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**Government of Karnataka
(Department of Commercial Taxes)**

No. KSA/GST.CR-05/2019-20 (Vol-IV)

Office of the Commissioner of
Commercial Taxes
Vaniya Therige Karyalaya, Gandhinagar,
Bengaluru-560009, Dated: 22-11-2024

COMMISSIONER OF COMMERCIAL TAXES CIRCULAR No. GST- 29/2024

Subject: Clarifying the issues regarding implementation of provisions of sub-section (5) and sub-section (6) in section 16 of KGST Act, 2017-reg.

Reference is invited to sub-section (5) and sub-section (6) of section 16 of the Karnataka Goods & Services Tax Act, 2017 (hereinafter referred to as the "KGST Act") inserted in section 16 of the KGST Act, with effect from the 1st day of July, 2017, vide section 6 of Karnataka Ordinance No. 02/2024, Karnataka Goods and Services Tax Act (Amendment) Ordinance 2024 dated 13th November, 2024, whereby the time limit to avail input tax credit under provisions of sub-section (4) of section 16 of KGST Act has been retrospectively extended in certain specified cases.

1.2 Sub-section (4), sub-section (5) and sub-section (6) of section 16 of the KGST Act are reproduced below for ready reference:

"(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the thirtieth day of November following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Provided that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.

(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the thirtieth day of November, 2021.

(6) Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under

section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or Court and where availment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,—

(i) filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or

(ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.”

1.3 Further, it has been provided in vide section 37 of Karnataka Ordinance No. 02/2024, Karnataka Goods and Services Tax Act (Amendment) Ordinance 2024 dated 13th November, 2024 (reproduced below), that no refund of any tax paid or the input tax credit reversed shall be granted on account of the said retrospective insertion of sub-section (5) and sub-section (6) of section 16 of the KGST Act.

“150. No refund shall be made of all the tax paid or the input tax credit reversed, which would not have been so paid, or not reversed, had section 118 been in force at all material times.”

1.4 Besides, vide Notification No. 11/2024 –State tax dated 16.11.2024, a special procedure for rectification of orders has been notified under section 148 of the KGST Act, to be followed by the class of taxable persons, against whom orders under section 73 or section 74 or section 107 or section 108 of the KGST Act have been issued confirming demand for wrong availment of input tax credit on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, but where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act, and where appeal against the said order has not been filed.

1.5 Representations have been received from trade and industry requesting for clarification in respect of various issues pertaining to availment of benefit of the said amendments in section 16 of KGST Act to the taxpayers against whom demands have been issued alleging wrong availment of input tax credit in contravention of provisions of sub-section (4) of section 16 of KGST Act, who are now entitled to avail the said input tax credit as per the retrospectively inserted provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act.

2. In order to ensure uniformity in the implementation of the provisions of law across the field formations, the Commissioner, in exercise of its powers conferred by section 168 of the KGST Act, hereby clarifies the issues as below.

3. The following action may be taken by the tax authorities and/ or the taxpayers in various

scenarios for availment of benefit on account of retrospectively inserted provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act:

3.1 Where no demand notice/statement has been issued under section 73 or section 74 of the KGST Act:

In cases, where any investigation/proceedings in respect of wrong availment of input tax credit alleging contravention of provisions of sub-section (4) of section 16 of the KGST Act has been initiated, but no demand notice/statement under section 73 or section 74 of the said Act has been issued, and taxpayers are now entitled to avail the said input tax credit under the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act, the proper office shall take cognizance of the sub-section (5) or sub-section (6) of section 16 of KGST Act, inserted retrospectively with effect from 01.07.2017 and take further appropriate action. This also includes the cases where an intimation in FORM DRC-01A has been issued under rule 142(1A) of the KGST Rules for denial of input tax credit on account of contravention of sub-section (4) of section 16 of the said Act, but no demand notice/statement under section 73 or section 74 of the said Act has been issued.

3.2 Where demand notice/ statement under section 73 or section 74 of KGST Act has been issued but no order under section 73 or section 74 of KGST Act has been issued by the Adjudicating Authority:

In such cases, the Adjudicating Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the KGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 73 or section 74 of the KGST Act.

3.3 Where order under section 73 or section 74 of the KGST Act has been issued and appeal has been filed under section 107 of the KGST Act with the Appellate Authority but no order under section 107 of the KGST Act has been issued by the Appellate Authority:

In such cases, the Appellate Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the KGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 107 of the KGST Act.

3.4 Where order under section 73 or section 74 of the KGST Act has been issued and Revisional Authority has initiated proceedings under section 108 of the KGST Act, but no order under section 108 of the KGST Act has been issued by the Revisional Authority:

In such cases, the Revisional Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the KGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 108 of the KGST Act.

3.5 Where order under section 73 or section 74 of the KGST Act has been issued but no appeal against the said order has been filed with the Appellate Authority, or where the order under section 107 or section 108 of the KGST Act has been issued by the Appellate Authority or the Revisional Authority but no appeal against the said order has been filed with the Appellate Tribunal:

In such cases, where any order under section 73 or section 74 or section 107 or section 108 of the KGST Act has been issued confirming demand for wrong availment of input tax credit on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, but where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act, and where appeal against the said order has not been filed, the concerned taxpayer may apply for rectification of such order under the special procedure under section 148 of the KGST Act notified vide Notification No. 11/2024 –State tax dated 16.11.2024, within a period of six months from the date of issuance of the said notification.

