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The GST law is still in an evolving stage and various issues have started cropping up in the recent wave of GST department audits and issuance of show cause notices. One such issue which is surfacing, is the issue whether reversal on input tax credit is required where the recipient of supplies has retained certain amounts payable by him to the supplier. Such kind of retentions are common in the construction and infrastructure related industry and in contracts involving supply goods as well as services. Retention is generally a percentage (often 5% to 10%) of the amount certified as due to the contractor upon fulfillment of certain conditions during or after completion of the contract. Sometimes the retention amounts are released after 2 to 5 years of completion of the contract to ensure that the work completed has enduring effect over a period of time. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the cont.....