



Madras High Court Ruling on Refund of Unused ITC Due to IDS.

The Madras High Court examined the issue of whether the petitioners are qualified for a refund of [all unused ITC \(input tax credits\)](#) that each of them has accumulated as a consequence of being subject to an inverted duty structure.

Facts in a case

The petitioners were all employed in sectors with higher tax rates on input supplies (goods and/or services) than on output supplies.

As a consequence of the registered person's inability to fully offset the tax owing on output supply with the available ITC, there was a buildup of unused ITC.

The petitioners claimed that regardless of whether they paid tax at a higher rate than that on output supplies to acquire input goods and/or services, they were nevertheless entitled to a refund of the whole unused ITC.

On the other side, the Union of India and the Tax Department contended that [refunds of unused ITC](#) were only acceptable for the sum of credit obtained as a consequence of buying input supplies at a higher rate than was required to pay for output supplies.

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