3.5.1 The taxpayers can file an application for rectification electronically, after login to www.gst.gov.in, using their credentials, by navigating as below in various cases:

- a. In case where an application for rectification of an order issued under section 73 or section 74 of the KGST Act is to be filed:
 - i. Click **Dashboard > Services > User Services > My Applications**.
 - ii. Select "Application for rectification of order" in the **Application Type** field. Then, click the **NEW APPLICATION** button.

- b. In case where an application for rectification of an order issued under section 107 of the KGST Act is to be filed:
 - i. Click **Dashboard > Services > User Services > View Additional Notices/Orders**
 - ii. Additional Notices and Orders page is displayed. Click the **View** hyperlink to go to the Case Details screen of the issued Notice/Order.
 - iii. **Case Details** page is displayed. The **APPLICATIONS** tab is selected by default. Select the **ORDERS** tab and click the "Initiate Rectification" link.

- c. In case where an application for rectification of an order issued under section 108 of the KGST Act is to be filed:
 - i. Click **Dashboard > Services > User Services > View Additional Notices/Orders**
 - ii. **Additional Notices and Orders** page is displayed. Click the **View** hyperlink to go to the Case Details screen of the issued Notice/Order.
 - iii. **Case Details** page is displayed. The **NOTICES** tab is selected by default. To submit Rectification Request against the Revision Order issued to you by the Revisional Authority, select the **ORDERS** tab and click the "Initiate Rectification" link.

3.5.2 While filing such application for rectification of order, the taxpayer shall upload along with the application for rectification of order, the information in the proforma in **Annexure A** of the said notification, containing *inter-alia* the details of the demand confirmed in the said order of the input tax credit wrongly availed on account of

contravention of sub-section (4) of section 16 of the KGST Act, which is now eligible as per sub-section (5) and/or sub-section (6) of section 16 of the KGST Act.

- 3.5.3** Such application for rectification shall be dealt by the proper officer who had passed the order for which the said rectification application has been filed. The said officer shall take a decision on the said application for rectification and issue the order, as far as possible, within a period of three months from the date of such application. Besides, in case where any rectification is being made by the proper officer in the order for which the rectification application has been filed, he shall also upload a summary of the rectified order electronically in **FORM DRC-08** in cases where rectification of an order issued under section 73 or section 74 of the KGST Act is being made, and in **FORM GST APL-04**, in cases where rectification of an order issued under section 107 or section 108 of the said Act is being made. While taking a decision on such application for rectification filed under the said special procedure, the proper officer shall also consider other grounds, if any, for denial of input tax credit, other than contravention of sub-section (4) of section 16 of the KGST Act, invoked in the concerned notice issued under section 73 or section 74, as applicable, in respect of the said amount of input tax credit.
- 3.5.4** Where the rectification adversely affects the said person, the principles of natural justice shall be followed by the said proper officer.
- 3.5.5** Further, it is to be noted that in cases where any rectification has been made by the proper officer in the order for which the rectification application has been filed, an appeal against such rectified order can be filed under the provisions of section 107 or section 112 of the KGST Act, as the case may be, within the time limit specified therein.

- 4.** It is pertinent to note that in terms of section 37 of notification Karnataka Ordinance No. 02/2024, Karnataka Goods and Services Tax Act (Amendment) Ordinance 2024 dated 13th November, 2024, no refund of tax already paid or input tax credit already reversed would be available, where such tax has been paid or input tax credit has been reversed on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, and where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act.

However, it is clarified that said restriction on refund under section 37 of notification Karnataka Ordinance No. 02/2024, Karnataka Goods and Services Tax Act (Amendment) Ordinance 2024 dated 13th November, 2024, will not apply to the refund of an amount paid as pre-deposit by the taxpayer as per sub-section (6) of section 107 or sub-section (8) of section 112 of the KGST Act, at the time of filing of an appeal, where such appeals are decided in favour of the said taxpayer.

- 5.** It is to be noted that the rectification application of an order issued under section 73 or section 74 or section 107 or section 108 of the KGST Act, can be filed under the special procedure notified vide notification No. 11/2024 –State tax dated 16.11.2024, within a period of six months from the date of issuance of the said notification, only in cases where the issue or one of the issues on which the demand has been confirmed in

the said order, pertains to wrong availment of input tax credit on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, and where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act. In cases where no such issue is involved and a taxpayer requires to file an application of rectification of an order, such rectification application can be filed by the taxpayers only under the provisions of section 161 of the KGST Act, within the time limit specified therein. In case a taxpayer has filed an application for rectification of an order under the special procedure notified vide notification No. 11/2024 –State tax dated 16.11.2024, but where it is found that the issues in the said order do not involve any issue of wrong availment of input tax credit on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, and where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act, such an application would be summarily rejected by the proper officer with a remark that, *“The rectification application is rejected as it is found that the same is not covered under the notification No. 11/2024 –State tax dated 16.11.2024, as no such issue is involved in the said order pertaining to wrong availment of input tax credit on account of contravention of provisions of sub-section (4) of section 16 of the KGST Act, and where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the KGST Act”*.

6. Accordingly, suitable instructions shall be passed on to the field formations under your charge.

7. Difficulty, if any, in the implementation of this circular may be brought to the notice of this office.



(CHANDRASHEKHAR NAYAKA L.)

Commissioner of Commercial Taxes

(Karnataka), Bengaluru

Commissioner of Commercial Taxes

Karnataka, Bangalore.

To,

All officers of the Department in the State.