KANSAI NEROLAC PAINTS LIMITED

Appellate Authority for Advance Ruling — Maharashtra

MAH/AAAR/SS-RJ/03/2018-19 Dated- 03.08.2018 Dated **03.08.2018**

Q Questions Before the Authority

- Whether the accumulated credit by way of Krishi Kalyan Cess (KKC) as appeared in the service tax return of Input Service Distributor (ISD) on June 30, 2017 which is carried forward in the electronic credit ledger maintained by the company under CGST Act, 2017 will be considered as admissible input tax credit.

F Facts

The appellant is engaged in the manufacture of paints and provision of works contract services, operating with centralized registration and a separate Input Service Distributor (ISD) registration. As an ISD, the appellant accumulated unutilized credit of Krishi Kalyan Cess (KKC) as on June 30, 2017, because under pre-GST laws KKC could only be utilized against KKC output liability. The appellant sought to transition this accumulated KKC credit into its electronic credit ledger under the CGST Act, 2017.

H Ruling

Carry forward of Krishi Kalyan Cess (KKC) credit into GST electronic credit ledger	**Not admissible as ITC**	Unutilized KKC credit as on June 30, 2017 cannot be transitioned into CGST credit ledger under Section 140(1).

The Appellate Authority for Advance Ruling affirmed the AAR order and held that accumulated credit of Krishi Kalyan Cess (KKC) carried forward from service tax returns **shall not be allowed as admissible input tax credit** under the CGST Act, 2017. The appeal filed by the appellant was accordingly dismissed.

R Reasoning

The authority reasoned that under the CENVAT Credit Rules, 2004 (specifically Rule 3(7)(d)), KKC credit was permitted to be utilized only towards payment of KKC and could not be cross-utilized against excise duty or service tax. Under Section 140(1) of the CGST Act, 2017, a registered person can carry forward CENVAT credit only if it is admissible as input tax credit under the GST law. Relying on the Delhi High Court judgment in Cellular Operators Association of India, the authority noted that cesses and duties are separate levies and there is no vested right to cross-utilize restricted cesses against general tax liabilities.

P Provisions Relied On

Section 140(1) of the CGST Act, 2017	Section 140(2) of the CGST Act, 2017
Section 161 of the Finance Act, 2016	Rule 3 of CENVAT Credit Rules, 2004

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Rule 3(1a) of CENVAT Credit Rules, 2004

Rule 3(4) of CENVAT Credit Rules, 2004

Rule 3(7)(d) of CENVAT Credit Rules, 2004

Notification No. 28/2016-Central Excise (N.T.) dated 26.05.2016

! For the Practitioner

This order confirms that **Krishi Kalyan Cess (KKC)** and similar restricted pre-GST cesses cannot be transitioned into the GST regime as valid input tax credit under Section 140(1). Taxpayers cannot utilize accumulated credits of cesses that were non-cross-utilizable under earlier laws against output GST liabilities.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> kansai-nerolac-appellate-authority-order.pdf

Prepared 21-10-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: +91 94594 56700 | sales@patronaccounting.com | patronaccounting.com