GOVERNMENT OF TELANGANA
COMMERCIAL TAXES DEPARTMENT

Office of
The Chief Commissioner of State Tax
Telangana, Hyderabad.

CCST Ref. No. A(1)/102/2026 **Date:12.11.2026**

Circular No.12/2026

Sub: TGST Act, 2017 – Cancellation of registration – Reversal of unutilised IGST input tax credit available in the Electronic Credit Ledger – Verification and recovery of amounts payable by taxpayers – Instructions to field officers – Issued.

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1. It has been observed that in several cases, taxpayers whose GST registrations have been cancelled continue to have unutilised Input Tax Credit (ITC), particularly IGST credit, available in their Electronic Credit Ledgers even after the effective date of cancellation of registration.
2. Cancellation of registration does not extinguish a taxpayer's liability to pay tax, interest, penalty or other dues, or to discharge obligations arising under the GST Acts and the rules made thereunder for the period up to the date of cancellation. Further, Section 29(5) of the TGST Act, 2017 requires payment of the amount specified therein in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock, and capital goods or plant and machinery, as on the day immediately preceding the date of cancellation, in the manner prescribed under Rule 44 of TGST Rules, 2017.
3. It is therefore necessary that the field officers undertake systematic verification of the Electronic Credit Ledger of taxpayers whose registrations have been cancelled and ensure that the statutory liabilities arising on cancellation are properly determined and recovered.

4. Statutory provisions

Section 29(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.*

Section 29(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:*
>
> *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.*

Section 45 read with Rule 81

> *Every registered person whose registration has been cancelled is required to furnish a final return in FORM GSTR-10 within three months of the date of cancellation or the date of the cancellation order, whichever is later.*

Analysis of Data of IGST credit available with cancelled TPs

5. Analysis of IGST credit balances reflected in the Electronic Credit Ledgers of cancelled Taxpayers hasidentified the following three categories:

i. TPs against whom demands have already been raised and reflected in the liability ledger and who also have IGST ITC in their credit ledgers (List -1)

ii. TPs who have not filed final return in Form GSTR-10 (List-2)

iii. TPs who have filed final return in Form GSTR-10 but continue to have unadjusted IGST ITC in their Electronic Credit Ledgers (List-3).

Instructions to field officers:

6. A module titled "IGST credit reversible for cancelled Taxpayers" has been deployed in our dashboard. The module contains details of State administered taxpayers whose registrations were cancelled between 01.04.2021 and 31.01.2026, who have an IGST credit balance exceeding ₹50,000. The details of demands already raised and reflected in Electronic Liability Register for the cancelled taxpayers are also incorporated in the module.
7. Three lists have been prepared for the above three categories. The proper officers shall verify the details available in the module with the GST portal records and take action in accordance with the instructions below.
8. **Action to be taken by the proper officers**

<u>List 1 – Demand already raised and reflected in the Electronic Liability Register</u>

8.1 The SGST demand in the liability ledger shall be immediately adjusted with the IGST ITC available in the credit ledger of the taxpayer. If IGST ITC is still available after such adjustment, then the IGST demand, if any, shall be adjusted to the balance credit available.

For example:A taxpayer has Rs.1 lakh in ITC credit ledger. He has Rs.50,000 SGST demand and Rs.75,000 IGST demand in liability ledger. Then, first adjust the SGST demand (Rs. 50,000) and then the balance credit Rs.50,000 available may be adjusted to IGST demand.

8.2 The Debit / adjustment reference number shall be entered in the module immediately after completion of the action.

8.3 It shall be borne in mind that the IGST liability if discharged by utilising SGST credit will result in negative settlement to the State.

8.4 This task shall be completed by 14.11.2026.

8.5 Caution: Check carefully whether any stay / appeal is pending against this demand before adjustment of ITC to liability.

List-2 – Taxpayers who have not filed FORM GSTR-10

8.6 The proper officer shall issue Notice in Form GSTR 3-A before 14.11.2026. RFN (Reference) Number shall be generated in the GST portal and mentioned on the notice. As the registration is cancelled, the notice shall also be served through the taxpayer's registered e-mail address, as an alternate mode of service prescribed under the Act. Proof of service shall be retained on record.

8.7 If the taxpayer does not file the final return in GSTR 10 before the time stipulated in GSTR 3A notice, the proper officer shall (i) issue ASMT 13 with RFN number and (ii) the order with the summary of demand in FORM GST DRC-07 shall be generated and uploaded on the GST portal. Copies shall also be served through the taxpayer's registered e-mail address, in accordance with the prescribed mode of service. This task to be completed by 7.12.2026 following the prescribed procedures.

8.8 It shall be borne in mind that IGST liability, if any, shall be raised with Place of Supply as (36) Telangana.

8.9 The SGST demand and then the IGST demand in the liability ledger shall be adjusted with the IGST ITC available in the credit ledger of the taxpayer.

8.10 It shall be borne in mind that the IGST liability if discharged by utilising SGST credit will result in negative settlement to the State.

List-3 – FORM GSTR-10 filed, but unadjusted IGST ITC balance available

8.11 The proper officer shall issue DRC 01 notice before 14.11.2026 duly initiating the adjudication proceedings.

8.12 Later, when the demand is confirmed, the summary of the order shall be uploaded in FORM GST DRC-07 on the GST portal. Copy shall also be served through the taxpayer's registered e-mail address, in accordance with the prescribed mode of service. This task to be completed by 7.12.2026 following the prescribed procedures.

8.13 It shall be borne in mind that IGST liability, if any, shall be raised with Place of Supply as (36) Telangana.

8.14 The SGST demand and then the IGST demand in the liability ledger shall be adjusted with the IGST ITC available in the credit ledger of the taxpayer.

8.15 It shall be borne in mind that the IGST liability if discharged by utilising SGST credit will result in negative settlement to the State.

9. The proper officer shall update the dashboard module as soon as each action is completed. The relevant particulars, including notice reference number, order reference number, ARN/RFN, debit or adjustment reference number, date of service and amount demanded/recovered, as

applicable, shall be entered accurately. The entries shall be supported by the corresponding documents available on the GST portal and in the physical files.

10. The Data has been populated for cancellations made upto 31.1.2026 taking into taking into account the time available to taxpayers for seeking revocation of cancellation and pursuing appellate remedies.
11. The DAU of the CCST office shall populate the data relating to cancellations made in subsequent months on the first day of the succeeding month, with the first such update covering cancellations made in February 2026 on 01.12.2026, and so on for every subsequent month. The tasks shall be attended by the field officers and completed by 20th of the month.
12. Any technical issue relating to the dashboard module shall be brought to the notice of Sri Ramesh, Deputy Commissioner (ST), DAU, with relevant details and screenshots, wherever necessary
13. All Joint Commissioners (ST) shall monitor the progress of this revenue-related exercise and ensure that the officers under their jurisdiction complete the assigned tasks within the stipulated timelines.
14. The Commissioner (ST) RCM will monitor the progress of work in the task.

Sd/- M.Raghunandan Rao
Chief Commissioner of State Tax
Telangana State

To

1. All Joint Commissioners (ST).
2. All Deputy Commissioners (ST).
3. All Assistant Commissioners (ST).

Copy to
All the Senior officers in O/o CCST, Hyderabad.

//F.B.O.//

Commissioner(ST), RCM