INPUT TAX CREDIT UNDER GST LAW

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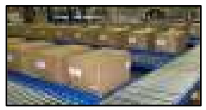
Basic understanding and meaning of Input Tax Credit



Manufactured finished goods and sold such finished good for Rs 1 Cr + 18 L GST.

Buyer

Supplier

- Purchases R.M. of Rs 10 L + GST of Rs 1.8L.
- Availed Services of Rs 2 L+ GST of Rs 36K.
- Purchased Capital Goods of Rs 40L + GST of Rs 4.8L
- He manufactured finished goods

Conclusion:

- Mr. P sold goods for Rs 1 Cr + 18 Lakhs GST. Hence he shall collect GST of Rs 18 Lakhs on sale of goods.
- He is required to pay Rs 18 Lakhs to govt.
- However he has already paid GST of Rs 6,96,000 (1.8L + 0.36L + 4.8L) for manufacturing and selling such product.
- Hence Mr. P shall get Input Tax Credit of GST paid of Rs 6,96,000/-.
- He shall be required to pay GST of Rs 11,04,000 (18 – 6.96) only.

Section 16(2) – Conditions for availing Input Tax Credit.

Following are conditions for availing input tax credit as per sec 16(2).

Conditions for availing Input Tax Credit as per Sec 16(2) of CGST Act 2017.

- Return is filed by recipient and credit is availed in GSTR – 3B.
- Registered under GST Act.
- Tax is paid by Supplier of Goods or Services
- In course or in furtherance of business.
- Recipient should have received goods or services.
- Tax Paying Document.

Section 16(2) – Conditions for availing Input Tax Credit.

- Assessee should be **Registered Person** under GST Act.
- Inputs, Inputs Services and Capital goods purchased should be in course or furtherance of **Business.**
- Possession of **Tax Paying Document** ie Tax invoice , Debit note or Documents evidencing payment.
- Receipt of goods / services.
- **Tax is paid by the supplier** to govt through Cash or through utilization of Credit.
- **Return is filed by the recipient** of goods / services.

Section 16(2) – Conditions for availing Input Tax Credit.

Question1:

Mr. A sold goods to Mr. B on 25th April 2019. Mr. A raised tax invoice in Apr 2019. Such goods were received by Mr. B in May 2019. Mr. B seeks advise regarding availment of Input Tax Credit.

Ans:

- Mr. B can avail ITC only after receipt of goods.
- Hence even though Mr. A has raised an invoice in April 2019, Mr. B can claim ITC only in may 2019 ie on receipt of goods.

Question2:

Mr. A sold goods to Mr. B on 25th April 2019 of Rs 1 L + 18% GST. Mr. A raised tax invoice in Apr 2019. Such goods were received by Mr. B in Apr 2019. Mr. B made payment of Rs 1.18 Lakhs to Mr. A but supplier Mr. A became bankrupt and hence he did not make GST payment of Rs 18,000 to Govt. Mr. B seeks advise regarding availment of Input Tax Credit of Rs 18,000.

Ans:

- Mr. B can avail ITC only if supplier makes the payment of GST of Rs 18,000 to Govt.
- Hence Mr. B cannot claim ITC of Rs 18,000.
- If Mr. B have already availed ITC of Rs 18,000 than he shall be required to reverse the same along with interest.

First Proviso to Sec 16(2)– ITC for Goods received in Lots / Instalments.

As per 1st Proviso to Sec 16(2), in case the goods covered under an invoice are not received in a single consignment but are received in lots / instalments, **ITC can be taken only upon receipt of the last lot / instalment.**

Question1:

Co. PQR gave order of 500 Qty of product x to LLP ABC on 1st April 2020. Total Order Value was Rs 5 Lakhs + 12% GST.

LLP ABC raised Tax Invoice immediately on 1st April 2020

However LLP ABC delivered goods to Co. PQR in instalments.

1st Lot / Instalment delivered on 15th April 2020.

2nd Lot / Instalment delivered on 5th May 2020.

3rd Lot / Instalment delivered on 25th June 2020.

Co. PQR seeks advise when can he claim input tax credit of Rs 60,000 (5L * 12%).

Ans:

As per first proviso to section 16(2), if goods are received in lots, instalments than ITC can be availed only after receipt of last lot / instalment.

Co. PQR has received last lot / instalment on 25th June 2020.

Hence he can avail entire input tax credit of Rs 1.2 lakhs only on 25th June 2020.

Second Proviso to Sec 16(2)– ITC for Goods received in Lots / Instalments.

- Proviso to Sec 16(2) makes provision with regard to reversal of credit when amount is not paid **within 180 days of date of issuance of invoice.**
- **Amount to be paid is Value of Supply along with GST.**
- If amount is not paid within 180 days of the date of issuance of the Invoice, Registered person shall be liable to pay Interest @ 18% from period starting from **date of Availing the Credit on such supplies till the date when amount is actually paid**..
- If Credit period allowed is more than 180 days, ITC shall be reversed after expiry of credit period.
- Hence ITC shall be reverse after 180 days or credit period whichever is later.

Second Proviso to Sec 16(2)–Payment not made by Recipient within 180 days.

Question1:

Mr. A sold goods on credit to Mr. B for Rs 10 Lakhs + 12% GST on 10th April 2019. Mr. A issued invoice on 10th April 2019. Mr. B availed Input Tax Credit in GSTR – 3B of April 2019.

Mr. B seeks advise regarding reversal of Input Tax Credit in following situations.

Case 1: Credit period allowed is 1 month and recipient does not make payment till 10th Oct.

Ans:

- Mr. A has issued invoice on 10th Apr 2019.
- Hence Mr. B was supposed to make payment within 180 days from date of invoice ie 10th Oct or credit period allowed (1 month ie 10th May) whichever is higher.
- Since Mr. B has not made payment till 10th Oct, ITC of Rs 1.2 L availed shall be reversed along with Interest.

Case 2: Credit period allowed is 1 month and recipient makes payment of only Rs 3 L till 10th Oct.

Ans:

- Mr. A has issued invoice on 10th Apr 2019.
- Hence Mr. B was supposed to make payment within 180 days from date of invoice ie 10th Oct or credit period allowed (1 month ie 10th May) whichever is higher.
- Mr. B has made only part payment of Rs 3 Lakhs so he shall be allowed only part Input Tax Credit ie Rs (1.2 L * 3L /11.2 L) = Rs 32,143/-.
- Balance ITC of Rs 87,857 (1,20,000 – 32,143) shall be reversed along with Interest.

TIME LIMIT FOR AVAILMENT OF INPUT TAX CREDIT (Sec 16(4) OF CGST ACT, 2017)

Section 16(4) - Time Limit for Availment & Utilization of Input Tax Credit

I. Availment of Input Tax Credit- Section 16(4)

ITC can be availed till

a) **Due Date of GSTR 3B** for month of September following the end of financial year to which invoice of goods or services pertains or

b) **Date** of filing Annual Return.

Whichever is earlier

II. Utilization of Input Tax Credit

- Provisions in Sec 16(4) is only for availment of ITC.
- **There is no time limit specified for utilization of credit.**
- Hence credit once availed can be utilized at any point of time.

Section 16(4) - Time Limit for Availment & Utilization of Input Tax Credit.

Due Date for Availment of Input Tax Credit.

- Due Date of GSTR-3B for the month of September following end of financial year to which Invoice pertains
- Date of filing Annual Return. (GSTR 9)

WHICHEVER IS EARLIER

Section 16(4) - Time Limit for Availment & Utilization of Input Tax Credit.

