date of furnishing return for March, 2019, if supplier had not furnished details of the said supply in his FORM GSTR-1 till the due date of furnishing FORM GSTR 1 for the month of March, 2019.

5. It may also be noted that the clarifications given hereunder are case specific and are applicable to the bonafide errors committed in reporting during FY 2017-18 and 2018-19. Further, these guidelines are clarificatory in nature and may be applied as per the actual facts and circumstances of each case and shall not be used in the interpretation of the provisions of law.

6. ....



### Independent Practitioner's Certificate for Credit Mismatch

Issued pursuant to CBIC Circular No. 183/15/2022-GST dated 27th December 2022 and Circular No. 193/05/2023-GST dated 17th July 2023

#### Name and Address

This Certificate is issued in accordance with the terms of our engagement agreement dated \_\_\_\_\_.

**M/s** \_\_\_\_\_ (hereinafter referred to as the **"Supplier"**) is registered under the Goods and Services Tax (GST) regime with **GSTIN** \_\_\_\_\_, having its **principal place of business at** \_\_\_\_\_, and an effective registration date of \_\_\_\_\_. The Supplier has also declared the following additional places of business under the said GSTIN:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_

**M/s** \_\_\_\_\_ (hereinafter referred to as the **"Recipient"**) is similarly registered under GST with **GSTIN** \_\_\_\_\_, having its **principal place of business at** \_\_\_\_\_, and an effective registration date of \_\_\_\_\_.

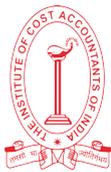
The Recipient's additional places of business, if any, are as follows:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_

The **Central Board of Indirect Taxes and Customs (CBIC)**, through **Circular No. 183/15/2022-GST dated 27th December 2022**, and subsequently reaffirmed in **Circular No. 193/05/2023-GST dated 17th July 2023** (hereinafter collectively referred to as the **"Circulars"**), has issued procedural guidance for addressing mismatches in Input Tax Credit (ITC) claimed by recipients in **Form GSTR-3B**, where the corresponding details do not appear in **Form GSTR-2A** for the **financial year** \_\_\_\_\_.

As per **Paragraphs 4.1 and 4.1.1 of Circular No. 183/15/2022-GST**, where the **aggregate unmatched ITC exceeds ₹5,00,000**, the **Recipient is required to submit a certificate** from a **Chartered Accountant or Cost Accountant**. This certificate must:

1. Confirm that the **inward supplies** referred to in the disputed invoices were **actually received** by the Recipient from the Supplier; and
2. Certify that the **tax on such supplies has been discharged** by the Supplier through filing of **Form GSTR-3B** and payment of output tax to the credit of the Government.



## Responsibility of the Supplier's Management

The **Supplier's management** holds sole responsibility for ensuring the accuracy, completeness, and reliability of all records, documents, and representations furnished to support this certificate. This includes the obligation to maintain books of accounts and records that demonstrate compliance with **Section 16(2)(c)** of the **Central Goods and Services Tax Act, 2017 (hereinafter referred to as the "CGST Act")**, which mandates that:

- A **valid tax invoice or equivalent document** exists in relation to the disputed supply;
- The **goods or services** covered by the said invoice have been **actually supplied** to the Recipient;
- The **consideration for the supply**, including applicable GST, has been paid or is payable;
- The **output tax liability** in respect of such supply has been **discharged by the Supplier** either in cash or by utilizing eligible input tax credit, as reflected in **Form GSTR-3B**; and
- Any required **reversal or adjustment of ITC**, as per the provisions of **Section 17 or Section 18 of the CGST Act**, has been carried out appropriately.

The Supplier's management is also responsible for ensuring that all documentation provided—including but not limited to tax invoices, GSTR filings, payment records, delivery documentation, and ledgers—is **accurately maintained, contemporaneously recorded, and made available for verification**.

