



Amendment in Rule 42

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- Rule 42 provided for reversal of common input tax credit in respect of exempt supplies and taxable supplies
- This rule is thoroughly amended by Notification no. 16/2019 – Central Tax dated 29.03.2019
- Major amendment in Rule 42(1) [providing for provisional reversal]:
 - Value based reversal of ITC in respect of exempt supplies and taxable supplies is made inapplicable to sale of under construction flats / units
 - Area based reversal of ITC in respect of unsold flat has been prescribed for builders / developers selling under construction flats / units
- Major amendment in Rule 42(2) [providing for final reversal]:
 - Pre-amendment it provided for final reversal on annual basis in respect of taxable and exempt supplies for all suppliers including builders / developers
 - This rule has been specifically made inapplicable to builders / developers selling under construction flats / units

Amendment in Rule 42

- Rule 42(3) is inserted to provide for final reversal in case of builders / developers selling flats / units under construction
- Reversal u/r 42(3) applies to:
 - Ongoing Projects (for which option is exercised to go by old scheme of taxation) which are completed on or after 01.04.2019;
 - Projects commencing on or after 01.04.2019 (eg. Mixed project consisting of residential and commercial construction)
- Reversal u/r 42(3) does not apply to:
 - Projects which are completed on or before 31.03.2019;
 - Exclusive residential project / RREP commencing on or after 01.04.2019 (No ITC available);
 - Ongoing exclusive residential project / RREP opting for concessional tax rate

Amendment in Rule 42

- Broad concept / procedure for reversal under Rule 42(3):
 - Reversal is to be worked out project-wise
 - Reversal to be done for total ITC availed during the period from date of commencement of project or 01.07.2017, whichever is **later**
 - This means transition credit is to be ignored
 - Reversal is to be done on area basis (post OC area to total area)
 - Final Reversal not to be done on yearly basis
 - Final Reversal is to be worked out on or after completion of project or first occupation (whichever is earlier)
 - Final reversal (payment / reclaiming of differential ITC) is to be done on or before due date for furnishing of return for month of September following the end of financial year in which completion certificate is issued or first occupation takes place

Any Questions ?

THANK YOU

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