Question:

Mr. A had received an invoice in Feb 2019. However he forgot to claimed the credit in Feb 2019. Can he claim ITC in following situations?

a) Invoice booked in Return of April 19 and annual return is filed in Dec 19.

- Invoice pertains to FY 2018-19.
- Hence Mr. A can avail ITC maximum till due date of GSTR – 3B of Sept 19 (6 months) or date of filing annual return ie Dec 19 whichever is earlier.
- In given case, Mr. A can claim ITC in GSTR – 3B of April 19 as it is availed within due date of Sept 19 return or filing of annual return.

b) Invoice booked in Return of Sept 19 and annual return filed in Dec 19.

- Invoice pertains to FY 2018-19.
- Hence Mr. A can avail ITC maximum till due date of GSTR – 3B of Sept 19 (6 months) or date of filing annual return ie Dec 19 whichever is earlier.
- In given case, Mr. A can claim ITC in GSTR – 3B of Sept 19 as it is availed within due date of Sept 19 return or filing of annual return.

c) Invoice booked in Return of Sept 19 and annual return filed in Aug 19.

- Invoice pertains to FY 2018-19.
- Hence Mr. A can avail ITC maximum till due date of GSTR – 3B of Sept 19 (6 months) or date of filing annual return ie Aug 19 whichever is earlier.
- In given case, Mr. A can not claim ITC in GSTR – 3B of Sept 19 as annual return is filed in Aug 2019.

d) Invoice booked in return of Oct 19 and annual return filed in Dec 19.

- Invoice pertains to FY 2018-19.
- Hence Mr. A can avail ITC maximum till due date of GSTR – 3B of Sept 19 (6 months) or date of filing annual return ie Dec 19 whichever is earlier.
- In given case, Mr. A can not claim ITC in GSTR – 3B of Oct 19.

BLOCKED INPUT TAX CREDIT U/s 17(5) OF CGST ACT 2017.

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

(a) MOTOR VEHICLES FOR TRANSPORTATION OF PERSONS having the seating capacity of not more than thirteen people here ITC is blocked except:

(A) further supply of such motor vehicles; or

(B) transportation of goods, passengers; or

(C) imparting training on driving such motor vehicles

(aa) Vessels and Aircraft except when they are used—

(i) for making the following taxable supplies, namely:—

(A) further supply of such vessels or aircraft; or

(B) transportation of passengers; or

(C) imparting training on navigating such vessels; or

(D) imparting training on flying such aircraft;

- (ii) for transportation of goods;

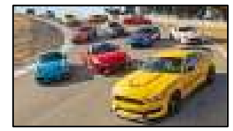
(ab) Services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):

- Provided that the input tax credit in respect of such services shall be available—
- (i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

- Motor Vehicle includes Car, Bikes, Bus, Lorry, Truck, Tempo.
- Vessels and Aircraft includes Ships, Helicopters.






Motor Car, Vessels , Aircraft includes




- Input Tax Credit in relation to purchase of motor vehicles & vessels are blocked subject to exceptions.
- Input Tax Credit is blocked whether such motor vehicles & vessels are used for personal purpose or business purpose.

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

- Generally GST paid on purchase of motor vehicle, vessels and aircraft is blocked whether such assets are used for personal purpose or for business purpose.
- However in following exceptions, GST paid on purchase of motor vehicle, vessels and aircraft is allowed as Input Tax Credit.

Transportation of Persons in vehicle having approved seating capacity of more than 13

Further Supply

Exceptions

Transportation of Passengers

Imparting Training

Transportation of Goods

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

Question1.

Mr. X is dealer of Toyota Cars. He buys Car from Toyota company on payment of GST. He than resells the car to Mr. Y and collect consideration along with GST. Whether ITC paid on purchase of car is allowable credit ?

Ans:

- In given case, Mr. X is dealer of Toyota cars. Hence he is buying the car for further supply.
- Hence credit of GST paid on purchase of car shall be allowed.

Question2:

Mr. X bought few Cars (ITC Rs 50,000). He gave all the cars on Rent and earned Rental Income along with GST of Rs 60,000. Whether Mr. X is eligible for ITC of Rs 50,000?

Ans:

- In given case, Mr. X has purchased the car and given it on Rent and is earning rental income with GST.
- Hence Mr. X has used the car for further supply (Supply includes sales, services, rental etc)
- Hence Mr. X shall be allowed ITC of Rs 50,000.

Question3:

Neeta Co buys Bus and pays GST on purchase of bus. Such bus is used for transportation of passengers from Mumbai to Gujarat. Whether ITC on purchase of car is allowable credit ?

Ans:

- In given case, Neeta Bus is using bus for providing services of transportation of passengers.
- Hence credit on purchase of bus is allowable credit.

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

Question4.

Popular Motor Training School purchased helicopter. Such helicopter was used for giving training to run helicopters. Whether ITC is allowable on purchase of Helicopter?

Ans:

- In given case, helicopter is purchased for purpose of imparting training on flying such aircraft / helicopter.
- Hence credit of GST paid on purchase of helicopter shall be allowed.

Question5:

X. Ltd. purchases a Truck and a Car. GST is paid on both. Truck is used for transportation of Goods and Car is used for business purpose of director. Whether ITC is allowable on purchase of Truck and Car ?

Ans:

- In given case, X. Ltd. is using the truck for purpose of transportation of goods.

- However it is using car for office purpose which is not covered under exception.
- Hence X. Ltd. shall be allowed GST paid on purchase of truck. But X. Ltd. shall not be allowed GST paid on purchase of car as it is blocked u/s 17(5) of CGST Act.

Question6:

Mr. A bought a Delivery Van for Transportation of Goods. Can he avail ITC on purchase of Delivery Van?

Ans:.

- In given case, Mr. A is using the delivery van for transportation of goods.
- Also motor vehicle includes delivery van.
- Hence credit on purchase of delivery van is allowable credit.

Section 17 (5) – Blocked Credit - Motor Car, Vessels and Aircraft.

Question7.

Infosys bought a 15 seater capacity bus for transportation of its employees. Can it avail ITC on purchase of Bus?

Ans:

- In given case, bus is not used for transportation of passengers as employees are not passengers.
- However wef 01/02/19, GST paid is allowable credit if vehicle is used for transportation of **persons** and vehicle is having approved seating capacity of more than 13.
- In given case seating capacity of bus is 15. Hence GST paid on purchase of bus is allowable credit.

Question8:

Ola Bikes bought Two Wheelers for transportation of passengers. Can it avail ITC on purchase of Two-Wheelers?

Ans:

- In given case, OLA bikes is using the bikes for purpose of transportation of passengers.
- Hence OLA bikes shall be allowed ITC of GST paid on purchase of two-wheelers.

Question9:

Mr. A bought a car for office purpose for Rs 10 L + 18% GST. He incurred repairs of car of Rs 5,000 + 18% GST. Can it avail ITC of Rs 900?

Ans:.

- In given case, Mr. A has bought car for office purpose. He is not using such car for any purpose as mentioned in exceptions.
- Hence ITC of Rs 1.8 Lakhs is blocked u/s 17(5) of CGST Act.
- Also if ITC is blocked during purchase, than GST paid on any repairs, insurance or any other expenses in relation to such motor vehicles or vesselts shall also be blocked.

Section 17 (5) – Blocked Credit – Goods or services provided in relation to.

Clause b) of Section 17(5) of CGST Act 2017.

