

**Section 140 : Transitional arrangements for input tax credit**

- (1) A registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, the amount of CENVAT credit <sup>1</sup>[of eligible duties] carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law <sup>2</sup>[within such time and] in such manner as may be prescribed:

**Provided** that the registered person shall not be allowed to take credit in the following circumstances, namely:—

- (i) where the said amount of credit is not admissible as input tax credit under this Act; or
  - (ii) where he has not furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date; or
  - (iii) where the said amount of credit relates to goods manufactured and cleared under such exemption notifications as are notified by the Government.
- (2) A registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the unavailed CENVAT credit in respect of capital goods, not carried forward in a return, furnished under the existing law by him, for the immediately preceding the appointed day <sup>3</sup>[within such time and] in such manner as may be prescribed:

**Provided** that the registered person shall not be allowed to take credit unless the said credit was admissible as CENVAT credit under the existing law and is also admissible as input tax credit under this Act.

**Explanation**—For the purposes of this sub-section, the expression “unavailed CENVAT credit” means the amount that remains after subtracting the amount of CENVAT credit already availed in respect of capital goods by the taxable person under the existing law from the aggregate amount of CENVAT credit to which the said person was entitled in respect of the said capital goods under the existing law.

- (3) A registered person, who was not liable to be registered under the existing law, or who was engaged in the manufacture of exempted goods or provision of exempted services, or who was providing works contract

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<sup>1</sup> Inserted by [CGST \(Amendment\) Act, 2018](#) (No. 31 of 2018) w.e.f. 01-07-2017.

<sup>2</sup> Inserted by s. 128 of the [Finance Act, 2020](#) (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

<sup>3</sup> Inserted by s. 128 of the [Finance Act, 2020](#) (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

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service and was availing of the benefit of notification No. 26/2012-Service Tax, dated the 20th June, 2012 or a first stage dealer or a second stage dealer or a registered importer or a depot of a manufacturer, shall be entitled to take, in his electronic credit ledger, credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished <sup>4</sup>[goods held in stock on the appointed day, within such time and in such manner as may be prescribed, subject to] the following conditions, namely : –

- (i) such inputs or goods are used or intended to be used for making taxable supplies under this Act;
- (ii) the said registered person is eligible for input tax credit on such inputs under this Act;
- (iii) the said registered person is in possession of invoice or other prescribed documents evidencing payment of duty under the existing law in respect of such inputs;
- (iv) such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day; and
- (v) the supplier of services is not eligible for any abatement under this Act:

**Provided** that where a registered person, other than a manufacturer or a supplier of services, is not in possession of an invoice or any other documents evidencing payment of duty in respect of inputs, then, such registered person shall, subject to such conditions, limitations and safeguards as may be prescribed, including that the said taxable person shall pass on the benefit of such credit by way of reduced prices to the recipient, be allowed to take credit at such rate and in such manner as may be prescribed.

- (4) A registered person, who was engaged in the manufacture of taxable as well as exempted goods under the Central Excise Act, 1944 (1 of 1944) or provision of taxable as well as exempted services under Chapter V of the Finance Act, 1994 (32 of 1994), but which are liable to tax under this Act, shall be entitled to take, in his electronic credit ledger, –
  - (a) the amount of CENVAT credit carried forward in a return furnished under the existing law by him accordance with the provisions of sub-section (1); and
  - (b) the amount of CENVAT credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished goods

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<sup>4</sup> Substituted for "goods held in stock on the appointed day subject to" by s. 128 of the Finance Act, 2020 (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

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held in stock on the appointed day, relating to such exempted goods or services, in accordance with the provisions of sub-section (3).

- (5) A registered person shall be entitled to take, in his electronic credit ledger, credit of eligible duties and taxes in respect of inputs or input services received on or after the appointed day but the duty or tax in respect of which has been paid by the supplier under the <sup>5</sup>[existing law, within such time and in such manner as may be prescribed], subject to the condition that the invoice or any other duty or tax paying document of the same was recorded in the books of accounts of such person within a period of thirty days from the appointed day:

**Provided** that the period of thirty days may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding thirty days:

**Provided further** that said registered person shall furnish a statement, in such manner as may be prescribed, in respect of credit that has been taken under this sub-section.

- (6) A registered person, who was either paying tax at a fixed rate or paying a fixed amount in lieu of the tax payable under the existing law shall be entitled to take, in his electronic credit ledger, credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished <sup>6</sup>[goods held in stock on the appointed day, within such time and in such manner as may be prescribed, subject to] the following conditions, namely:—
- (i) such inputs or goods are used or intended to be used for making taxable supplies under this Act;
  - (ii) the said registered person is not paying tax under section 10;
  - (iii) the said registered person is eligible for input tax credit on such inputs under this Act;
  - (iv) the said registered person is in possession of invoice or other prescribed documents evidencing payment of duty under the existing law in respect of inputs; and
  - (v) such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

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5 Substituted for "existing law" by s. 128 of the [Finance Act, 2020](#) (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

6 Substituted for "goods held in stock on the appointed day subject to" by s. 128 of the [Finance Act, 2020](#) (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

