

**Office of the
Commissioner of Commercial Taxes
Telangana State :: Hyderabad**

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Circular

GST-Transitional Relief – Certain Guidelines

Sub:- Goods and Service Tax-transition relief –scenario and Guidelines-Issuance of certain instructions – Reg.

Ref: - Chapter 20 of the State Goods and Service tax Act, 2017.

Attention is invited to the subject and the reference cited. It is to inform that Government of India has already announced the introduction of Goods and Service tax from 1st July, 2017. In this regard GST Act, 2017 has stipulated certain provisions for providing transition relief to the dealers. The provisions pertaining to transition relief are as per section 139,140,141 and 142 of the Telangana Goods and Service Tax Act, 2017 and Central Goods Services ax Act, 2017.

1. Section 139 : Migration of existing dealers
2. Section 140 : Transitional arrangements for input tax credit
3. Section 141 : Transitional provisions relating to job work
4. Section 142 : Miscellaneous transitional provisions

As per these provisions of the above Acts;-

- i. The transitional relief will be available to dealers registered under GST and who do not opt for composition scheme
- ii. The transition relief has to be claimed within 90 days of the appointed day in Form GST TRAN1
- iii. The transition relief will be available for dealers registered under VAT and CENVAT. The relief which can be availed is
 - o VAT CCF as SGST credit
 - o CENVAT CCF as CGST credit
- iv. The transition relief is also available for dealers who are at present un-registered but liable for registration under GST ex Textile dealers, Traders under CENVAT. Composition dealers like Builders, Work Contracts and also TOT dealers are also eligible for transitional credit on the goods held in stock which have already suffered tax.

v. If the above mentioned dealers possess taxpaying document like tax invoice or excise challan they are eligible to claim ITC as per the document, if purchased within 12 months prior to appointed day. If they do not possess taxpaying document, then credit is available at the rate of 60% in case the goods are to be taxed at 18% on payment of GST and 40% for other goods.

The various scenario in claiming of transition relief are enclosed in Annexure 2.

The following are the action to be taken to ensure dealers avail the transition relief with ease and at the same time no excess claim is made;-

- i. The transition provisions to be explained to the dealer groups
- ii. The computer wing has developed the software to capture the stock position as on 31st March,2017 and as on 31st May,2017 along with the monthly returns. The dealers are to be prevailed upon to furnish the information along with the returns
- iii. Each circle to identify top 30 dealers who may be in possession of stocks and likely to claim transition relief
- iv. The list of the dealers is to be submitted to Commissioner, CT for conducting verification in case the situation arises.
- v. VAT Dealers can claim only CENVAT credit on stocks, if they are not registered under CENVAT. VAT credit cannot be claimed on stocks except by TOT dealers and dealers opted for composition. These aspects may be verified carefully. Therefore, a non-composition or a non TOT dealer claiming relief for VAT paid on stock may be flagged.
- vi. The identification of dealers for verification of stock position has to be made out based on risk parameters including the sensitivity of the goods and peculiarities of the trade:
 - Dealers may adjust the latest CENVAT invoices against stocks older than (12) months. Therefore, a correlation of stocks with the CENVAT invoices may be made by adopting first-in-first-out accounting method.
 - TOT & composition dealers may adjust VAT invoices against stocks older than (12) months. Therefore, a correlation of stocks with the VAT invoices may be made by adopting first-in-first-out accounting method.
 - All the cases where the rate of Tax on goods was higher in the existing Law (CENVAT + VAT) but is taxed at a reduced rate under GST Law are prone to stock manipulation. Therefore, all such cases may be flagged.

All the Deputy Commissioners are to take immediate action in this regard and report compliance.

Sd/- V. Anil Kumar

Commissioner (CT)

To

All the Deputy Commissioners (CT) in the State.

Copy to all the Senior Officers in O/o CCT.

Annexure 1

Transitional Provisions under GST Law

1) What are transitional provisions?

Ans) These are special provisions made in the GST Act to enable existing dealers under VAT / CENVAT Act to smoothly migrate to GST.

2) Who can avail reliefs under transitional provisions?

Ans) All the existing dealers can avail reliefs under transitional provisions.

3) What are the various reliefs?

