

FAQs > Utilization of Electronic Cash and Input Tax Credit (ITC) Ledger

1. I was trying to make payment of the tax and was trying to offset my liability from the Electronic Cash Ledger; however I faced error. On what basis can I utilize the balance in Electronic Cash ledger?

The utilization of Cash from Electronic Cash Ledger is done on the basis of following principles:

1. **RULE 1:** The amount of Cash deposited for CGST/SGST/UTGST/IGST/Cess in the Electronic Cash Ledger can be used for payment of CGST/SGST/UTGST/IGST/Cess liabilities respectively. No inter head adjustment is allowed for major heads.

2. **RULE 2:** Cash deposited under the minor head i.e. Tax/Interest/Fee/Penalty/Others in the Electronic Cash Ledger can be utilized for payment of Tax/Interest/Fee/Penalty/Others liabilities respectively of the same major head. No minor head adjustment is allowed.

3. **RULE 3:** Amount under Cash Ledger will be used in the following priority order:

(a) self-assessed tax, and other dues related to returns of previous tax periods;

Previous month tax liability covers:

- a. Tax liability reported but not paid
- b. Interest/penalty/fee arising out of previous month return period declarations

(b) self-assessed tax, and other dues related to return of current tax period;

Current month tax liability includes:

- a. Liability for invoices and amendments uploaded for previous months
- b. ITC reversal due to mismatch of invoice (Reversal under Section 42 (5) & (6) for (M-2) Tax Period)
- c. Tax amount increased in M Tax period as a consequence of reduction of liability by supplier in (M-2) tax period but without corresponding reduction in ITC by the receiver (Section 43(6))
- d. Liability for invoices and other consolidated declarations uploaded for current month.

(c) Any other amount payable under the Act or the rules made thereunder including the demand determined under section 73 or 74.

4. **RULE 4:** The amount allowed to be entered for utilization of cash can't be more than the amount of balance available under the respective major/minor head of tax in Cash Ledger.

2. How to utilize the Input Tax Credit?

RULE 1: Credit can be utilized to pay off the liabilities in the following manner:

- (a) IGST input tax credit shall first be utilized towards payment of IGST liability and the amount remaining, if any, may be utilized towards the payment of CGST, SGST/UTGST liabilities in any order, before utilizing the CGST, SGST/UTGST credit.
- (b) CGST input tax credit shall first be utilized towards payment of CGST liability and the amount remaining, if any, may be utilized towards the payment of IGST liability. CGST credit shall be utilized only if IGST credit is not available.
- (c) SGST/UTGST input tax credit shall first be utilized towards payment of SGST/UTGST liability and the amount remaining, if any, may be utilized towards payment of IGST liability (if no CGST credit is available). SGST/UTGST credit shall be utilized only if IGST credit is not available.
- (d) CGST input tax credit cannot be utilized towards payment of SGST/UTGST liabilities and

(e) SGST/UTGST input taxed credit cannot be utilized towards payment of CGST liabilities.

RULE 2: ITC cannot be utilized for payment of reverse charge liabilities.

RULE 3: ITC can be utilized for payment of tax only.

RULE 4: ITC can't be utilized for payment of TDS/TCS/interest/penalty/fee/others.

RULE 5: The amount allowed to be entered for utilization of credit can't be more than the amount of balance available in the Electronic Credit Ledger.

RULE 6: A unique transaction number shall be generated at the Common Portal for each debit or credit to the electronic cash or credit or liability ledger and the same will be reflected in the corresponding ledgers of the taxpayer.

RULE 7: Credit availed on input CESS paid on inward supplies will be available for set-off against any output tax liability of Cess only. There is no Inter head adjustment for Cess Input Tax Credit.

3. Can I perform intra-head or inter-head transfer of amount available in Electronic Cash Ledger?

Yes, you can perform intra-head or inter-head transfer of amount, as available in Electronic Cash Ledger, using Form GST PMT-09. Form GST PMT-09 enables any registered taxpayer to perform, intra-head or inter-head transfer of amount, as available in Electronic Cash Ledger. Thus, a registered taxpayer can now file Form GST PMT-09 for transfer of any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the Electronic Cash Ledger.

Navigate to **Services > Ledgers > Electronic Cash Ledger > File GST PMT-09 For Transfer of Amount** option to file Form GST PMT-09.