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- (7) Notwithstanding anything to the contrary contained in this Act, the input tax credit on account of any services received prior to the appointed day by an Input Service Distributor shall be eligible for distribution as <sup>7</sup>[credit under this Act, within such time and in such manner as may be prescribed, <sup>8</sup>[whether the invoices relating to such services are received prior to, on or after, the appointed day].
- (8) Where a registered person having centralised registration under the existing law has obtained a registration under this Act, such person shall be allowed to take, in his electronic credit ledger, credit of the amount of CENVAT credit carried forward in a return, furnished under the existing law by him, in respect of the period ending with the day immediately preceding the appointed day <sup>9</sup>[within such time and in such manner] as may be prescribed:
- Provided** that if the registered person furnishes his return for the period ending with the day immediately preceding the appointed day within three months of the appointed day, such credit shall be allowed subject to the condition that the said return is either an original return or a revised return where the credit has been reduced from that claimed earlier:
- Provided further** that the registered person shall not be allowed to take credit unless the said amount is admissible as input tax credit under this Act:
- Provided also** that such credit may be transferred to any of the registered persons having the same Permanent Account Number for which the centralised registration was obtained under the existing law.
- (9) Where any CENVAT credit availed for the input services provided under the existing law has been reversed due to non-payment of the consideration within a period of three months, such <sup>10</sup>[credit can be

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7 Substituted for "credit under this Act even if" by s. 128 of the Finance Act, 2020 (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

8 Substituted for "even if] the invoices relating to such services are received on or after the appointed day" by The Finance (No. 2) Act, 2024 (No. 15 of 2024) w.e.f. 01-07-2017. [However, Noti. No. 17/2024–Central Tax, dt. 27-09-2024 appoints 01-11-2024 as the date on which this amendment of the Finance (No. 2) Act, 2024 (No. 15 of 2024) shall come into force.]

9 Substituted for "in such manner" by s. 128 of the Finance Act, 2020 (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints 18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

10 Substituted for "credit can be reclaimed subject to" by s. 128 of the Finance Act, 2020 (12 of 2020) w.e.f. 01-07-2017. Noti. No. 43/2020–Central Tax, dt. 16-05-2020 appoints

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reclaimed within such time and in such manner as may be prescribed, subject to] the condition that the registered person has made the payment of the consideration for that supply of services within a period of three months from the appointed day.

- (10) The amount of credit under sub-sections (3), (4) and (6) shall be calculated in such manner as may be prescribed.

**Explanation 1.**—For the purposes of <sup>11</sup>[sub-sections (1), (3), (4)] and (6), the expression “eligible duties” means—

- (i) the additional duty of excise leviable under section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957);
- (ii) the additional duty leviable under sub-section (1) of section 3 of the Customs Tariff Act, 1975 (51 of 1975);
- (iii) the additional duty leviable under sub-section (5) of section 3 of the Customs Tariff Act, 1975 (51 of 1975);
- (iv) <sup>12</sup>[\*\*\*\*]
- (v) the duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986);
- (vi) the duty of excise specified in the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986); and
- (vii) the National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001),

in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day.

**Explanation 2.**—For the purposes of <sup>13</sup>[sub-sections (1) and (5)], the expression “eligible duties and taxes” means —

- (i) the additional duty of excise leviable under section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957);
- (ii) the additional duty leviable under sub-section (1) of section 3 of the Customs Tariff Act, 1975 (51 of 1975);

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18-05-2020 as the date on which the provisions of the Finance Act, 2020 (12 of 2020) shall come into force.

<sup>11</sup> Substituted for "sub-sections (3), (4)" by [CGST \(Amendment\) Act, 2018](#) (No. 31 of 2018) w.e.f. 01-07-2017.

<sup>12</sup> Clause (iv) omitted by [CGST \(Amendment\) Act, 2018](#) (No. 31 of 2018) w.e.f. 01-07-2017. Earlier to omission it read as under:

"(iv) the additional duty of excise leviable under section 3 of the Additional Duties of Excise (Textile and Textile Articles) Act, 1978 (40 of 1978);"

<sup>13</sup> Substituted for "sub-section (5)" by [CGST \(Amendment\) Act, 2018](#) (No. 31 of 2018) w.e.f. 01-07-2017.

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- (iii) the additional duty leviable under sub-section (5) of section 3 of the Customs Tariff Act, 1975 (51 of 1975);
- (iv) <sup>14</sup>[\*\*\*\*]
- (v) the duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986);
- (vi) the duty of excise specified in the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986);
- (vii) the National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001); and
- (viii) the service tax leviable under section 66B of the Finance Act, 1994 (32 of 1994),

in respect of inputs and input services received on or after the appointed day.

<sup>15</sup>[**Explanation 3.**—For removal of doubts, it is hereby clarified that the expression “eligible duties and taxes” excludes any cess which has not been specified in Explanation 1 or Explanation 2 and any cess which is collected as additional duty of customs under sub-section (1) of section 3 of the Customs Tariff Act, 1975 (51 of 1975).]

**Relevant Rule: 44A, 117, 120A, 121**

**Relevant Form: Form GST TRAN-1, GST TRAN-2**

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<sup>14</sup> Clause (iv) omitted by CGST (Amendment) Act, 2018 (No. 31 of 2018) w.e.f. 01-07-2017. Earlier to omission it read as under:

"(iv) the additional duty of excise leviable under section 3 of the Additional Duties of Excise (Textile and Textile Articles) Act, 1978 (40 of 1978);"

<sup>15</sup> Explanation 3 inserted by CGST (Amendment) Act, 2018 (No. 31 of 2018) w.e.f. 01-07-2017.