

## Golden Rule for Implementation of Change in GST Rate of Goods/ Services

✓ The provisions of **Section 14 of the CGST Act, 2017** lay down the procedure for determining the applicable GST rate in case of a change in the rate of tax. For this purpose, the following three events are to be considered:

1. Date of issue of invoice
2. Date of receipt of payment
3. Date of supply of goods or services

✓ The applicable GST rate shall be determined as follows:

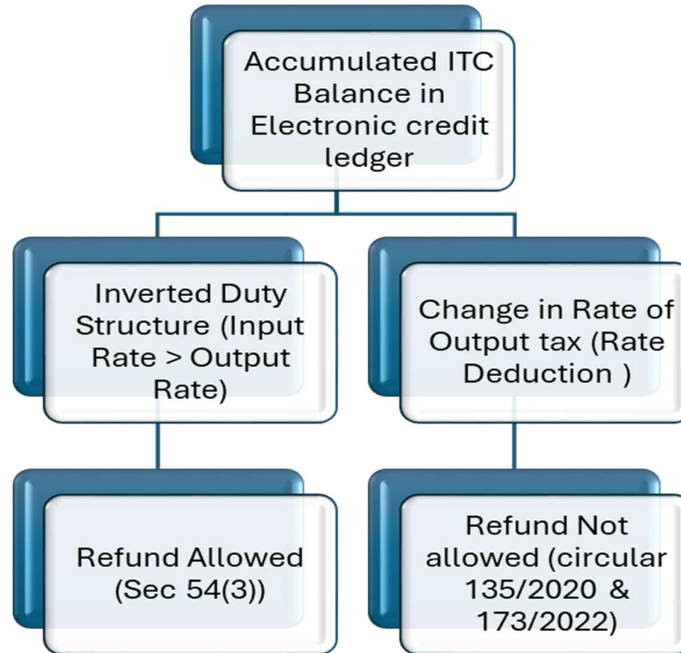
- If the majority of the above events occur **before the date of change in rate of tax**, the **old rate** will apply.
- If the majority of the events occur **on or after the date of change in rate of tax**, the **new rate** will be applicable.

✓ Let's understand the different situations more clearly using the below table:

| Supply of Goods/<br>Services | Date of Payment* | Date of Invoice | Applicable GST Rate |
|------------------------------|------------------|-----------------|---------------------|
| Before Change                | After Change     | After Change    | New Rate            |
| Before Change                | After Change     | Before Change   | Old Rate            |
| Before Change                | Before Change    | After Change    | Old Rate            |
| After Change                 | After Change     | Before Change   | New Rate            |
| After Change                 | Before Change    | Before Change   | Old Rate            |
| After Change                 | Before Change    | After Change    | New Rate            |

\*Date of payment = earlier of (i) entry in the books, or (ii) credit in the bank. If credit occurs after four working days from the date of change, the bank credit date is considered.

## Refund of Accumulated ITC on account of reduction in GST Rate



✓ As per Circular No. 135/05/2020-GST dated 31-03-2020 & Circular No. 173/05/2022- GST dated 06-07-2022: -

- Refund of accumulated ITC is admissible only where credit has accumulated on account of the **rate of tax on inputs being higher than the rate of tax on output supplies** (inverted duty structure).
- Refund is **not admissible** in cases where the accumulation arises only due to a **reduction in the rate of tax** on the *same goods*.
- Example: Goods purchased @18% and later the same goods supplied @12% due to GST Rate changed by Govt. → This is a **rate change**, not inverted duty structure → Refund not allowed.

✓ **As per Frequently Asked Questions (FAQs) of the 56th GST Council Meeting:**

- The above position has been **reaffirmed** through FAQs.
- Specifically clarified (FAQ No.-10) that refund of ITC is **not available** where input and output are the same goods, merely attracting different rates at different points in time.
- Such accumulated ITC shall remain in the **Electronic Credit Ledger** and can be **utilized against future GST liability** but cannot be claimed as refund.

- ✓ **Important Note:** - The taxpayer is **not required to reverse the Input Tax Credit (ITC)** available in the Electronic Credit Ledger merely on account of a reduction in the GST rate of specific goods or services. Reversal of ITC shall only be required in cases where the supply becomes wholly **exempt** due to the change in rate.