## Opinion

Based on our review of the documents, books of accounts, and explanations provided by the Supplier, and subject to the representations made by the management, we hereby certify that, in our professional opinion, an amount aggregating to ₹ \_\_\_\_\_ (comprising **CGST, SGST/UTGST, IGST, and Cess**) in relation to the supplies covered under the invoices not reflected in the Recipient's **Form GSTR-2A**, has been **duly discharged by the Supplier** by way of filing **Form GSTR-3B** in accordance with the provisions of **Section 39** of the **CGST Act, 2017**.

The certification pertains solely to the invoices reported as mismatched in the Recipient's reconciliation statement for the period **[insert tax period]**, and the corresponding tax payment records as provided by the Supplier.

The **invoice-wise reconciliation of the mismatched input tax credit**—along with details of tax paid—is enclosed in **Annexure A** for reference.

S. No.	Invoice No.	Invoice Date	Taxable Value	Tax Paid				Total Invoice Value Rs.	Date of Delivery of Goods	Location of Delivery of Goods	Remarks
				CGST	SGST	IGST	CESS				

Column No.	Column Title	Explanation
1	<b>S. No.</b>	Serial number for listing entries; used for tracking and referencing each invoice.
2	<b>Invoice No.</b>	Unique number of the tax invoice issued for the supply of goods.
3	<b>Invoice Date</b>	Date on which the invoice was issued, relevant for determining tax period and compliance timelines.
4	<b>Taxable Value</b>	Value of goods/services excluding GST, which forms the base for calculating tax.
5	<b>Tax Paid – CGST</b>	Amount of Central GST (CGST) paid on the invoice.
6	<b>Tax Paid – SGST</b>	Amount of State GST (SGST) paid, applicable in intra-state supplies.
7	<b>Tax Paid – IGST</b>	Amount of Integrated GST (IGST) paid, applicable in inter-state or export supplies.
8	<b>Tax Paid – CESS</b>	Amount of Cess paid, if applicable (e.g., compensation cess on luxury or sin goods).
9	<b>Total Invoice Value (Rs.)</b>	Total amount charged in the invoice, including taxable value and all taxes (gross value).
10	<b>Date of Delivery of Goods</b>	Actual date when the goods were delivered to the customer/recipient.
11	<b>Location of Delivery of Goods</b>	Physical address or location (State/UT) where the goods were delivered; critical for determining place of supply.
12	<b>Remarks</b>	Any additional notes, clarifications, or observations regarding the invoice, delivery, or tax treatment.



### Limitations of Use

This Certificate is issued **solely for the purpose of submission to the Proper Officer** in connection with the Recipient's input tax credit reconciliation for the financial year \_\_\_\_\_, in compliance with the requirements under **Section 16(2)(c)** of the **Central Goods and Services Tax Act, 2017**, as interpreted and directed by **CBIC Circular No. 183/15/2022-GST** and **Circular No. 193/05/2023-GST**.

It is intended exclusively for the use of the **Recipient named herein and the concerned tax authority**. This Certificate **must not be relied upon, quoted, reproduced, or circulated—whether in whole or in part—by any third party** for any purpose other than the one explicitly stated above, without obtaining our **prior written consent**.

We expressly **disclaim any liability, duty of care, or responsibility to any third party** who may gain access to this Certificate, directly or indirectly, without such authorization.

For CMA & Co.

Cost Accountants

Firm Registration Number: \_\_\_\_\_

Place of Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signatory:

(Name of the Cost Accountant)

(Designation)

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_



## Audit Checkpoints for Cost Accountants

### Scope of the Certificate

The certificate is to be issued only for the following four specific categories of mismatches outlined in Paragraph 3 of the CBIC Circular:

- i. Cases where the Supplier has filed FORM GSTR-3B but has not filed FORM GSTR-1.
- ii. Cases where outward supplies have been omitted from FORM GSTR-1 despite being disclosed in FORM GSTR-3B.
- iii. Cases where outward supplies have been incorrectly reported as 'B2C' in FORM GSTR-1 instead of 'B2B', while FORM GSTR-3B has been filed.
- iv. Cases where outward supplies have been reported with an incorrect GSTIN under the 'B2B' category in FORM GSTR-1, though FORM GSTR-3B has been filed.

