

**INTERNAL CIRCULAR**

No.ACST (VAT)3/IITC/Cross Check/42/2017/B- 86 Mumbai, dt:- 3<sup>rd</sup> May 2017  
Internal Circular No. 11A of 2017

Subject:- The Guidelines regarding Cross Checking of Input Tax Credit (ITC)

Reference:- 1. Trade Circular No. 22 T of 2017 dt:- 05/10/2010

2. Internal Circular 13 A of 2010 dt:- 25/10/2010

3. Internal Circular 1 A of 2013 dt:- 11/01/2013

4. Internal Circular 10 A of 2013 dt:- 28/08/2013

5. Internal Circular 9 A of 2014 dt:- 18/09/2014

In respect of the periods 2008-09 and onwards, electronic cross verification of Input Tax Credit (ITC) from sales and purchases disclosed in audit report in Form 704 i.e. J2 x J1 match, mismatch and un-match ITC report was considered for allowance or disallowance of ITC. However, it was noticed that many dealers had either not filed their sales annexures J1 or had incorrectly filed them, due to which the ITC claims of other dealers were being disallowed. On that background, it was decided to allow ledger confirmations for mismatched or unmatched ITC by Internal Circular 13A of 2010 date 25<sup>th</sup> October 2010.

1.2 Further, these guidelines were revised by 1A of 2013, whereby top 10 suppliers or more than 50% of ITC (whichever is more) were to be verified by electronic matching and ledger confirmations. It was also decided in that circular that if the above condition is satisfied then balance ITC may be assumed to be matched.

1.3 Further, internal circular 1A of 2013 was made applicable to the periods 2009-10, 2010-11, 2011-12 and 2012-13 by internal circulars 10A of 2013 and 9A of 2014.

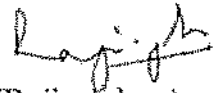
2. For FY 2013-14, 2014-15 and 2015-16 the problems encountered by the assessing officers while allowing ITC remains more or less the same, with marginally more matching of ITC compared to previous years. Also, the department's current automation (Mahavikas) is not in a position to allow filing supplementary Ann. J1 for mismatches.

3. Hence, in the present context of ensuing GST era and as discussed in foregoing paras, it is imperative and logical to continue existing methodology with added security features. This will help the department to cope up with the limitations of existing matching exercise and at the same time will also ensure that facility is not misused.

4. If there are mismatches/un-matches in the ITC claim of the claimant dealer, then following procedure shall be followed for allowance/disallowance of ITC for FY 2013-14, 2014-15 and 2015-16:

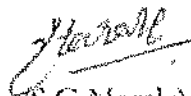
- 4.1 Unmatched ITC means ITC not matched due to one of the TIN not being uploaded in either Annexure J1 or Annexure J2. Whereas, mismatched ITC is due to the difference in amounts of transaction disclosed by the respective buyer and supplier in their Annexure J2 and Annexure J1, respectively.
- 4.2 Out of the total purchase on which ITC is claimed, ITC claimed on purchases from non-genuine dealers, RC cancelled dealers and Return Non-filers shall be disallowed after due verification. For this purpose, J2 X J1 utility available on Mahavikas and CDA utility provided by EIU shall be used. If CDA utility is not made available by the EIU for 2014-15 or 2015-16, then ITC verification utility shall be used for such period. From the remaining suppliers, top 10 suppliers or the suppliers covering at least 50% of the ITC claim (whichever is more) shall be considered by the assessing officer.
- 4.3 If there is un-matched ITC in top 10 suppliers or the suppliers covering at least 50% of the ITC (whichever is more) then such unmatched ITC can be allowed only after filing of Supplementary Annexure J-1 or J-2.
- 4.4 If there is mismatch in ITC from top 10 suppliers or the suppliers covering at least 50% of the ITC (whichever is more) then such ITC can be verified through the confirmation of ledgers of the suppliers, provided that such supplier encloses copy of return acknowledgement for the month of March of that F.Y. or acknowledgement of Form 704 of that F.Y., duly signed & stamped by the dealer or his authorized signatory along with such ledger confirmations.

- 4.5 If ITC claimed per dealer per year is Rs 5 lakhs or more under unmatched/mismatch category or in top 10 suppliers or 50% ITC (whichever is more) then it shall be verified through SAS report number RFP\_704\_16 or RFP\_704\_19.
- 4.6 Notwithstanding anything contained in this circular, ledger confirmation shall not be asked if claim of ITC is Rs 5000/- or below per supplier per year.
- 4.7 If all of the above conditions are satisfied, then officer may assume that the balance ITC has also matched. If any of the condition is not satisfied, then only matched ITC credit shall be granted.
5. **IBA cases:** ITC claimed on purchases from non-genuine dealers, RC cancelled dealers, Return Non-filers shall be disallowed after due verification. The instructions given in this circular shall be applicable for the parameters of unmatched and mismatch in ITC i.e. the dealer has to produce ledger confirmation along with relevant acknowledgement for allocated cases of mismatch, and in case of unmatched, such ITC can be allowed only after filing of Supplementary Annexure J-1 or J-2. In other words, facility of top 10 or 50% ITC (whichever is more) is not available for IBA cases.
6. All the departmental officers are directed to follow the above instructions scrupulously.

  
(Rajiv Jalota)  
Commissioner of Sales Tax  
Maharashtra State, Mumbai.

No.ACST (VAT)3/ITC/Cross Check/42/2017/B- 66 Mumbai, dt:- 3<sup>rd</sup> May 2017  
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- A. Copy forwarded with compliments for information:-
1. The Deputy Secretary, Finance Department, Mantralaya, Mumbai
  2. The Senior Accounts Officer, Sales Tax Revenue Audit, Mumbai and Nagpur
- B. Copy to Jt. Commissioner of Sales Tax (Mahavikas) with request to upload this circular on the Employee Corner of the department's website.

  
(S.G. Morale)  
Addl. Commissioner of Sales Tax (VAT-3)  
Mumbai.