



Goods & Services Tax

Educational Series

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Clarifications of issues under GST related to recovery of excess Input Tax Credit distributed by an Input Service Distributor

Representations have been received regarding the manner of recovery of excess credit distributed by an Input Service Distributor (ISD) in contravention of the provisions contained in Section 20 of the CGST Act.

Clarification:

According to Section 21 of the CGST Act where the ISD distributes the credit in contravention of the provisions contained in Section 20 of the CGST Act resulting in excess distribution of credit to one or more recipients of credit, the excess credit so distributed shall be recovered from such recipients along with interest and penalty if any.

The recipient unit(s) who have received excess credit from ISD may deposit the said excess amount voluntarily along with interest if any by using **FORM GST DRC-03**.

If the said recipient unit(s) does not come forward voluntarily, necessary proceedings may be initiated against the said unit(s) under the provisions of Section 73 or 74 of the CGST Act as the case may be. **FORM GST DRC-07** can be used by the tax authorities in such cases.

It is further clarified that the ISD would also be liable to a general penalty under the provisions contained in Section 122(1)(ix) of the CGST Act.

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