### Threshold for Mismatch

Certification is applicable only where the mismatched input tax credit (ITC) exceeds:

Rs. 5,00,000 in the case of IGST mismatches, or

Rs. 2,50,000 each for CGST and SGST/UTGST mismatches.

### Verification of Records and Documents

Considering that FORM GSTR-3B does not provide invoice-wise details, the following documents and records must be examined to establish the Supplier's compliance:

- i. Tax invoices issued under Section 31 of the CGST Act.
- ii. Books of accounts and relevant financial records.
- iii. Annual Return in FORM GSTR-9.
- iv. Reconciliation Statement in FORM GSTR-9C.

Only tax payments made through FORM GSTR-3B are to be considered. Payments made via FORM GST DRC-03 or other recovery mechanisms are beyond the scope of this certification.

### Verification Across Multiple Tax Periods

Verification must extend to subsequent tax periods to ensure that the output tax reported and discharged in FORM GSTR-3B for a particular period does not pertain to liabilities of other tax periods.



### **Scope Exclusion**

Verification must begin with the total mismatch as identified by the Recipient (per the Proper Officer's direction). From this, the following scenarios must be excluded to arrive at the extent of mismatch subject to certification:

- a) Mismatched amounts discharged via means other than FORM GSTR-3B (e.g., FORM GST DRC-03, FORM DRC-13, or other recovery mechanisms).
- b) Mismatched amounts resolved without discharge through FORM GSTR-3B (e.g., credit notes issued, return supplies, etc.).

### **Key Areas of Review**

The review must focus on the following:

- a) The tax period corresponding to the date of issuance of the tax invoice.
- b) The tax period in which outward supplies were reported in FORM GSTR-1.
- c) The tax period in which the output tax was discharged through FORM GSTR-3B.
- d) Consolidated data filed in FORM GSTR-1 and FORM GSTR-3B, along with the final data reported in the annual return (FORM GSTR-9).
- e) Ensure that the identified mismatch is confined to the specific four categories outlined in the Circular.

### **Certification Approach**

The certification should rely on reconciliation and cross-verification of the Supplier's records with the Common Portal data.

Care must be taken to document and maintain an audit trail of all records reviewed.

Deviations, if any, must be adequately explained or categorized under exclusions.



# CHAPTER 12

## Certificate under Circular No.212/6/2024-GST for Credit Reversal for Post Supply Discounts

In the GST regime, when suppliers issue post-supply discounts through credit notes under **Section 15(3)(b)** of the CGST Act, 2017, there's more to the process than just adjusting the invoice value. A key statutory condition for such discounts to be **excluded from the taxable value** is that the **recipient must proportionately reverse the input tax credit (ITC)** that was originally availed on the full invoice value. While this requirement is straightforward on paper, its practical verification—especially across multiple transactions and parties—has often posed challenges.

To streamline this process, the government, through **Circular No. 212/6/2024-GST dated 26th June 2024**, introduced a formal mechanism. It allows the **supplier to obtain a certificate** from a **Cost Accountant** or **Chartered Accountant** confirming that the **recipient has reversed the ITC attributable to the value of the discount**. This certification helps the supplier establish compliance with Section 15(3)(b) and proceed with issuing tax-compliant credit notes under **Section 34** of the CGST Act.

From a professional's standpoint, the certification is precise in scope but requires meticulous attention. The objective is not to verify the commercial rationale or admissibility of the discount itself, but to **confirm that the recipient has reversed the ITC proportionate to the discount received**. To arrive at this conclusion, the practitioner must verify the **recipient's books of accounts, reversal workings, relevant returns (GSTR-3B), and any DRC-03 filings**. The linkage between credit notes and original supply invoices must be established, and the reversal must match the applicable tax portion of the discount extended.