Ans) a) A dealer can avail ITC of the credit carried forward (CCF) in GST.

b) A dealer can avail Tax / Duty paid on capital goods as ITC in GST.

c) A dealer can avail Tax / Duty paid on stocks as ITC in GST.

d) A dealer can avail ITC of Tax / Duty paid on goods received after appointed day.

e) A dealer can avail refund of Tax / Duty paid on goods sold before appointed day but returned after appointed day.

4) How can the transitional relief be availed?

Ans) The dealer has to file a GST TRAN-1 Form within (90) days from the appointed day through the GSTN Portal, to claim transitional reliefs.

Transitional Issues, Reliefs and Conditions to be fulfilled for availing Reliefs

S.No.	Transitional Issue	Conditions to be Fulfilled	Remarks
1.	Credit Carried Forward (CCF) in the last VAT / CENVAT returns can be claimed as ITC in GST.	<ul style="list-style-type: none">○ Taxable persons should not be under composition in GST.○ ITC should be admissible in GST on these goods.○ All returns for past (6) months are filed.	If CCF in VAT is due to CST transactions, then details of C, F, H or I Forms should be given in GST TRAN-1 Form.
2.	Un-availed CENVAT credit on capital goods which is not part of CCF can be availed as ITC in GST	Such credit should be admissible under CENVAT and GST Law.	
3.	Duty or Tax paid on unsold stock can be availed as ITC	(a) Such stock should be covered by invoices evidencing payment of Tax /	<ul style="list-style-type: none">○ Stock statement should be

	<p>in GST in the case of</p> <ul style="list-style-type: none"> ○ Presently un-registered person. ○ Person using Taxable input for exempt output. 	<p>Duty and should not be earlier than (12) months from the appointed day.</p> <p>(b) If invoice is not there, then stock should be covered by other purchase documents. Credit will be allowed after GST on supply of such goods is made.</p>	<p>provided in TRAN-1.</p> <ul style="list-style-type: none"> ○ In case of (b), credit will be allowed @60% if GST rate is equal to 18% and @40% if GST rate is less than 18%.
4.	<p>Tax / Duty paid on goods earlier to the appointed day can be claimed as ITC in GST if such goods are received after appointed day.</p>	<p>The details of such invoice or documents should be recorded in the books within (30) days from the appointed day and the statement in respect of this credit should be furnished.</p>	
5.	<p>A TOT dealer or a dealer under composition can claim Tax / Duty paid on unsold stocks as ITC in GST.</p>	<p>The invoice evidencing payment of Tax and relatable to stock shall not be earlier than (12) months from the appointed day.</p>	<p>Stock statement should be provided in TRAN-1.</p>
6.	<p>If goods sold earlier to appointed day are returned after appointed day then</p> <ul style="list-style-type: none"> ○ Tax will be refunded if purchaser is unregistered. ○ It will be supply if purchaser is registered. 	<p>Such goods should not have been sold earlier than (6) months from appointed day and are not returned (6) months after appointed day.</p>	

ANNEXURE 2

STATUTORY PROVISIONS OF TRANSITIONAL RELIEF UNDER GST

The GST Law envisages following scenarios where a taxable person can claim credit of un-availed ITC under the existing law:-

- **Scenario 1:-** Treatment of CCF (Credit Carried Forward).
 - Section 140(1) of CGST/SGST Act read with Rule 1(1) of transitional rules.
 - The CCF can be utilized as credit in the GST by declaring it in GST TRAN-1 form within 90 days from Appointed Day (AD).
 - The Registered Person (RP) claiming the CCF:-
 - Shall not be under composition in GST.