Goods or Services provided in relation to:

- food and beverages,
- outdoor catering,
- beauty treatment,
- health services,
- cosmetic and plastic surgery,
- leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein,
- life insurance and health insurance:

Provided that the **input tax credit** in respect of such goods or services or both shall be available where:

- an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or
- where it is made obligatory by government.
- services or both or as an element of a taxable composite or mixed supply;

Section 17 (5) – Blocked Credit – Goods or services provided in relation to specific services.

- Specific services includes food and beverages, outdoor catering, beauty treatment, health and fitness services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft.

Renting of MV, Vessels and Aircraft.

Specific Services

- Input Tax Credit in relation to such services availed are blocked subject to exceptions.
- Input Tax Credit is blocked whether such services are availed for personal purpose or for business purpose.

Section 17 (5) – Blocked Credit – Goods or services provided in relation to specific services.

Allowable ITC on Specific Services (Exceptions)

- Supplier and Recipient are in same line of business.
- Govt has made it obligatory / compulsory.
- services or both or as an element of a taxable composite or mixed supply;

Section 17 (5) – Blocked Credit – Goods or services provided in relation to specific services.

Question1:

Co. PQR hired Caterer (Mr. A) to give catering services for business purposes. Caterer Mr. A appointed Caterer Mr. B for preparing some dishes.

Caterer Mr. A raised an Invoice of Rs 1 L + 18% GST on Co. PQR.

Caterer Mr. B raised an Invoice of Rs 10 K + 18% GST on Caterer Mr. A.

Co. PQR and Caterer A seeks advise regarding Input Tax Credit of Rs 18,000 and Rs 1,800 respectively.

Ans:

- Caterer Mr. A and Caterer Mr. B are in same line of Business ie catering services. Hence Caterer Mr. A can avail Input Tax Credit of GST paid of Rs 1,800 to Caterer Mr. B.
- However Co. PQR cannot avail input tax credit of GST paid of Rs 18,000 as Co. PQR and Caterer Mr. A are not in same line of business.

Question2:

Mrs. A is working in call centre. Call Centre has hired OLA services for travel facilities for female staff as it is obligatory by govt. Call centre raised an invoice of Rs 5,000 + 5% GST.

Ans:

- As per clause b) of Sec 17(5) of CGST Act, hiring, leasing, renting of car services availed are blocked even though such services are availed in course or in furtherance of the business.
- However GST paid on such services are allowable Input Tax Credit if government has made it obligatory.
- Call centre can avail credit as it is obligatory by govt.

Section 17 (5) – Blocked Credit – Goods or services provided in relation to specific services.

Question 3:

Mr. A (C.A.) visits PQR Restaurant with his clients. Restaurant raised in invoice of Rs 5,000 + 5% GST for restaurant services provided. Mr. A seeks advise if it can avail ITC of Rs 250.

Ans:

As per clause b) of Sec 17(5) of CGST Act, restaurant services availed are blocked even though such services are availed in course or in furtherance of the business.

Hence Mr. A cannot avail input tax credit of Rs 250.

Question 4:

Co. PQR appoints Gym Trainer (Mr. A) to provide health and fitness services to employees of Co. PQR. Gym Trainer (Mr. A) raises an invoice of Rs 1 L + 18% GST for health and fitness services provided.

Co. PQR seeks advise if it can avail ITC of Rs 18,000.

Ans:

As per clause b) of Sec 17(5) of CGST Act, heath and fitness services availed are blocked even though such services are availed in course or in furtherance of the business.

Hence Cp. PQR cannot avail input tax credit of Rs 18,000.

Question 5:

Golds Gym appoints Gym Trainer (Mr. A) to provide health and fitness services to clients / members of Gold Gym. Gym Trainer (Mr. A) raises an invoice of Rs 1 L + 18% GST for health and fitness services provided.

Golds Gym seeks advise if it can avail ITC of Rs 18,000.

Ans:

As per clause b) of Sec 17(5) of CGST Act, heath and fitness services availed are blocked even though such services are availed in course or in furtherance of the business.

However Input Tax Credit shall be allowed if supplier and recipient of services are in same line of business.

Golds Gym and Gym Trainer (Mr. A) are in same line of business. Hence Golds Gym can avail input tax credit of Rs 18,000.

Section 17 (5) – Blocked Credit – Goods or services provided in relation to specific services.

Question6.

Mr. A wants to have accommodation services in "The Resort" Hotel. Hotel also provided breakfast (restaurant services) and pick and drop (rent a cab) services to Mr. A.

The resort hotel raised 1 single invoice as accommodation services of Rs 10K + 18% GST.

Mr. A seeks advise if it can avail Input Tax Credit of Rs 1,800 or it is blocked credit.

Ans:

- In this case, The Resort is providing composite supply of services to Mr. Mukesh.
- Principal supply of services is accommodation services. Restaurant and rent a cab services are ancillary/ secondary in nature.
- Principal supply ie accommodation services is not blocked u/s 17(5).
- Hence Mr. Mukesh can avail entire Input Tax Credit of Rs 1,800 as such services (Restaurant and Rent a Cab) are provided as composite services for accommodation services.

Section 17(5) – Blocked Credit – Works Contract Services.

Clause C) of Section 17(5) of CGST Act 2017 - Works Contract Services.

Clause c of Section 17(5) of CGST Act, 2017 provides that **GST paid on works contract services availed are blocked** whether such works contract services are availed for personal or in course or for furtherance of business.

Such works contract services must be supplied in relation to **construction of immovable property** (other than plant and machinery).

Explanation – For the purposes of clauses (c) and (d), the expression "construction" includes fabrication, completion, erection, installation, improvement, fitting out, modification, repair, maintenance, renovation, alteration or commissioning **to the extent of capitalisation**, to the said immovable property.

Exceptions: ITC in relation to works contract services are allowable in following cases:

a) Supplier of Works contract services and the recipient are in **same line of business.**

b) Works contract services are availed in relation to construction of **plant and machinery.**

c) Works contract **expenses are debited in profit and loss account**.

Section 17(5) – Blocked Credit – Works Contract Services.

Generally works contract means combination of goods and services in relation to immovable property.

Works Contract Services

- Use of Goods like Materials.
- In relation to Immovable Property.
- Use of Services like labour.

Section 17(5) – Blocked Credit – Works Contract Services.

Allowable ITC on Works Contract Services (Exceptions)

- Supplier and Recipient are in same line of business ie Both provide and receive works contract services.
- Works Contract services are in relation to Plant & Machinery except Telecommunication Towers & Pipelines outside factory premises.
- Expenses in relation to works contract services are debited in profit and loss account (NOT CAPITALISED)

Section 17(5) – Blocked Credit – Works Contract Services.

Question1:

Mr. A (C.A.) availed works contract services in relation to his office building from Co. PQR. For such services, Co. PQR raised an invoice of 1 Cr + 18L GST. Mr. A seeks advise whether it can avail ITC of Rs 18 Lakhs paid.

Ans:

- As per clause c of section 17(5) of CGST Act, ITC in relation to works contract services availed to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- Hence Mr. A shall not be eligible to avail ITC of Rs 18 Lakhs even though such services are availed for business purposes.

Question2:

Mr. A (C.A.) availed works contract services in relation to his construction of power plant from Co. PQR. For such services, Co. PQR raised an invoice of 1 Cr + 18L GST. Mr. A seeks advise whether it can avail ITC of Rs 18 Lakhs paid.

Ans:

- As per clause c of section 17(5) of CGST Act, ITC in relation to works contract services availed to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- However if such services are availed in relation to construction of plant and machinery than input tax credit is allowed.
- Hence Mr. A shall be eligible to avail ITC of Rs 18 Lakhs.

