

## **Whether nexus/ connection is required between ITC and Output Tax Liability: AAR Gujarat**

### Fact of the Case

M/s. Aristo Bullion Pvt. Ltd. ("the Applicant") is a company engaged in supply of Gold (including Gold Plated with Platinum) that involves some manufacturing process also and in the said activities various inputs viz. Gold dore, silver dore are required.

Further, the Applicant intends to procure the said inputs domestically on payment of GST at appropriate rate and sometimes from overseas market by discharging applicable duty and tax. The Applicant intends to avail ITC on the inputs procured domestically on payment of GST at appropriate rate which will be used in the manufacturing process of their final products and discharge GST on the outward supplies at applicable rate through electronic credit ledger as well as through electronic cash ledger in the case if balance available in electronic credit ledger is not adequate.

Furthermore, the Applicant also intends to procure 'Castor Oil Seeds' directly from the agriculturists who produce the same in their farms and after procuring them, the Applicant intends to supply it in the domestic market as well as intend to export the same.

However, no ITC will be available on procurement of 'Castor Oil Seeds' as the same will be procured from the agriculturist who are not liable to get registered and further the 'Castor Oil Seeds' are also not covered in the Notification No. 4/2017-Central Tax, dated June 28, 2017 ("Goods RCM Notification"). Whereas the sale of 'Castor Oil Seeds' will attract 5% GST in terms of Schedule-I, Sr. No. 70 of Notification No.01/2017-Central Tax (Rate), date June 28, 2017 ("Goods Rate Notification").

Issue: Whether the Applicant can use the ITC available in the electronic credit ledger towards the GST liability on 'Castor Oil Seed' which they intend to supply in domestic market or to export it?

### Decision of the Case

The AAR, Gujarat in the matter of M/s. Aristo Bullion Pvt. Ltd. has held that Bullion trader cannot use the Input Tax Credit balance available in the electronic credit ledger legitimately earned on the inputs/raw-materials/inward supplies meant for outward supply of Bullions, towards the GST liability on 'Castor Oil Seed' procured from agriculturists and subsequently meant for onward supply, as there is no nexus/connection between the inputs and final product since the inputs are not used or intended to be used in the course or furtherance of the business of supply of 'Castor Oil Seeds'..