

Shri M Ajit Kumar

Chairman,
Central Board of Indirect Taxes & Customs,
Government of India,
North Block,
New Delhi - 110001

Esteemed Sir,

Subject: Restriction in availment of input tax credit imposed by Rule 36(4) of CGST Rules, 2019

Greetings.

The Institute of Chartered Accountants of India (ICAI) has been proactively supporting the Government by providing its suggestions, creating awareness and disseminating knowledge of GST among various stakeholders.

It is hereby submitted that seamless credit of taxes paid at the earlier stage is the backbone of GST and is in line with the principle of good taxation over the world. However, the recently inserted sub-rule 4 to Rule 36 of Central Goods and Services Tax Rules, vide *Notification No. 49/2019 – Central Tax dated 9th October, 2019* as amended by *Notification No. 75/2019 – Central Tax dated 26th December, 2019* restrict the seamless flow of credit of input tax to trade and industry, are reproduced below:

“(4) Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of section 37, shall not exceed 10 per cent. of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37.”

The imposition of above restriction on the flow of credit based on the invoices uploaded by the suppliers would hit the taxpayers adversely, especially to those taxpayers who have been taking supplies from the supplier having turnover upto Rs. 1.5 crore, who are required to submit the return quarterly. Further, this will push the taxpayer to shift their procurement from such small supplier to larger supplier and may result in loss of market by such small supplier.

Therefore, it is prayed that in the interest of trade and industry and in line with Hon'ble Prime Minister ease of doing business initiatives, the above insertion of sub-rule 4 to Rule 36 be withdrawn from the retrospective effect.

We shall be glad to provide any further input as may be required and your office may reach us at gst@icai.in or 0120-3045954

Thanking you.

Yours faithfully,

CA. Rajendra Kumar P

Chairman
GST & Indirect Taxes Committee
The Institute of Chartered Accountants of India