For the **recipient**, this compliance entails maintaining a clear and auditable trail. This includes properly documented **invoice-credit note linkages, timely ITC reversals**, and evidence of such reversals either reflected in monthly returns or filed through **DRC-03**. A **management declaration**, confirming the factual accuracy of the data, forms an integral part of the certification process.

It is also critical to **clearly delineate what falls outside the scope** of this certificate. Credit notes issued for reasons other than discounts—such as rate changes, clerical corrections, or adjustments made **after the timeline prescribed under Section 34(2)**—are not covered under this framework.



Similarly, ITC reversals made due to **other statutory provisions**, such as **Section 17(5)** (blocked credits), **Section 16(2)** (non-payment to vendors), or job work provisions, are distinct and should be **excluded from the certification**.

The certificate itself must contain **specific details**: invoice numbers, credit note references, tax periods, the exact ITC reversed, and whether such reversal was made through **GSTR-3B or DRC-03**. The issuance of the certificate must also be authenticated through a valid **UDIN**, and accompanied by a disclaimer clarifying that the certification is issued solely for the purpose of compliance with Circular 212/6/2024-GST.

In essence, this certification facilitates a **mutually responsible compliance environment**. It helps preserve the integrity of the credit mechanism under GST by ensuring that **discounts post-supply don't create undue benefit in the ITC chain**. For professionals, it is an engagement of measured assurance—defined by clarity of scope, reliance on evidence, and an unwavering commitment to accurate representation.

**Section 15. Value of Taxable supply.**

- (1) .....
- (2) .....
- (3) *The value of the supply shall not include any discount which is given—*
  - (a) *before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and*
  - (b) *after the supply has been effected, if—*
    - (i) *such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and*
    - (ii) *Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.*
- (4) .....
- (5) .....

**S.No. 913 [Circular No. 212/6/2024-GST] Dated: 26th June 2024**

*Subject: Mechanism for providing evidence of compliance of conditions of Section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers -reg.*

- 1. ....



2. *In order to clarify the issue and to ensure uniformity in the implementation of the provisions of law across the field formations, the Board, in exercise of its powers conferred by section 168(1) of the CGST Act, hereby clarifies the issues as under:*
  - 2.1 *Section 15 of the CGST Act provides for value of taxable supply of goods or services or both. Sub-section (3) of the said section provides that the value of supply shall not include discount given by the supplier, subject to certain conditions. As per clause (b) of the said sub-section, any discount which is given after the supply has been effected shall not be included in the value of the supply, only if it satisfies the following conditions:*
    - i. *Such discount is established in terms of an agreement entered into at or before the time of such supply;*
    - ii. *Such discount must be specifically linked to the relevant invoices*
    - iii. *Input Tax Credit attributable to such discount on the basis of document issued by the supplier has been duly reversed by the recipient.*
  - 2.2 *Accordingly, wherever any discount is offered by the supplier to the recipient, by issuance of a tax credit note as per section 34 of the CGST Act, after the supply has been effected, the said discount can be excluded from the value of taxable supply only if the conditions of clause (b) of sub-section (3) of section 15 of the CGST Act are fulfilled. Such conditions inter alia includes the requirement of reversal of input tax credit by the recipient attributable to the said discount.*
  - 2.3 *However, there is no system functionality/ facility presently available on the common portal to enable the supplier or the tax officer to verify the compliance of the said condition of proportionate reversal of input tax credit by the recipient.*
  - 2.4 *In view of the above, till the time a functionality/ facility is made available on the common portal to enable the suppliers as well as the tax officers to verify whether the input tax credit attributable to such discounts offered through tax credit notes has been reversed by the recipient or not, the supplier may procure a certificate from the recipient of supply, issued by the Chartered Accountant (CA) or the **Cost Accountant (CMA)**, certifying that the recipient has made the required proportionate reversal of input tax credit at his end in respect of such credit note issued by the supplier.*
  - 2.5 *The said CA/CMA certificate may include details such as the details of the credit notes, the details of the relevant invoice number against which the said credit note has been issued, the amount of ITC reversal in respect of each of the said credit notes along with the details of the FORM GST DRC-03/ return / any other relevant document through which such reversal of ITC has been made by the recipient.*