- o Such credit is admissible under GST.
- o Such RP should have filed returns for the past 6 months from AD.
- CCF under CENVAT Act can be claimed by uploading details in Column 5(a) of the GST TRAN -1 form if:-
 - o The credit is not related to goods manufactured and cleared under any exemption notification.
- CCF under VAT Act can be claimed in the following manner:-
 - o If not related to CST transactions, CCF can be claimed straight away.
 - o If it is due to transactions made under CST Act, then:-
 - If the transactions are between 01-04-2015 to 30-06-2017.
 - The statutory forms pertaining to the transactions made in the above period are available with the dealer.
 - The balance tax on inter-state turnover to the extent of statutory forms not available is reduced from CCF.
 - o **Scenario 2:-** Treatment of ITC on Capital Goods.
 - Section 140(2) of CGST Act read with Rule 1(2) of Transition Rules.
 - For CGST un-availed CENVAT credit on capital goods can be claimed by declaring the same in Statement 6 of GST TRAN-1 form.
 - o **Scenario 3:-** Treatment of tax paid on the stocks in certain cases.
 - Section 140(2) of CGST Act read with Rule 1(2b) and Rule 1(4).
 - In case of persons who are not registered under CENVAT/VAT or registered CENVAT/VAT persons are not liable to pay tax and such persons are having stocks on which duty is paid.
 - o They can claim credit of eligible duty of CENVAT / VAT in GST.
 - o They shall possess an invoice in respect of such inputs.
 - o Such invoices shall not be earlier than 12 months prior to AD.
 - o The details of stock shall be provided in statement 7(a), (b) & (c) of GST TRAN-1 form.
 - o If there is no invoice then credit shall be given as follows which can be utilized within 6 months:-
 - If CGST / SGST > or = 9% then credit is 60% of GST paid.
 - If CGST / SGST < 9% then credit is 40% of GST paid.
 - If IGST > or = 18% then credit is 30% of IGST paid.
 - If IGST < 18% then credit is 20% of IGST paid.

- o The details of stock shall be provided in statement 7(a),(b) & (c) of GST TRAN-1 form and a monthly statement in GST TRAN-2 for 6 months.
- o **Scenario 4:-** Treatment of credit pertaining to taxable and exempt goods / services under the existing law but taxable under GST and dealt by a single RP:-
 - Section 140(4)
 - The portion of CCF shall be treated as detailed in Scenario 1 above.
 - The Duty / VAT paid on stocks shall be treated as Scenario 3 above.
- o **Scenario 5:-** Treatment of tax paid under existing law on the goods received after AD.
 - Section 140(5)
 - The RP shall be eligible for credit of such tax under GST if:-
 - o The invoice details are recorded in the books of account within 30 days from AD.
 - o Statement in respect of that credit shall be furnished by RP.

Scenario 6:- Treatment of tax paid on the stocks in case of RPs paying tax at fixed rates / amount under the existing law.

- Section 140(6)
- They can claim credit of eligible duty of CENVAT / VAT in GST.
- They shall possess an invoice in respect of such inputs.
- Such invoices shall not be earlier than 12 months prior to AD.
- The details of stock shall be provided in statement 7(a), (b) & (c) of GST TRAN-1 form.
- o **Scenario 7:-** Treatment of ITC on services received prior to AD by an input service distributor.
 - Section 140(7)
 - The ISD can distribute such ITC if invoices are received after the AD.
- o **Scenario 8:-** Treatment of CCF of a RP with centralized registration.
 - Section 140(8)
 - Such credit may be transferred any of the RPs with the same PAN.
- o **Scenario 9:-** Treatment of consideration paid against reversal of CENVAT credit.
 - Section 140(9)

- Such duty can be claimed as credit.
- **Scenario 10:-** Treatment of Job Work:-
 - Section 141 read with Rule 3
 - Where inputs are sent for job work prior to AD but returned to RP after AD, then tax not payable under GST if both the RP and the Job Worker declare the details of stock held by such job worker in Statement 9 of GST TRAN-1 form:-
 - Goods are returned within 6 months from the AD, with an extension of 2 months with the permission of the commissioner.
 - Where semi-finished goods are sent for job work prior to AD but returned to RP after AD, then tax not payable under GST if:-
 - Goods are returned within 6 months from the AD, with an extension of 2 months with the permission of the commissioner.
 - Where finished goods are sent to other / others premises for undergoing testing or other process then:-
 - Goods are returned within 6 months from the AD, with an extension of 2 months with the permission of the commissioner.
- **Scenario 11:-** Goods sold prior to AD but returned after AD:-
 - Section 142(1)
 - Treatment of goods sold not earlier than 6 months before AD but returned within 6 months from AD:-
 - If returned by a non RP, then tax paid under existing law shall be refunded.
 - If returned by a RP, it shall be supplied by RP.
- **Scenario 12:-** Treatment of price revision:-
 - Section 142(2)
 - Debit note / credit note issued for price revision after AD for a contract entered prior to AD shall be deemed to be issued in respect of an outward supply under GST.
- **Scenario 13:-** Treatment of goods sent on approval basis :
 - Section 142(12)
 - Treatment of goods sent for sale on approval basis not earlier than 6 months before AD but returned within 6 months from AD:-
 - No tax shall be payable under GST.