Question3:

Mr. A (C.A.) availed works contract services in relation to repairs of office building from Co. PQR. For such services, Co. PQR raised an invoice of 1 L + 18K GST. Mr. A debited expenses in PnL Account. Mr. A seeks advise whether it can avail ITC of Rs 18K paid.

Ans:

- As per clause c of section 17(5) of CGST Act, ITC in relation to works contract services availed to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- However in given case, Mr. A has not capitalised such expenses. He has debited in profit and loss account.
- Hence Mr. A shall be eligible to avail ITC of Rs 18K.

Section 17(5) – Blocked Credit – Works Contract Services.

Question4:

Mr. A (C.A.) availed works contract services in relation installation of telecommunication towers (Plant & machinery) from Co PQR. For such services, Co PQR raised invoice of Rs 10L + 18% GST. Mr. A seeks advise whether it can avail ITC of Rs 1.8 Lakhs paid.

Ans:

- As per clause c of section 17(5) of CGST Act, ITC in relation to works contract services availed to the extent of capitalisation are blocked except plant and machinery.
- However plant & machinery excludes:

  a) telecommunication towers.

  b) pipelines laid outside factory premises.
- Hence Mr. A shall not be eligible to avail ITC of Rs 1.8 Lakhs as telecommunication towers are not covered under plant and machinery.

Question5:

Mr. A (C.A.) availed works contract services in relation installation of pipelines outside factory premises (Plant & machinery) from Co PQR. For such services,Co PQR raised invoice of Rs 5L + 18% GST. Mr. A seeks advise whether it can avail ITC of Rs 90K paid.

Ans:

- As per clause c of section 17(5) of CGST Act, ITC in relation to works contract services availed to the extent of capitalisation are blocked except plant and machinery.
- However plant & machinery excludes:

  a) telecommunication towers.

  b) pipelines laid outside factory premises.
- Hence Mr. A shall not be eligible to avail ITC of Rs 1.8 Lakhs as pipelines laid outside factory premises are not covered under plant and machinery.

Section 17(5) – Blocked Credit – Construction of Immovable Property on own account.

Clause d) of Section 17(5) of CGST Act 2017 - Construction of Immovable Property on own account.

Clause d of Section 17(5) of CGST Act, 2017 provides that **GST paid on Construction of Immovable Property on own account are blocked** whether such services are availed for personal or in course or for furtherance of business.

Such services must be availed in relation to **construction of immovable property** (other than plant and machinery).

Explanation – For the purposes of such clause, the expression "construction" includes fabrication, completion, erection, installation, improvement, fitting out, modification, repair, maintenance, renovation, alteration or commissioning **to the extent of capitalisation**, to the said immovable property.

Exceptions: ITC in relation to services are allowable in following cases:

a) Services are availed in relation to construction of **plant and machinery.**

b) Expenses are debited in profit and loss account.

Section 17(5) – Blocked Credit – Construction of Immovable Property on own account.

Question1:

Mr. A (C.A.) purchased goods and services and constructed his office building on own account. Mr. A incurred expenses of Rs 5 Lakhs + 18% GST. Such expenses were capitalized by Mr. A.

Mr. A seeks advise whether it can avail ITC of Rs 90K paid.

Ans:

- As per clause d of section 17(5) of CGST Act, ITC in relation to construction of immovable property to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- Hence Mr. A shall not be eligible to avail ITC of Rs 90K even though such services are availed for business purposes.

Question2:

Mr. A (C.A.) purchased goods and services and constructed plant and machinery on own account. Mr. A incurred expenses of Rs 5 Lakhs + 18% GST. Such expenses were capitalized by Mr. A.

Mr. A seeks advise whether it can avail ITC of Rs 90K paid.

Ans:

- As per clause d of section 17(5) of CGST Act, ITC in relation to construction of immovable property to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- However input tax credit is allowed if plant and machinery is constructed on own account.
- Hence Mr. A shall be eligible to avail ITC of Rs 90K as it has constructed plant and machinery on own account.

Section 17(5) – Blocked Credit – Construction of Immovable Property on own account.

Question 3:

Mr. A (C.A.) purchased goods and services and repaired his office building on own account. Mr. A incurred expenses of Rs 5 Lakhs + 18% GST. Such expenses were debited in profit and loss account.

Mr. A seeks advise whether it can avail ITC of Rs 90K paid.

Ans:

- As per clause d of section 17(5) of CGST Act, ITC in relation to construction of immovable property to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- In given case, Mr. A has not capitalised expenses. He has debited in profit and loss account.
- Hence Mr. A shall be eligible to avail ITC of Rs 90K as such expenses are not capitalised in books of account.

Question 4:

Mr. A (C.A.) purchased goods and services and constructed telecommunication tower (plant and machinery) on own account. Mr. A incurred expenses of Rs 5 Lakhs + 18% GST. Such expenses were capitalized by Mr. A.

Mr. A seeks advise whether it can avail ITC of Rs 90K paid.

Ans:

- As per clause d of section 17(5) of CGST Act, ITC in relation to construction of immovable property to the extent of capitalisation are blocked whether such services are availed for personal or for business purposes.
- However input tax credit is allowed if plant and machinery is constructed on own account.
- However plant & machinery excludes:

a) telecommunication towers.

b) pipelines laid outside factory premises.

- Hence Mr. A shall not be eligible to avail ITC of Rs 90K as it has constructed telecommunication towers on own account.

Section 17(5) – Blocked Credit.

Clause E) Composition Scheme Dealers

Recipient shall not be eligible to claim Input Tax Credit for goods purchased from Composition Dealer.

Clause F) Non Resident Taxable Person:

NRI under GST is not eligible to claim ITC for purchase of goods & services except on goods imported by him.

Clause G) Personal Consumption

No ITC if goods and services are used for personal consumption.

Clause H) GOODS Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples

ITC will be reversed if goods are lost stolen destroyed or are given as gift or free samples for business promotion. (WORD WRITEEN IS GOODS AND NOT SERVICES as services are intangible).

Clause I) Tax Paid in accordance with provisions of Section 74, 129, 130.

Section 17(5) – Blocked Credit – FAQ for Composition Dealers & Non Resident Taxable Persons.

Question1:

Mr. A purchased goods from Cp. PQR(Composition Scheme dealers) for Rs 1 lakh. Co. PQR paid GST of Rs 1,000 ie @ 1% from its own pocket.
Mr. A seeks advise if it can avail Input Tax Credit of Rs 1,000?

Ans:

As per clause e) of Section 17(5), recipient cannot avail input tax credit if goods are purchased from composition scheme dealers.

Also Mr. A has not paid any GST to Co. POR.

Co. PQR has paid GST from its own pocket.

Hence Mr. A shall not be eligible to input tax credit.

Question2:

Mr. A, an NRI came to india for doing business. He imported certain goods and paid GST of Rs 10,000 at port. He also paid GST of Rs 50,000 for goods and services purchased within india.

He seeks advise if it can avail Input Tax Credit of Rs 60,000?

Ans:

As per clause f) of section 17(5), NRI cannot avail input tax credit for GST paid on purchase of goods or availing services within India.

However under exceptions to clause f), NRI can avail input tax credit for GST paid on port at the time of import of goods.

Hence Mr. A can avail ITC of Rs 10,000 but he cannot avail ITC of Rs 50,000 as such GST is paid within India.

Section 17 (5) – Blocked Credit - GOODS Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.

Question1:

Mr. A purchased goods from from Mr. B for Rs 10 L + 5% GST in April 2020. There was huge fire in godown of Mr. A in July 2020 and hence all goods of Rs 10L + 5% GST got destroyed.

