

FinMin picks holes in input tax credit claims under GST

Taxpayers told to revise such erroneous claims by December 27

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It's official now. The Finance Ministry has concluded that several businesses have claimed high transitional input tax credit under the GST regime without any bonafide explanation to back such claims.

The Revenue Department has, therefore, given an opportunity for those taxpayers who have claimed transitional

credit erroneously to revise their Form TRAN-1 (form for availing transitional input tax credit) by December 27.

Failure to revise TRAN-1 by December 27 would "constrain" the tax administration to initiate audit and enforcement action against the identified unit, an official release said.

"Analysis to identify such units is underway. Such behaviour leads to breach of trust between the taxpayer and the tax administration, which is the bedrock of self-assessment regime in GST," the Finance Ministry said.

It may be recalled that the

Central Board of Excise and Customs (CBEC) had three months ago asked its chief commissioners to specifically verify claims of input tax credit of more than ₹1 crore in a time-bound manner.

The last date for filing of Form TRAN-1 is December 27.

The Finance Ministry on Tuesday said that some taxpayers have availed "extraordinarily high transitional credit" of Central GST which is neither commensurate with the trend of input tax credit of the industry nor as maintained by the taxpayer himself in the past.

Some of these high trans-

itional credits may have a bonafide explanation or may be a case of bonafide mistake. However, it has been noted that high transitional credit has been claimed in many cases for which perhaps no bonafide explanation exists, the Revenue Department said.

Transition to GST provided for trust-based transition of input tax credit of existing taxpayers. A tax payer could file Form TRAN-1 and avail input tax credit on the basis of closing balance of the input tax credit declared in the last return under the pre-GST regime.

MS Mani, Partner GST, De-

loitte India, said: "Since high transition credit claims would effectively reduce the tax collections for the current fiscal, the tax authorities would be scrutinising all large claims carefully to ensure that only genuine claims are allowed".

Pratik Jain, Leader-Indirect Tax, PwC, said the quantum of opening credit claimed has been a concern for the Government. Therefore, the Government has nudged businesses to carefully look at their claims and revise it if needed. "Large claims would most likely be scrutinised by the authorities in next few months," he said.