- 2.6 *Such certificate issued by CA or CMA shall contain UDIN (Unique Document Identification Number). UDIN of the certificate issued by CAs can be verified from ICAI website <https://udin.icaai.org/search-udin> and that issued by CMAs can be verified from ICMAI website <https://eicmai.in/udin/VerifyUDIN.aspx>.*
- 2.7 *In cases, where the amount of tax (CGST+SGST+IGST and including compensation cess, if any) involved in the discount given by the supplier to a recipient through tax credit notes in a Financial Year is not exceeding Rs 5,00,000 (rupees five lakhs only), then instead of CA/CMA certificate, the said supplier may procure an undertaking/ certificate from the said recipient that the said input tax credit attributable to such discount has been reversed by him, along with the details mentioned in Para 2.5 above.*
- 2.8 *Such certificates issued by the CA/CMA or the undertakings/ certificates issued by the recipient of supply, as the case may be, shall be treated as a suitable and admissible evidence for the purpose of section 15(3)(b)(ii) of the CGST Act, 2017. The supplier shall produce such certificates/undertakings before the tax officers, if required, during any proceedings such as scrutiny, audit, investigations, etc. Even for the past period, where ever any such evidence as per section 15(3)(b)(ii) of CGST Act in respect of credit note issued by the supplier for post-sale discounts is required to be produced by him to the tax authorities, the concerned taxpayer may procure and provide such certificates issued by CA/CMA or the undertakings/ certificates issued by the recipients of supply, as the case may be, to the concerned investigating/audit/ adjudicating authority as evidence of requisite reversal of input tax credit by his recipients.*
3. ....
4. ....



### Independent Practitioner's Certificate

(Proportionate Reversal of Input Tax Credit as per CBIC Circular No. 212/6/2024-GST dated June 26, 2024)

To:

[Name and Address of the Applicant]

### Purpose of the Certificate

This certificate is issued pursuant to the terms of the agreement dated \_\_\_\_\_.

### Identification of Parties

#### Supplier:

M/s , holding GSTIN \_\_\_\_\_ (with effect from \*\*\*\*), having its principal place of business at: \_\_\_\_\_

Declared **additional places of business**, if any, are as follows:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

#### Recipient:

M/s , registered under GSTIN \_\_\_\_\_ (with effect from \*\*\*\*), having its principal place of business at: \_\_\_\_\_

Declared **additional places of business**, if any, are as follows:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

### Background and Legal Framework

The **Central Board of Indirect Taxes and Customs (CBIC)**, vide **Circular No. 212/6/2024-GST dated 26th June 2024** (hereinafter referred to as the "**Circular**"), has laid down a structured compliance framework to address the practical implementation of **Section 15(3)(b)(ii)** of the **Central Goods and Services Tax Act, 2017 (CGST Act)**.

As per the said statutory provision, **post-supply discounts** extended by the supplier through the issuance of **tax credit notes** may be excluded from the value of taxable supply **only if** the recipient of the supply **reverses the proportionate input tax credit (ITC)** availed on the originally charged invoice value. This condition ensures that the tax benefit attributable to the discount is not retained by the recipient, thereby preserving the integrity of the ITC chain under the GST law.



## Certification Mandate

Pursuant to **paragraphs 2.4 and 2.5 of the Circular**, where a **post-supply discount** has been extended by the Supplier through the issuance of **tax credit notes**, it is incumbent upon the Supplier to obtain a **certificate from a practicing Chartered Accountant or Cost Accountant**. This certificate must confirm that the **Recipient has duly reversed the proportionate input tax credit (ITC)** corresponding to the discount value, in compliance with the condition laid down under **Section 15(3)(b)(ii)** of the CGST Act. The certification serves as documentary evidence enabling the Supplier to appropriately reduce the taxable value without contravening the GST provisions.

