

Rule 44 : Manner of reversal of credit under special circumstances

- (1) The amount of input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely,-
- (a) for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;
- (b) for capital goods held in stock, the input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.

Illustration :

Capital goods have been in use for 4 years, 6 month and 15 days.

The useful remaining life in months= 5 months ignoring a part of the month

Input tax credit taken on such capital goods= C

Input tax credit attributable to remaining useful life= C multiplied by 5/60

- ¹[(2) The amount, as specified in sub-rule (1) shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax.
- (3) Where the tax invoices related to the inputs held in stock are not

1 Sub-rule (2) and (3) substituted by Noti. No. 17/2017-Central Tax, dt. 27-07-2017 w.e.f. 01-07-2017. Earlier to substitution it read as under:

"(2) The amount, as specified in sub-rule (1) shall be determined separately for input tax credit of ^A[central tax, State tax, Union territory tax and integrated tax].

^B[(3)] Where the tax invoices related to the inputs held in stock are not available, the registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, subsection (5) of section 29."

A Earlier substituted for "integrated tax and central tax" by Noti. No. 15/2017-Central Tax, dt. 01-07-2017 w.e.f. 01-07-2017.

B Earlier Sub-rule (2) re-numbered as sub-rule (3) by Noti. No. 15/2017-Central Tax, dt. 01-07-2017 w.e.f. 01-07-2017.

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available, the registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.]

- (4) The amount determined under sub-rule (1) shall form part of the output tax liability of the registered person and the details of the amount shall be furnished in **FORM GST ITC-03**, where such amount relates to any event specified in sub-section (4) of section 18 and in **FORM GSTR-10**, where such amount relates to cancellation of registration.
- (5) The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing chartered accountant or cost accountant.
- (6) The amount of input tax credit for the purposes of sub-section (6) of section 18 relating to capital goods shall be determined in the same manner as specified in clause (b) of sub-rule (1) and the amount shall be determined separately for input tax credit of ²[central tax, State tax, Union territory tax and integrated tax]:

Provided that where the amount so determined is more than the tax determined on the transaction value of the capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in **FORM GSTR-1**.

² Subs. for "IGST and CGST" by [Noti. No. 15/2017-Central Tax, dt. 01-07-2017](#) w.e.f. 01-07-2017.