

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

**No. KSA/GST/CR-108 / 2018-19**

**Office of the Commissioner of Commercial Taxes**  
**Vanijya Terige Karyalaya, Gandhinagar,**  
**Bengaluru-560009, Dated: 16-04-2018**

**COMMISSIONER OF COMMERCIAL TAXES CIRCULAR No. GST- 03/2018-19**

**Sub: Instructions regarding procedure for recovery of arrears under the existing law and reversal of inadmissible input tax credit-reg.**

Attention of all officers of the Department is invited to the provisions of the Karnataka Goods and Services Tax Act, 2017 (hereinafter referred to as the KGST Act) relating to the recovery of arrears of Value Added Tax and input tax credit thereof, input tax credit carried forward erroneously and recovery of arrears of Entry Tax and other taxes leviable under the existing law and related interest, penalty or late fee payable arising as a result of the proceedings of assessment, adjudication, appeal etc. initiated before, on or after the appointed date under the provisions of the existing law. In this regard, representations have been received seeking clarification on the procedure for recovery of such arrears in the GST regime.

2. The issues have been examined and to ensure uniformity by the jurisdictional officers in the implementation of the provisions of the law, in exercise of powers conferred under section 168 (1) of the Karnataka Goods and Services Tax Act, 2017, (hereinafter referred to as the "KGST Act") the procedure to be followed for recovery of arrears arising out of proceedings under the existing law are hereby specified.

3. **Legal provisions relating to the recovery of arrears of Value Added Tax and input tax credit thereof or of Entry Tax and other taxes arising out of proceedings under the existing law [The Mysore Betting Tax Act, 1932 (Mysore Act IX of 1932), The Karnataka Entertainments Tax Act, 1958 (Karnataka Act 30 of 1958), The Karnataka Tax on Luxuries Act, 1979 (Karnataka Act 22 of 1979), The Karnataka Tax on Entry of Goods Act, 1979, (Karnataka Act 27 of 1979), The Karnataka Tax on Lotteries Act, 2004 (Karnataka Act 4 of 2004), The Karnataka Special Entry Tax Act, 2002 (Karnataka Act 29 of 2004), The Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004)]**

**i) Recovery of arrears of wrongly availed VAT Credit:**

In case where any proceeding of appeal, review or reference relating to a claim for VAT credit had been initiated, whether before, on or after the appointed day, under the existing law, any amount of such credit becomes recoverable, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under the KGST Act [Section 142(6)(b) of the KGST Act refers].

ii) **Recovery of VAT Credit carried forward wrongly:**

VAT credit availed under the existing law may be carried forward in terms of transitional provisions as per section 140 of the KGST Act subject to the conditions prescribed therein. Any credit which is not admissible in terms of section 140 of the KGST Act shall not be allowed to be transitioned or carried forward and the same shall be recovered as an arrear of tax under section 79 of the KGST Act.

iii) **Recovery of arrears of tax under the existing law:**

- a. Where in pursuance of an assessment or adjudication proceedings instituted, whether before, on or after the appointed day, under the existing law, any amount of tax, interest, fine or penalty becomes recoverable, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under the KGST Act [Section 142(8)(a) of the KGST Act refers].
- b. If due to any proceedings of appeal, review or reference relating to output duty or tax liability initiated, whether before, on or after the appointed day, under the existing law, any amount of output duty or tax becomes recoverable, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under the KGST Act [Section 142(7)(a) of the KGST Act refers].

iv) **Recovery of arrears due to revision of return under the existing law:**

Where any return, furnished under the existing law, is revised after the appointed day and if, pursuant to such revision, any amount is found to be recoverable or any amount of VAT credit is found to be inadmissible, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under the KGST Act [Section 142(9)(a) of the KGST Act refers].

4. In view of the above legal provisions, recovery of Value Added Tax and input tax credit thereof arising out of the proceedings under the existing law or recovery of Entry Tax and other taxes leviable under the existing law, credit thereof arising out of the proceedings under the existing law, unless recovered under the existing law, and that of inadmissible transitional credit, is required to be made as an arrear of tax under the KGST Act. The following procedure is hereby prescribed for the recovery of arrears:

**4.1 Recovery of Value Added Tax and input tax credit thereof arising out of the proceedings under the existing law or recovery of Entry Tax and other taxes leviable under the existing law, credit thereof under the existing law and inadmissible transitional credit:**

- (a) The credit of Value Added Tax wrongly carried forward as transitional credit shall be recovered as State tax liability to be paid through the utilization of amounts available in the **electronic credit ledger or electronic cash ledger** of the registered person, and the same shall be recorded in **Part II** of the Electronic Liability Register (**FORM GST PMT-01**).

(b) The arrears of Value Added Tax, or wrongly availed input tax credit thereof or of entry tax and other taxes leviable under the existing law arising out of any of the situations discussed in para 3 above, shall, unless recovered under the existing law, be recovered as State tax liability to be paid through the utilization of amounts available in the **electronic credit ledger or electronic cash ledger** of the registered person, and the same shall be recorded in **Part II** of the Electronic Liability Register (**FORM GST PMT-01**).

**4.2 Recovery of interest and penalty payable:**

(a) The arrears of interest and penalty in relation to credit of Value Added Tax wrongly carried forward, arising out of any of the situations discussed in para 3 above, shall be recovered as interest and penalty of State tax to be paid through the utilization of the amount available in **electronic cash ledger** of the registered person and the same shall be recorded in **Part II** of the Electronic Liability Register (**FORM GST PMT-01**).

(b) The arrears of interest and penalty in relation to arrears of Value Added Tax or wrongly availed input tax credit thereof or of Entry Tax and other taxes leviable under the existing law, credit thereof under the existing law, arising out of any of the situations discussed in para 3 above, shall, unless recovered under the existing law, be recovered as interest and penalty of State tax to be paid through the utilization of the amount available in the **electronic cash ledger** of the registered person and the same shall be recorded in **Part II** of the Electronic Liability Register (**FORM GST PMT-01**).

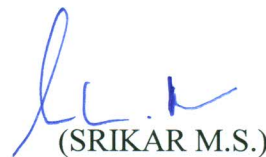
**4.3 Payment of Value Added Tax and Entry Tax on account of returns filed for the past period:**

The registered person may file Value Added Tax and Entry Tax return for the period prior to 1<sup>st</sup> July, 2017 by logging onto **www.vat.kar.nic.in** and make payment relating to the same through **www.vat.kar.nic.in/epay**, as per the practice prevalent for the period prior to the introduction of GST.

**4.4 Recovery of arrears from assesseees under the existing law in cases where such assesseees are not registered under the KGST Act, 2017:**

Such arrears shall be recovered in cash, under the provisions of the existing law and the payment of the same shall be made as per the procedure mentioned in para 4.3 supra.

5. It is informed to all concerned that the above instructions shall be followed scrupulously.

  
(SRIKAR M.S.)

Commissioner of Commercial Taxes  
(Karnataka) Bengaluru  
**Commissioner of Commercial Taxes**  
**Karnataka, Bangalore.**

To,

All the Departmental Officers in the State