

# RULE 86B



## Is Monthly taxable turnover exceeding Rs.50 Lakhs?

If yes, then it is important to note that the registered person shall not use the ITC available in electronic credit ledger to discharge his outward liability exceeding 99% of the liability payable.

### For instance,

For the month of July 2024, the taxable turnover of Abinaya Ltd. is Rs. 56 Lakhs.

The due date for filing the ITR for the FY 2023-24 is 31st October 2024. As the due date for filing the ITR for FY 2023-24 has not yet expired, the relevant financial years to be considered for the applicability of Rule 86B are FY 2021-22 and FY 2022-23.

In accordance with the provisions, if the income tax paid by any of the individuals specified in the relevant rules exceeds Rs. 1 lakh in both FY 2021-22 and FY 2022-23, the restrictions under Rule 86B will not apply.

### ● Exemption 1

In cases where the following individuals have paid income tax exceeding Rs. 1 lakh in each of the last two financial years for which the time limit for filing the return has expired, the provisions are applicable to:

- A registered taxpayer
- The Karta of a Hindu Undivided Family (HUF)
- The Managing Director of a company
- Any of the partners in a partnership firm
- Whole-time Directors of a company
- Members of the Managing Committee of an association
- Trustees of a trust



### In continuation to above instance

If the taxable turnover for December 2024 is Rs. 70 Lakhs, and the ITR for FY 2023-24 has not been filed, with the due date for filing having already expired, the relevant financial years to be considered for the applicability of Rule 86B will be FY 2022-23 and FY 2023-24.

In this case, the income tax paid for FY 2023-24 will be presumed to be "0" since the ITR for FY 2023-24 has not been filed within the prescribed due date.

#### ● Exemption 2

The registered taxpayer has received a refund of more than Rs. 1 Lakh in the preceding financial year on account of unutilized input tax credit because of export / inverted rate structure under GST.

#### ● Exemption 3

The registered person is a Govt department, PSU, Local Authority or Statutory body.



### Why Rule 86B?

To curb the fake invoices issued to reduce the tax liability



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#### ● Exemption 4

The registered taxpayer has already discharged outward tax liability using cash ledger in excess of 1% of such tax liability.

**Illustrative Example** - A Ltd did not fulfill any of the exemption mentioned in Rule 86B and has taxable turnover of Rs.60 Lakhs, Outward Tax - Rs.10.80 Lakhs, ITC Available - Rs. 20 Lakhs

**The maximum ITC can be used is Rs. 10,69,200/- and Mandatory Cash payment will be Rs. 10,800/-**

Happy Reading!