## Responsibility of Recipient's Management

The responsibility for demonstrating compliance with the conditions prescribed under **Section 15(3)(b)(ii)** of the **Central Goods and Services Tax Act, 2017 (CGST Act)** lies solely with the **management of the Recipient**. Specifically, the management is responsible for the following:

- (a) Preparing, maintaining, and furnishing all necessary books of accounts, documentation, and supporting records to substantiate that the **input tax credit (ITC)** attributable to discounts received via **tax credit notes** has been **duly and proportionately reversed**;
- (b) Ensuring that the information, documents, and explanations provided for verification purposes are **complete, accurate, and based on contemporaneous records**, and that no material facts have been withheld that could affect the basis of this certification.

It is also the responsibility of the Recipient's management to provide a **written declaration or representation letter** affirming the factual correctness of the data and reversal calculations relied upon during this certification process.

## Responsibility of the Practitioner

In accordance with the stipulations laid out in the **CBIC Circular No. 212/6/2024-GST dated 26th June 2024**, the scope of our engagement as an independent professional is strictly limited to the following:

- (a) To **verify and confirm** that the **Recipient has reversed the proportionate input tax credit (ITC)** corresponding to the discounts received via tax credit notes issued by the Supplier. Such reversal may be evidenced through relevant filings including **FORM GSTR-3B, FORM GST DRC-03, or any other prescribed documentation**, as made available for review.
- (b) To **certify**, based on the examination of records and representations made available by the Recipient's management, that the details provided in relation to the ITC reversal are consistent with



the underlying data, books of account, and statutory returns reviewed during the course of this engagement.

This certificate does **not constitute an audit** conducted in accordance with auditing standards, nor does it express an opinion on the overall tax position, commercial arrangement, or admissibility of ITC beyond the limited scope defined herein.

## Certificate of Verification

### Scope and Basis of Verification

This certificate is issued solely for the purpose of confirming that the **Recipient has reversed the proportionate input tax credit (ITC)** corresponding to the **tax credit notes issued by the Supplier** during the period \_\_\_\_\_, in accordance with the conditions laid down under **Section 15(3)(b)(ii)** of the CGST Act.

The verification has been carried out based on the information and documentation made available to us, including but not limited to **FORM GSTR-3B, FORM GST DRC-03**, and other contemporaneous records provided by the Recipient. This certificate is **strictly limited** to the scope described above and does **not extend to any other aspect** of GST compliance, eligibility of ITC, or the validity of the commercial arrangements between the Supplier and the Recipient.

### Opinion

Based on the information, records, and explanations made available to us, and in accordance with the scope of verification described above, we hereby certify that:

An amount aggregating to **Rs.** \_\_\_\_\_, comprising

- **IGST:** Rs. \_\_\_\_\_,
- **CGST:** Rs. \_\_\_\_\_,
- **SGST/UTGST:** Rs. \_\_\_\_\_, and
- **Cess:** Rs. \_\_\_\_\_

has been **reversed by the Recipient** in respect of the **tax credit notes issued by the Supplier** during the period \_\_\_\_\_, in line with the provisions of **Section 15(3)(b)(ii)** of the CGST Act and the procedural guidance issued vide **CBIC Circular No. 212/6/2024-GST dated 26th June 2024**.

**Details of such reversals are as follows**

Sl. No	Invoice No.	Invoice Date	Credit Note No.	Credit Note Date	Discount Amount (Rs)	ITC Reversed (Rs)

Column No.	Column Title	Explanation
1	Sl. No	Serial number of the entry, used for listing and reference.
2	Invoice No.	Original invoice number against which the credit note is issued.
3	Invoice Date	Date of the original invoice pertaining to the sale/supply.
4	Credit Note No.	Number of the credit note issued for post-sale adjustments like discounts, returns, or corrections.
5	Credit Note Date	Date on which the credit note was issued. Important for return and reporting timelines under GST.
6	Discount Amount (Rs)	Value of the commercial or post-supply discount granted and recorded via the credit note.
7	ITC Reversed (Rs)	Amount of Input Tax Credit reversed by the recipient (if any), in line with the reduction in taxable value due to the discount/credit note.

