

As Recommended by ICAI

Certificate under the State Goods and Services Tax Act, 2017 (in short "SGST Act") and the Central Goods and Services Tax Act, 2017 (in short "CGST Act") in terms of Section 18(1)(d) of the said Acts

1. M/s. _____ (hereinafter referred to as the "Applicant") is a registered person vide GSTIN..... and is having its principal place of business at.

_____ in the State of _____.
The Applicant has the following additional places of business duly registered in the State of _____:

a. _____

b. _____

The principal place of business and the additional places of business in the State of State have been duly registered with effect from ____.

2. The Applicant has been effecting exempted supplies of _____ (HSN : _____) w.e.f. _____ up to _____. On and from _____, such exempted supplies have become taxable and the Applicant has been discharging the applicable taxes on such supplies.

3. In terms of Section 18(1)(d) of the CGST and SGST Acts, where an exempt supply by a registered person becomes taxable supply, the registered person is eligible to avail Input Tax Credit in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supplies and on capital goods (as reduced by the prescribed percentage points) exclusively used for such exempt supplies on the day immediately preceding the date on which such exempt supplies become taxable supplies under the CGST / SGST Acts, 2017 i.e. _.

4. We have examined the books of accounts and other relevant documents / records of the Applicant and on the basis of such examination & the information and explanation furnished to us, we hereby certify that, subject to our remarks / comments in para 6 infra, the Applicant is eligible to avail Input Tax Credit of Rs..... on inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supplies and on capital goods (as reduced by the prescribed percentage points) exclusively used for such exempt supplies on the day immediately preceding the date on which such exempt supplies become taxable supplies under the CGST / SGST Acts, 2017.

5. The relevant details of such inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods as on ___ (that is the day preceding the date on which such exempt supplies become taxable supplies under the CGST / SGST Acts, 2017) and the corresponding input tax credit is provided as **Appendix A**.

6. Remarks / comments (Refer Para 4 supra):

a. The inputs held in stock (based on FIFO method) on the day immediately preceding the date on which such exempt supplies become taxable supplies under the CGST / SGST Acts, 2017 i.e. _____ has been physically verified by us on _____ along with the corresponding tax invoices and books of accounts and other relevant records and documents maintained by the Applicant.

b. The inputs contained in semi-finished or finished goods held in stock (based on FIFO method) are based on the management certificate furnished to us and verified by us along with the corresponding tax invoices and books of accounts and other relevant records and documents maintained by the Applicant _____.

c. The input tax credit in respect of capital goods as reduced by the percentage points prescribed under Rule 40 (1) (a) of the CGST / SGST Rules, 2017 is enclosed as **Appendix B.**

7. This certificate has been issued in terms of Section 18(1) (d) of the SGST / CGST Acts, 2017 read with Rule 40 (1) (d) of the CGST / SGST Rules, 2017.

For

, Chartered
Accountants

Place: _____
Date: _____

Partner
Firm Registration
Number: Membership
Number:

Check points for the Chartered Accountant –

- i. Verify registration particulars with the Registration Certificate.
- ii. Check whether declaration in Form GST ITC-01 is filed by the assessee on GST portal for entitlement to claim such credits within 30 days of being entitled to do so.
- iii. Check the books and records and other relevant documents and registers relating to inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supplies and capital goods exclusively used for such exempt supplies on the date immediately preceding the date on which such exempt supplies become taxable supplies under the CGST / SGST Acts, 2017. Eligibility of such credits also needs to be checked under Section 16 and Section 17 of the CGST / SGST Acts, 2017.
- iv. Check computation of input tax credit from tax invoices / bills of entry or other relevant documents.
- v. Ensure that the input tax credit on capital goods has been reduced by five percentage points per quarter of a year or part thereof, from the date of invoice.
- vi. The books of accounts and relevant documents / records of the Applicant should be thoroughly verified to identify the exempt supplies effected by the Applicant. The relevant notifications issued by the Government should also be meticulously perused and documented to identify the date on which such exempt supplies have become taxable supplies.
- vii. Ensure that a declaration is obtained from the Applicant for the listing of stock and capital goods including quantity.
- viii. Obtain a list of existing capital assets with the purchase dates (for a period of 5 years). Cross check the listing with the fixed asset register maintained by the Applicant.
- ix. Ensure that the claim of credits under this Section is made only on inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supplies and capital goods exclusively used for such exempt supply.

Where capital goods have been used for both - taxable and exempt supplies, no credit would be eligible to the Applicant.

x. The bills of entry / tax invoices should not be older than 1 year on the day on which the Applicant is liable to pay tax (Section 18(2) of the CGST / SGST Acts, 2017). The tax invoice must be the one containing the prescribed particulars (Section 16(2) of the CGST / SGST Acts, 2017 to be read with Rule 46 of the CGST / SGST Rules, 2017).

xi. Ensure that the debit notes / credit notes, if any, are recorded / accounted against the vendor invoice which are forming part of the closing inventory.

xii. Ensure compliance with Rule 40(1) (e) of the CGST / SGST Rules, 2017 regarding verification of the credits claimed with the details furnished by the supplier in Form GSTR-1 or Form GSTR-4, as applicable.

xiii. This certificate is required to be issued only if the aggregate value of the claim on account of SGST / CGST / UTGST and IGST exceeds rupees two lakhs (Rule 40 (1)(d) of the CGST / SGST Rules, 2017)

xiv. This certificate is to be suitably modified wherever applicable. The names of the registered persons, dates, addresses etc. are only illustrative and needs to be modified in each case. Any resemblance to any person / place is purely unintentional.

xv. This certificate is to be issued in respect of a person who effects exempt supplies, those of which have become taxable supplies subsequently.

xvi. Ensure that the certificate issued is in accordance with the Guidance note on Reports and Certificates for special purpose issued by the ICAI.

xvii. Ensure that a letter of representation is taken from the management for the details and information provided by them.

Appendix B - Certificate issued under the State Goods and Services Tax Act, 2017 (in short "SGST Act") and the Central Goods and Services Tax Act, 2017 (in short "CGST Act") in terms of section 18(1)(d) of the said Acts

ITC on capital goods reduced by percentage points

Sl No	Particulars	Reference	Amount ¹
1	Inward supply value of Machinery X		12,50,000
	IGST @ 12%	a	1,50,000
	Invoice Value		14,00,000
2	Date of invoice		15 July 2017
3	Date on which the Applicant is liable to pay tax u/s 9 of the CGST/SGST 2017		01 March 2018
4	Number of quarters till _____	b	3
5	Reduction percentage prescribed per quarter / part thereof	c	5%
	Eligible ITC as on _____	d = (a - (a*b*c))	1,27,500

¹ Figures given above are used for illustrative purposes.