Mr. A seeks advise regarding input tax credit.

Ans:

- As per clause h) of Section 17(5), recipient cannot avail input tax credit if goods are Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.
- If ITC is already taken than Mr. A shall be required to reverse ITC.
- In given case, Mr. A had already taken ITC in April 2020.
- Hence Mr. A shall be required to reverse input tax credit of Rs 50,000 (10L * 5%) in July 2020.

Question2:

Mr. A purchased goods from from Mr. B for Rs 1 L + 12% GST in April 2020. Such goods were stolen from Mr. A's godown in July 2020.

Mr. A seeks advise regarding input tax credit.

Ans:

- As per clause h) of Section 17(5), recipient cannot avail input tax credit if goods are Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.
- If ITC is already taken than Mr. A shall be required to reverse ITC.
- In given case, Mr. A had already taken ITC in April 2020.
- Hence Mr. A shall be required to reverse input tax credit of Rs 12,000 (1L * 12%) in July 2020.

Section 17 (5) – Blocked Credit - GOODS Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.

Question3:

Co. A manufactured medicines. It incurred total cost of Rs 1 Cr + 10 L GST in April 2020. It gave all such medicines to various doctors as free samples in July 2020.

Co. A seeks advise regarding input tax credit.

Ans:

- As per clause h) of Section 17(5), recipient cannot avail input tax credit if goods are Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.
- If ITC is already taken than Co. A shall be required to reverse ITC.
- In given case, Co. A had already taken ITC in April 2020.
- Hence Co. A shall be required to reverse input tax credit of Rs 10 Lakhs in July 2020.

Question4:

Co. A manufactured Air Condition. It incurred total cost of Rs 1 Cr + 10 L GST in April 2020. It gave AC free to various customers as business promotion in July 2020.

Co. A seeks advise regarding input tax credit.

Ans:

- As per clause h) of Section 17(5), recipient cannot avail input tax credit if goods are Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.
- In such case, Co A has not given AC as free samples. Term free samples means that recipient shall order more in future.
- Hence ITC of Rs 10 Lakhs shall not be reversed.
- They are freely supplied under business promotion scheme.
- However, As per Clause a of Schedule I, Permanent Transfer / Disposal of Business Assets on which ITC is availed shall be considered as Supply even if it without consideration.
- Hence Mr A shall be subjected to GST on Free AC to customer.
- Value of supply shall be Open Market Value of such AC or Value of Goods of Like Kind or Quality or Cost of Production + 10%.

Section 17 (5) – Blocked Credit - GOODS Lost, Stolen, Destroyed or written off or disposed by way of Gift / Free Samples.

Question:

Mr. B, Seller of Jeans made a scheme of Buy 2 Get 1 Free. Mr. B is seeking your advise

a) Whether ITC is required to be reversed considering it as free samples? Or

b) GST shall be payable as Free Supply as per Schedule I of CGST Act 2017.

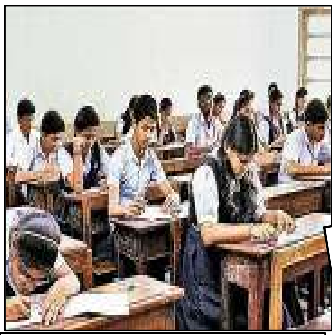
Ans:

- 1 Jeans given free of Rs 1,000 is in nature of discount. It is not given as Gift / Free Samples.
- Hence Mr. B shall not be required to reverse Input Tax Credit as jeans is not given as free samples.
- Such schemes are introduced to give to the buyer an Incentive to purchase more quantity at a lesser price indirectly by giving something free & hence it is actually a Discount in real sense (Trade / Quantity Discount).
- Technically in case of buy 2 get 1 free schemes, there is no free supply.
- Supplier recovers price of all 3 jeans in 2 Jeans itself.
- Any benefit or reduction in price may be treated as Discount given at the time of supply of jeans
- **As per provisions of Value of Supply, Discount given before / during the supply shall be eligible discount and GST is not required to be charged on Discount amount.**
- **Hence we are not required to charge GST on market value for 1 jeans given as free supply.**

INPUT TAX CREDIT FOR INPUTS AND INPUT SERVICES ON TAXABLE AND EXEMPT SUPPLY (SEC 17 AND RULE 42).

GST Input Tax Credit for Taxable & Exempt Supply.

School Fees earned is **Rs 5 Crores**



School
Exempt Supply

Software ABC

Classes Fees earned is Rs 15 Crores

Classes
Taxable Supply

Software ABC is used by school also.

For Rs 1 Cr + **18L GST**

Software ABC is used by classes also.

- Software is used for Taxable as well as Exempt Supply.
- Hence entire Input Tax Credit of Rs 18 Lakhs **shall not be allowed.**

Disallowed ITC	=	Total ITC	*	Exempt Supply	/	Total Supply		
		18,00,000	*	5 Cr	/	20 Cr	=	4,50,000

Rule 42: Manner of determination of ITC. in respect of inputs or input services and reversal thereof

Rule 42

T = Total Input Tax Credit (Rs 1,00,000)

T 1 = ITC used exclusively in relation to Non Business purpose (Rs 5,000).

T 2 = ITC used exclusively in relation to Exempt Supply (Rs 15,000).

T 3 = ITC used exclusively in relation to Blocked Credit u/s 17(5) (Rs 5,000).

T 4 = ITC used exclusively in relation to Taxable Supply under GST (Rs 25,000).

Common Input Tax Credit = T – (T1 – T2 – T3 – T4) = Rs 50,000 (1 L – 5K – 15K – 5K – 25K).

Rule 42: Manner of determination of ITC. in respect of inputs or input services and reversal thereof

ITC to be disallowed						
D1		Common Input Tax Credit	*	Exempt Turnover	/	Total Turnover
D2		Common Input Tax Credit	*	5%		

Rule 42: Manner of determination of ITC. in respect of inputs or input services and reversal thereof

Question1:

Mr A is running a business. Total ITC for April 2018 is Rs 5,00,000/-. Breakup is as follows:

- Exclusively for Exempt Supply: Rs 1,00,000/-
- Exclusively for Non Business Purpose : Rs 50,000/-
- Exclusively disallowed under 17(5) : Rs 50,000/-
- **Exclusively used for Taxable Supply : Rs 2,00,000/-**
- Used for Taxable & Exempt Supplies : Rs 1,00,000/-
- Total Turnover during the month = Rs 10,00,000 out of which Rs 6,00,000 is Exempt Supplies.

Calculate ITC to be reversed during the month of April 2018.