**Limitations of Use**

This certificate is issued **solely for the limited purpose** of evidencing compliance with the provisions of **Section 15(3)(b)(ii)** of the **Central Goods and Services Tax Act, 2017**, and the corresponding provisions of the **State Goods and Services Tax Act/Union Territory Goods and Services Tax Act**, as stipulated under **Circular No. 212/6/2024-GST dated 26th June 2024**, issued by the Central Board of Indirect Taxes and Customs (CBIC).

It is intended exclusively for the use of **[Name of the Supplier]** and the relevant **GST authorities** to whom it is submitted in connection with the reversal of input tax credit attributable to tax credit notes. This certificate **shall not be relied upon, reproduced, circulated, or distributed**—whether in full or in part—for any purpose other than the specific use stated herein, without our **prior written approval**.



We expressly disclaim any responsibility or legal liability to any **third party** who may gain access to this certificate, whether directly or indirectly, without such prior consent.

For CMA & Co.

Cost Accountants

(Firm Registration Number \_\_\_\_\_)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Name of the Signing Member)

Designation: \_\_\_\_\_

Membership Number: \_\_\_\_\_

UDIN: \_\_\_\_\_

## Checkpoints for Cost Accountants

### Threshold for Issuing Certificate

The certificate is required when the total tax amount (CGST + SGST/UTGST, or IGST and compensation cess, if any) involved in discounts provided by the Supplier to a Recipient through tax credit notes in a Financial Year exceeds ₹5,00,000 (Rupees Five Lakhs only).

Details to be Included in the Certificate

The certificate should contain the following information:

- a) Details of tax credit notes, including their numbers and issuance dates.
- b) Relevant invoice numbers against which the credit notes were issued.
- c) The amount of input tax credit (ITC) reversed for each credit note.
- d) Reference to the specific returns or documents through which the ITC reversal was made by the Recipient, such as FORM GSTR-3B, FORM GST DRC-03, or any other applicable document.

### Mandatory Inclusion of UDIN

The certificate must include the Unique Document Identification Number (UDIN) issued by the ICMAI

Verification Process



Begin the verification by analyzing the total ITC reversal reported by the Recipient. Exclude scenarios outside the scope of the Circular to determine the relevant extent of ITC reversal, including the following exclusions:

- a) **Credit Notes Unrelated to GST Liability:**  
Adjustments for non-supply-related reasons such as accounting or clerical corrections or price adjustments not impacting GST.
- b) **Credit Notes Beyond Statutory Limits:**  
Credit notes issued after the statutory time limit (October of the following financial year or the filing of the annual return, whichever is earlier).
- c) **Reversals Due to Non-Payment:**  
ITC reversals related to non-payment to suppliers within 180 days as per the second proviso to Section 16(2) of the CGST Act.
- d) **Blocked Credits Under Section 17(5):**  
Credits disallowed under law, such as motor vehicles, personal consumption, or other blocked credits unrelated to post-supply adjustments.
- e) **Job Work Compliance:**  
Reversals due to non-compliance with conditions under Section 19 of the CGST Act for inputs or capital goods sent for job work.
- f) **Prior Period Errors:**  
Reversals arising from clerical errors, duplicate claims, or wrongful claims in earlier tax periods.

### **Cross-Verification in Recipient's Records**

Ensure that the credit notes issued by the Supplier are reflected in the Recipient's Form GSTR-2B for the corresponding tax periods.

### **Key Considerations for Tax Periods**

Verify and document the following:

- a) The tax period during which the Supplier issued the credit note(s).
- b) The tax period during which the ITC reversal was reported by the Recipient in FORM GSTR-3B, FORM GST DRC-03, or other relevant documents.





**ICMAI**  
**THE INSTITUTE OF**  
**COST ACCOUNTANTS OF INDIA**  
**भारतीय लागत लेखाकार संस्थान**  
Statutory Body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)



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