

## Rule → 86 A Restrictions On Utilisation of ITC

The Commissioner / an officer (not below the rank of an Assistant Commissioner) authorized by him is empowered to impose restrictions on utilisation of ITC available in the electronic Credit ledger if he has reasons to believe that such ITC has been fraudulently availed or is ineligible.

The restrictions can be imposed in the following circumstances :-

- (i) ITC has been availed by the registered person on the basis of tax invoices / debit notes / prescribed documents -
  - issued by a non-existent registered person (supplier) or by a supplier not conducting any business from the place declared in Reg<sup>n</sup> 29
  - without actual receipt of goods or services or both
  - in respect of any supply the tax in respect of which has not been paid to the government

(ii) the registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business, or

(iii) The RP availing ITC is not in possession of tax invoice / debit Note or any other prescribed valid document for it.

If the ITC is so availed, the restrictions can be imposed by NOT allowing such ITC to be used for discharging any liability under Section 49 or NOT allowed refund of any unutilised amount of such ITC.

Such Restrictions can be imposed for a period up to 1 year from the date of imposing such Restrictions.

However, the Commissioner / officer authorized by him, can withdraw such registration if he is satisfied that conditions for imposing the restrictions NO LONGER EXIST

## Rule → 86B Restrictions on the use of Amount available in E-Credit Ledger

### ⇒ Applicability of Rule 86B :-

- Rule 86B is applicable to the RP having value of taxable supply (other than exempt supply and zero-rated supply) in a month exceeding Rs. 50 lakh.
- Therefore, in cases wherein value of taxable supply in a month is upto Rs. 50 lakh, then this restriction would not be applicable.

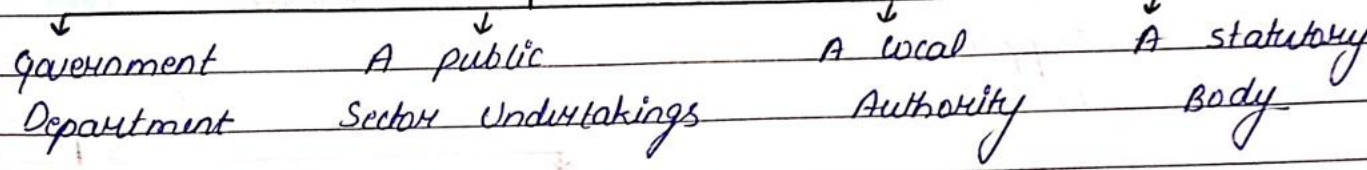
### ⇒ Nature of Restriction Imposed :-

The RP to whom the said rule is applicable can not use ITC to discharge the output tax liability in excess of 99% of such tax liability. In other words, amount available in electronic credit ledger shall be utilised only to the extent of 99% of the output tax liability while discharging such liability. Balance 1% of the output tax liability needs to be discharged from E-cash ledger.

⇒ Exceptions to Rule 86 B -

- Payment of income tax of more than Rs. 1 lakh
- Receipt of refund of ITC of more than Rs. 1 lakh
- Payment of output tax liability through E-cash ledger in excess of 1% of total output tax liability in current FY

Specified Registered Persons



However, Commissioner or an officer authorized by him in his behalf may remove the said restrictions after such verifications and such safeguards as he may deem fit.