

Tax Experts react to SC's relief on 'Transitional Credit'

Jul 25, 2022



Rajat Mohan

Senior Partner, AMRG & Associates

One-time amnesty scheme was the need of an hour to resolve the issues regarding the availment of lapsed transitional credit. Hon'ble Supreme Court, in a landmark decision on July 22, allowed all taxpayers to benefit from transitional credit that was affected during the transition period (i.e. shifting from the old tax regime to the new tax regime) and directed CBIC and GSTN to open a common portal window for two months.

A division bench of Justice Abdul Nazeer and Justice J.K. Maheshwari ruled in the Union of India vs Filco Trade Private Limited case that all companies, whether or not they have approached the court of law, should be able to gain transitional credit. Earlier, The case was heard by the Delhi High Court, which ruled in the taxpayer's favor.

This SC order established essential ground rules for the said claim of transitional credit between September 1, 2022, to October 30, 2022. All assesses can claim this benefit whether they have filed a Writ Petition or not before various High Court's or Information Technology Grievance Redressal Committee. GSTN has been instructed to ensure that there are no technical glitches during this time, and GST Council may also issue appropriate guidelines to the field formations in scrutinizing the claims.

Tax Officers are bound to verify the credit claim on merit and pass appropriate time-bound orders within 90 days, following which credit will be reflected in the Electronic Credit Ledger.

This ruling from the apex court would bring immediate relief to thousands of businesses hanging in a lurch for justice on this matter of transitional credit. With this ruling all pending matters lodged in tax office, appellate authority, High court/s, Supreme court, Information Technology Grievance Redressal Committee, and GST council shall cease to exist. This is a welcome ruling for all the taxpayers, that will arrest rampant litigation in the country on the matter of transitional credit.