

# FAQs > GST ITC-02

## 1. What are the pre-conditions for filing of ITC declaration in FORM GST ITC-02?

The following conditions must be met for being eligible to file the FORM GST ITC-02:

1. In case any registered entity undergoes sale, merger, de-merger, amalgamation, lease or transfer, the acquired entity must file ITC declaration for transfer of ITC in the FORM GST ITC-02.
2. The acquired or transferor entity must have matched Input Tax Credit available in the Electronic Credit Ledger, as on effective date of merger/ acquisition/ amalgamation / lease/ transfer.
3. The acquiring entity (transferee) and the acquired entity (transferor), both should be registered under the GST regime.
4. The acquired entity (transferor) must have validly filed all the returns for the past periods.
5. All transactions categorized as “Pending for action” of the merging entity should be either accepted, rejected or modified and any liabilities arising out of the returns filed by the transferor must be paid.
6. The transfer of business should be with specific provision of transfer of liabilities. It should be accompanied by a certificate issued by Chartered Accountant or Cost Accountant to that effect. Liabilities here would include stayed demands – of tax or in respect of litigation or recovery cases.

## 2. Which ITC can be transferred by filing FORM GST ITC-02?

The following ITC can be transferred by filing the FORM GST ITC-02:

1. Matched ITC balance available in the transferor’s Electronic Credit Ledger;
2. Such ITC appearing under the major heads – Central tax, State / UT tax, Integrated tax, and CESS can be transferred by filing FORM GST ITC-02.

The amount of ITC that is provisional or un-matched, cannot be transferred by the Acquired Entity (transferor) using this process.

## 3. As an acquiring /transferee Entity, can I change my decision once the ACCEPT / REJECT button has been pressed?

Upon filing of the FORM GST ITC-02 by the acquired entity (transferor), such details are notified to the acquiring (transferee) entity through the GST portal. On acceptance, the un-utilized credit specified in FORM GST ITC-02 will be credited to his Electronic Credit Ledger. The Transferee (acquiring) Entity can change its decision to accept or reject an ITC transfer request any number of times until it is finally submitted by the transferor at the GST portal.

## 4. What happens to the Electronic Credit Ledgers of Acquired Entity (transferor) as well as the Acquiring Entity (transferee), if the ITC transfer request filed through FORM GST ITC-02 is accepted or rejected in the system?

If the ITC transfer request of an acquired Entity (transferor), filed through FORM GST ITC-02 is ACCEPTED by the acquiring Merged Entity (transferee), the ITC will be transferred to the transferee, and the Electronic Credit Ledger of the (transferee) Acquiring Entity will get updated.

However, if the ITC transfer request of an acquired entity (transferor), filed through the FORM GST ITC-02 is REJECTED by the acquiring entity (transferee), the ITC will not be transferred to the transferee, and the Electronic Credit Ledger of

the acquired entity will receive back the ITC. The Electronic Credit Ledger of the acquiring entity (transferee) will not remain unchanged.

## **5. In case of demerger how much of the ITC would be transferred to the demerged entity or entities?**

In the case of demerger, the ITC shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.

## **6. Which certificate from a practicing Chartered Accountant / Cost Accountant is required for filing FORM GST ITC-02?**

For filing the FORM GST ITC-02, the acquired (transferor) entity must submit and upload a copy of certificate issued by a practicing chartered account or cost accountant, certifying that sale / merger / amalgamation / lease or transfer of business has been done with specific provision for the transfer of liabilities. The FORM GST ITC-02 cannot be filed without such certificate.