

ITC cannot be claimed on debit notes issued in FY 2020-21 pertaining to the transactions made in FY 2018-19: The AAR, Gujarat

Fact of the Case

M/S I-Tech Plast India Pvt. Ltd. ("the Applicant") is engaged in manufacturing and supply of toys made of plastic and/or rubber or both wherein essentially plastic is the main component. The supplier of the Applicant seeks to issue debit notes in respect of transactions entered into during FY 2018-19, which represents price variation, as the supplier had mistakenly charged lower price and on noticing the error, the supplier desires to rectify the same by issue of debit notes in FY 2020-21, and proposes to issue debit notes to the Applicant whereby CGST and SGST reflected separately.

Issue:

- 1. What is the appropriate classification and rate of GST applicable on supply of the Plastic Toys?*
- 2. Whether the Applicant can claim ITC of GST charged on debit notes issued by the supplier in current FY 2020-21, pertaining to the original transaction took place in FY 2018-19?*

Decision of the Case

The AAR, Gujarat in Advance Ruling decided as under:

- ❖ the toys are made of plastic meant for children and are not electronic toys, and concluded that the plastic toys manufactured and supplied by the Applicant are correctly classifiable under heading 95030030 of Chapter 95 of First Schedule to CTA and taxable at 6% CGST (total @ 12%) under Serial No. 228 of the Notification No. 01/2017-Central Tax (Rate) dated June 28, 2017 ("Goods Rate Notification").
- ❖ Further observed that, the intention of the Government, by amending Section 16(4) of the CGST Act, was not to disconnect DN from the original invoice so as to give an independent existence to DN and to allow taxpayer claim of ITC of GST charged separately in debit notes issued in FY 2020-21, relating to the transaction of FY 2018-19.
- ❖ the Applicant shall be entitled to claim ITC only in respect of debit notes issued by supplier in respect of goods supplied to the Applicant during the FY 2018-19, on or before due date of furnishing of return under Section 39 (GSTR-3B) for month of September (FY 2018-19) or date of furnishing of annual return, whichever is earlier.
- ❖ the Applicant cannot claim ITC of CGST/SGST charged separately in debit notes issued by supplier in current FY i.e. 2020-21 towards the transactions for the FY 2018-19 on account of price variation.

The AAR, Gujarat decided that, Input Tax Credit ("ITC") in relation to Central Goods and Services Tax ("CGST") and State Goods and Services Tax ("SGST") charged separately, cannot be claimed on Debit Notes issued by the supplier in current Financial Year ("FY") i.e. 2020-21, towards the transactions for the period 2018-19.