Ans:

- T = Total Input Tax Credit = Rs 5,00,000.
- T1 = ITC availed for Non Business Purpose - Rs 50,000.
- T2 = ITC availed for Exempt Supply = Rs 1,00,000.
- T3 = ITC blocked u/s 17(5) = Rs 50,000.
- **T4 = ITC allowed for Taxable Supply: Rs 2,00,000**.
- C = Common credit attributable to taxable and exempt supplies = Rs 1,00,000 (C1 – T4).
- D1 = ITC to be reversed in ration of Exempt Supplies = Rs 60,000 (E/f * C)
- D2 = Common ITC * 5% = Rs 5,000 (1L * 5%)
- ITC to be allowed from Common ITC = Rs 35,000 (1,00,000 – 60,000 – 5,000)

- **Total Eligible ITC for April 2018 = T4 + C3 = Rs 2,35,000.**

Rule 42: Manner of determination of ITC. in respect of inputs or input services and reversal thereof

Question 2:

From the following information, find out eligible ITC:

- **Taxable Turnover is Rs. 8.0 Crores**. Exempted Turnover is Rs. 2.0 Crore
- Total available Credit is Rs. 10 Lacs.
- Input Credit attributable to exclusively Non business purpose = Rs. 50,000/-
- Input Credit attributable to exclusively exempted business purpose = Rs. 1,00,000/-
- Input Credit attributable to exclusively for Blocked Credit = Rs. 50,000/-
- **Input Credit attributable to exclusively for Business purposes = Rs. 5,00,000**/-

Particulars	Amount (Rs)
Total Credit Available for both Exempt & taxable supplies	10,00,000
Less : T1 = ITC exclusively in relation to Non Business purpose	50,000
Less : T2= ITC exclusively in relation to Exempt Supplies	1,00,000
Less: T3 = ITC blocked under Sec 17(5)	50,000
Less: T4 = Credit related to Taxable Supplies	5,00,000
Common Credit (C)	3,00,000
Less: D1 = C * E/F (Credit attributable to Exempt Supplies (3 Lakh * 2/10))	60,000
Less: D2 = C * 5% (3,00,000 * 5%)	15,000
Credit Available for Common Inputs	2,25,000

Total Credit Available = Credit of Taxable Supplies + Credit available on Common Inputs ie Rs 5,00,000 + 2,25,000 = Rs 7,25,000/-

INPUT TAX CREDIT ON CAPITAL GOODS

Input Tax Credit on Capital Goods and Amount payable on supply of capital goods. [Section 18(6) read with rule 40(2) & rule 44(6) of CGST Rules.

- Capital goods" **means GOODS, the value of which is capitalized in the books of account of** the person claiming the credit and which are used or intended to be used in the course or furtherance of business - section 2(19) of CGST Act.
- Capital goods" shall include "plant and machinery" as defined in the Explanation to section 17 of CGST Act – Explanation below Rule 45 of CGST and SGST Rules, 2017.
- Plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes- (i) land, building or any other civil structures (ii) telecommunication towers; and (iii) pipelines laid outside the factory premises.
- **Input tax credit of tax not allowed if depreciation claimed on tax component. (Sec 16(3))**
- Ineligibility of ITC on pipelines and telecommunication tower Credit of input tax in respect of pipelines laid outside the factory and telecommunication towers fixed to earth by foundation or structural support including foundation and structural support are not eligible for input tax credit - Explanation to section 17 of CGST Act

Input Tax Credit on Capital Goods and Amount payable on supply of capital goods. [Section 18(6) read with rule 40(2) & rule 44(6) of CGST Rules.

- **100% Input GST Set Off can be claimed** on Capital Goods at the time of purchase of such capital asset subject to conditions given in section 16 & 17 (5) of CGST Act.
- However Capital Goods **must be used for 5 years** from the date of issue of invoice for such goods.
- ie Capital goods must be used for **20 Qtrs** ([1 Yr =4 Qtrs, hence 5 yrs = 20 Qtrs).
- If Capital Goods are sold within 5 years than proportionate credit (From Date of sale to date of completion of 5 years) shall be treated as output tax liability which shall be paid by debiting electronic credit ledger or electronic cash ledger.
- Part of the quarter used shall be treated as full quarter used.
- However, in case of bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15 of CGST Act - proviso to section 18(6) of CGST Act.

Input Tax Credit on Capital Goods and Amount payable on supply of capital goods. [Section 18(6) read with rule 40(2) & rule 44(6) of CGST Rules.

Amount payable on sale of capital goods.

ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods

GST Payable on Transaction Value ie Sales Value of Capital Goods.

Whichever is higher

Input Tax Credit on Capital Goods and Amount payable on supply of capital goods. [Section 18(6) read with rule 40(2) & rule 44(6) of CGST Rules.

Question 1:

Mr. A purchased capital goods of Rs 1 L + 12% GST on 01st July 2019. Mr. A availed input tax credit on purchase of such asset.

Mr. A discarded such asset on 15th July 2022.

What shall be GST payable?

Ans:

- Mr. A purchased capital goods on 01st July 2019. He also availed input tax credit on purchase of such assets.
- Mr. A discarded such asset on 15th July 2022.
- Mr. A was required to use such asset for 20 Quarters.
- However Mr. A have used such asset from 1st July 2019 to 15th July 2022 ie for 13 Quarters. (July 19 to Mar 20 + Apr 20 to Mar 21 + Apr 21 to Mar 22 + Apr 22 to June 22 + Qtr of July 22).
- Hence for remaining 7 quarters , his ITC shall be treated as Output GST Liability.
- Each QTR, we need to pay 5%. Hence for 7 Quarters, Mr. A shall be required to pay 35% (7*5).
- Hence Mr. A shall be required to pay Rs 4,200 (12,000 * 35%).

Input Tax Credit on Capital Goods and Amount payable on supply of capital goods. [Section 18(6) read with rule 40(2) & rule 44(6) of CGST Rules.

Question 2:

XYZ Ltd, purchased machine on 1-7-2017 for Rs 10,00,000 on which IGST was paid @ 18%. He availed the input tax credit and utilised the capital goods.

On 2-10-2018 he sold the machinery as second hand goods for Rs 7,50,000.

What shall be GST Liability for sale of capital goods for Rs 7,50,000?

Ans:

- XYZ can avail full IGST Credit in July 2017 of Rs 1,80,000/- (10 L * 18%)
- Capital Asset is used by XYZ Ltd from 1st July 17 to 02nd Oct 2018 ie 6 quarters.
- XYZ can retain credit of 30% (5% for 6 quarters) of Rs 1,80,000 = Rs 54,000.
- IGST Credit of Rs 1,26,000/- (1,80,000 – 54,000) is required to be paid as Output GST Liability.
- Also Co has sold machinery, hence GST on sales shall be Rs 1,35,000 (750000*18%).
- Hence XYZ shall pay Rs 1,35,000 (Higher of Rs 126000 or 135000) by debiting Electronic Credit Ledger if balance available or by debiting Electronic Cash Ledger.

INPUT TAX CREDIT FOR CAPITAL GOODS ON TAXABLE AND EXEMPT SUPPLY (SEC 17 AND RULE 43).

Rule 43: Manner of determination of ITC. in respect of Capital Goods and reversal thereof.

Rule 43

CG = Total Input Tax Credit on Capital Goods = (Rs 1,00,000).

CG 1 = ITC used exclusively in relation to Non Business purpose (Rs 5,000).

CG 2 = ITC used exclusively in relation to Exempt Supply (Rs 15,000).

CG 3 = ITC used exclusively in relation to Blocked Credit u/s 17(5) (Rs 5,000).

CG 4 = ITC used exclusively in relation to Taxable Supply under GST (Rs 25,000).

Tr = Common Input Tax Credit = CG – (CG1 – CG2 – CG3 – CG4) = Rs 50,000 (1 L – 5K – 15K – 5K – 25K).

Rule 43: Manner of determination of ITC. in respect of Capital Goods and reversal thereof.

Out of Total Input Tax Credit, ITC to be reversed:

$$\boxed{\text{Te 1}} = \boxed{\text{Tr = Common Input Tax Credit / 60}} * \boxed{\text{E = Exempt Turnover for the month}} / \boxed{\text{F = Total Turnover for the month}}$$

Rule 43: Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases.

Case Study : Capital Goods used for Taxable and Exempt Supplies:

Purchase of Capital Goods in April 2018

1. CG 1 : ITC Rs 50,000 - Used Exclusively for Exempt Supplies
2. CG 2 : ITC Rs 1,00,000 – Used Exclusively for Taxable Supplies
3. CG 3 : ITC Rs 60,000 – Used for Taxable & Exempt Supplies
4. CG 4 : ITC Rs 30000 – Used for Taxable & Exempt Supplies

Total Turnover during the month is Rs 15,00,000 out of which Rs 5,00,000 is for Exempt Supplies.

Purchase of Capital Goods in May 2018

1. CG 5 : ITC Rs 60,000 – Used for Taxable & Exempt Supplies

Total T/O during the month of may is Rs 9,00,000 out of which Rs 6,00,000 is for Exempt Supplies.

Total T/O during the month of June is Rs 12,00,000 out of which Rs 6,00,000 is for Exempt Supplies.

Calculate ITC to be reversed on capital goods for month of April & May ?

Rule 43: Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases.

Ans :

For April Month

- CG 1: ITC shall be disallowed and shall be taken in Ineligible credit. So no credit in ECL.
- CG 2: ITC will be allowed fully and credit in ECL.
- CG 3 & CG 4: **ITC will be first allowed fully and credit in ECL (Entire Rs 90000 will be credited in ECL in April)**. Now every month we need to reverse the credit as partly it is used for taxable and partly for exempt supplies.
- Credit of CG 3 of Rs 60,000 shall be denoted by A1 and Credit of CG 4 of Rs 30,000 shall be denoted by A2
- Tc = A1 + A2 (Total Common Credit for all assets for April month)
- Hence Tc = Rs 90,000 (Rs 60,000 for CG 3 and Rs 30,000 for CG 4)
- Tm for April = Tc / 60 ie Rs 90,000 / 60 = Rs 1,500 per month
- Calculate Tr which is aggregrate of all Tm for all capital goods for all month
- Hence Tr = 1,500 (Tm for April)
- Calculate Te for April month = (Rs 1,500 * 5/15) = Rs 500

Rule 43: Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases.

Ans Cont :

For May Month

- CG 5: **ITC will be first allowed fully and credit in ECL (Entire Rs 50000 will be credited in ECL in May).** Now every month we need to reverse the credit as partly it is used for taxable and partly for exempt supplies.
- Credit of Rs 60,000 shall be denoted by A.
- Tc = A (Since there is only 1 capital asset)
- Tm for May = Tc / 60 = 60,000/60 = Rs 1,000
- Tr for May month shall be Tm for April + Tm for May
- Hence Tr will be Rs 2,500 (1,500 + 1,000)
- Calculate Te = Tr * Exempt Supply / Total Supply
- Hence Te = 2,500 * 600000/900000 = Rs 1667/- which is to be reversed for May month

Rule 43: Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases.

Ans Cont :

For June Month

- CG 1: Now being used for Taxable and Exempt Supplies from 1st June
- Since CG 1 was used exclusively for Exempt supplies for one quarter hence 5% shall be disallowed (Part of Qtr is equal to full Qtr)
- Hence Common Credit for CG 1 shall be 47,500 (50000 – 5%) **which will be entirely credited to ECL in June.**
- Hence A for June month (assuming no capital goods addition) = CG 1
- Hence A shall be 47,500.
- Tc for June also shall be 47,500 (Since only 1 A)
- Tm for June shall be Tc /60 = Rs 792 (47,500 / 60)
- Tr for June month shall be Tm for April + Tm for May + Tm for June
- Tr for June month = Rs 3,292 (1500 + 1000 +792)
- Te = Tr * Exempt Supply / Taxable Supply
- Hence Te = Rs 1,646 (3,292 * 600000 / 1200000)
- Hence ITC of Rs 1,646 will be reversed during June month.

Section 17(4) read with rule 38 – Optional ITC Method for Banks/ NBFC / Financial Institutions.

- A banking company or a financial institution including a NBFC, which accepts deposits, or extends loans or advances, has the **option to limit its availment of ITC to 50% of the eligible ITC** on inputs, capital goods and input services each month and the remaining ITC shall lapse.
- A banking company or a financial institution including a NBFC shall not be required to apply Rule 42 or Rule 43 for availment of ITC.
- It can take flat 50% ITC out of eligible ITC (ie after reversal of ITC blocked U/s 17(5) of CGST Act.
- Credit of tax paid on inputs and input services that are used for non-business purposes and items mentioned u/s section 17(5) [blocked credits] cannot be availed.
- The restriction of availing 50% ITC shall not apply to the tax paid on supplies procured from another registration **(Distinct Persons)** within the same entity, i.e. **100% credit of such tax can be availed.**
- The option once exercised **cannot** be changed during the remaining part of the financial year.

Section 17(4) read with rule 38 – Optional ITC Method for Banks/ NBFC / Financial Institutions.

Question1:

A Banking company has following GST paid on Inputs, Input Services and Capital Goods during the month of April 2019.

It seeks opinion whether it should select normal GST scheme or it should go for optional scheme of 50% ITC.

- ITC on Materials purchased = Rs 3,00,000/-
- ITC on Services availed = Rs 50,000/-
- ITC on Works Contract services capitalized = Rs 2,00,000
- ITC on Rent a Cab services availed = Rs 25,000.

Banks total turnover is Rs 5 Crores out of which Rs 3 Crores is exempt supply and Rs 2 Crores is taxable supply.

Ans:

Total Eligible ITC is Rs 3,50,000 (3,00,000 + 50,000).

Total Blocked ITC u/s 17(5) is Rs 2,25,000 (2,00,000 + 25,000).

Option 1: Normal GST Scheme:

As per Section 17(2) read with Rule 42 of CGST Rules, Bank shall be eligible to claim only proportionate ITC out of total eligible ITC, as it is supplier of both Taxable as well as Exempt Supplies.

Hence Bank shall claim ITC of Rs 70,000 (3,50,000 * 2 / 5).

Balance ITC of Rs 2,80,000/- shall be reversed.

Option 2: 50% ITC of eligible ITC:

As per Section 17(4) read with rule 38, Bank has the option to limit its availment of ITC to 50% of Eligible ITC on Inputs, Input Services and Capital Goods each month and remaining ITC shall lapse.

Hence Banks can avail ITC of Rs 1,75,000 (50% of Rs 3,50,000) and balance Rs 1,75,000 shall lapse.

Conclusion:

Bank is advised to go for optional scheme of 50% ITC as it shall get more input tax credit.

SECTION 18
INPUT TAX CREDIT FOR GOODS LYING IN THE STOCK.

Section 18: Goods lying in the Stock.

Cases	Condition	Benefit of Inputs
Sec 18 (1) (a) – **Person becomes liable for GST Registration.**	• A person has to apply for GST registration within 30 days from the date from which he has become liable for GST Registration and has been granted the registration. • ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier. • No ITC on Capital Goods. • A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.	ITC shall be available: • Raw Material • Semi-Finished goods • Finished goods For the day immediately preceding the date from which he becomes liable for GST Registration.
Sec 18 (1) (b) – **Person takes Voluntary GST Registration.**	• ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier. • No ITC on Capital Goods. • A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.	ITC shall be available::- • Raw Material • Semi-Finished goods • Finished goods. For the day immediately preceding the date of grant of GST Registration.
Section 18 (1)(c) **Person gets converted to Regular Dealer from Composition Dealer.**	• ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier. • ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice. • ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier. • A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.	Yes, if held in stock for the followings :- • Raw Material • Semi-Finished goods • Finished goods. • Capital Goods for remaining life. For the day immediately preceding the date from which he becomes liable to pay tax under regular scheme.
Section 18 (1)(d) **Person selling goods become taxable from exempt**	• ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier. • ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice. • ITC claimed shall be verified with the corresponding	Yes, if held in stock for the followings :- • Raw Material • Semi-Finished goods • Finished goods

Section 18: Goods lying in the Stock.

Question1:

Mr. A becomes liable for GST Registration on 05th April 2019. He applies for GST Registration on 25th April 2019. He seeks your advise regarding ITC on closing stock ie for which date closing stock he can avail ITC.

Ans:

- Mr. A becomes liable for GST Registration on 05th April 2019.
- As per Sec 18 (1) (a), Mr. A was required to make application for GST Registration within 30 days from date he becomes liable for GST Registration ie 04th May 2019.
- He has obtained GST Registration on 25th April 2019. Hence it is within 30 days.
- Mr. A shall be eligible to ITC for inputs lying in the stock, inputs contained in semi finished goods and finished goods on the day immediately preceding the date from which he becomes liable for GST Registration (05th April 2019).
- **Hence Mr. A shall be liable for ITC for goods in stock as at 04th April 2019.**
- ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier ie Tax Invoice should not be prior to 1 year.
- No ITC on Capital Goods.
- A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.

Section 18: Goods lying in the Stock.

Question2:

Mr. A applies for voluntary registration on 5th June 2020 and obtains registration on 22th June 2020. He seeks your advise regarding ITC on closing stock ie for which date closing stock he can avail ITC.

Ans:

- Mr. A voluntarily obtains GST Registration on 05th June and same is allotted on 22nd June 2020.
- As per Sec 18 (1) (b), Mr. A shall be eligible to ITC for inputs lying in the stock, inputs contained in semi finished goods and finished goods on the day immediately preceding the date of grant of GST Registration (22nd June 2020).
- **Hence Mr. A shall be liable for ITC for goods in stock as at 21st June 2020.**
- ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier ie Tax Invoice should not be prior to 1 year.
- No ITC on Capital Goods.
- A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.

Section 18: Goods lying in the Stock.

Question 3:

Mr. B, a registered taxable person, was paying tax under composition scheme upto 30th July 2019. However, w.e.f. 31st July 2020, Mr. B becomes liable to pay tax under regular scheme.

Ans:

- As per Sec 18 (1) (c), Mr. A shall be eligible to ITC for inputs lying in the stock, inputs contained in semi finished goods and finished goods on the day immediately preceding the date from which he becomes liable to pay tax under regular scheme ie 31st July 2020.
- **Hence Mr. A shall be liable for ITC for goods in stock as at 30th July 2020.**
- ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier ie Tax Invoice should not be prior to 1 year.
- He can also claim ITC on Capital Goods for remaining useful life. (Pending Qtrs out of 20 Qtrs).
- A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.

Section 18: Goods lying in the Stock.

Question 4:

Mr. B, a registered taxable person, was supplying exempted goods till 30th April 2020. From 1st May 2020, products became taxable. Mr. B had purchased capital goods on 01st May 2018 (GST Paid is Rs 5 Lakhs on such capital goods)

Mr. B seeks your advise regarding ITC on Stocks and Capital goods.

Ans:

- As per Sec 18 (1) (d), Mr. A shall be eligible to ITC for inputs lying in the stock, inputs contained in semi finished goods and finished goods on the day **immediately preceding the date** from which goods become taxable (01st May 2020).
- **Hence Mr. A shall be liable for ITC for goods in stock as at 30th April 2020.**
- ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier ie Tax Invoice should not be prior to 1 year.
- He can also claim ITC on Capital Goods for remaining useful life.
- Capital goods is bought on 01st May 2018.
- Capital goods is to be used for 5 years. On 1st may 2020 when products become taxable, capital goods is already used for 2 years ie 8 Qtrs.
- Hence remaining useful life of capital goods is 3 years ie 12 Qtrs.
- Hence Mr. B can avail ITC of Rs 3 Lakhs on capital goods.(5 * 12/20).
- A C.A. or Cost Accountant Certificate if ITC exceeds Rs 2 Lakhs.

ITC on Transfer of Business_Merger, Sale, Demerger, Amalagamation

- A registered person shall, in the event of sale, merger, de-merger, amalgamation, lease or transfer or change in the ownership of business for any reason, furnish the details of sale, merger, de-merger, amalgamation, lease or transfer of business, in **FORM GST ITC-02**, electronically on the common portal along with a request for transfer of unutilized input tax credit lying in his electronic credit ledger to the transferee;
- The transferor shall also submit a **copy of a certificate** issued by a practicing chartered accountant or cost accountant certifying that the sale, merger, de-merger, amalgamation, lease or transfer of business has been done with a specific provision for the transfer of liabilities **(Transferor will Login and go to Returns and click on ITC 02 and fill the details)**
- The inputs and capital goods so transferred shall be duly accounted for by the transferee in his books of account.

Section 18(3) - Transfer of ITC on account of change in constitution of registered person [read with rule 41 of CGST Rules].

Question:

Co. AB has demerged into Co. A and Co. B. Total Assets of Co. AB were Rs 300 Cr. Out of which Rs 100 Cr were given to Co. A and Rs 200 Cr were given to Co. B.

Total Balance in Electronic Credit Ledger of Co. AB is Rs 30 Lakhs.

Co. AB

- It has total ITC of Rs 30 Lakhs in its Electronic Credit Ledger.
- Its total assets is Rs 300 Crores.
- It demerged into Co A and Con B.
- Since it is demerged, it also has to transfer balance of Electronic Credit Ledger to Co. A & Co. B.
- Assets transferred to Co A is Rs 100 Cr and to Co B is Rs 200 Cr.

Co. A

- Assets transferred from Co AB is Rs 100 Cr out of 300 Cr.
- Co. A took new GST No.
- Hence ITC to be apportioned is Rs 10 L out of Rs 30 L (30*100/300).

Co. B

- Assets transferred from Co AB is Rs 200 Cr out of 300 Cr.
- Co. A took new GST No.
- Hence ITC to be apportioned is Rs 20 L out of Rs 30 L (30*200/300).

Section 18(3) - Transfer of ITC on obtaining separate registrations for multiple places of business within a State/ Union Territory [Rule 41A of CGST Rules].

Question:

Co. AB has unit in Mumbai and its total assets are Rs 300 Cr. It starts 1 more unit in Nashik and obtains separate GST number for Nashik. Out of total assets of Rs 300 Cr, Rs 100 Cr were given at Unit in Nashik and balance of Rs 200 Cr were retained at Mumbai unit.

Total Balance in Electronic Credit Ledger of Co. AB in Mumbai is Rs 30 Lakhs.

Co. AB in Mumbai

- It has total ITC of Rs 30 Lakhs in its Electronic Credit Ledger.
- Its total assets is Rs 300 Crores.
- It demerged into Nashik and Mum Unit.
- Since it is demerged, it also has to transfer balance of Electronic Credit Ledger to Co. A & Co. B.
- Assets transferred to Nashik Unit is Rs 100 Cr and assets retained at Mumbai unit is Rs 200 Cr.

New Nashik Unit

- Assets transferred from Co AB is Rs 100 Cr out of 300 Cr.
- It took new GST No in Nashik.
- Hence ITC to be apportioned is Rs 10 L out of Rs 30 L (30*100/300).

Mumbai Unit

- Assets transferred from Co AB is Rs 200 Cr out of 300 Cr.
- Hence ITC to be apportioned is Rs 20 L out of Rs 30 L (30*200/300).

Section 18(3) - Transfer of ITC on account of change in constitution of registered person [read with rule 41 of CGST Rules].

Question:

Co. ABC is registered in Maharashtra. It demerged into Co. AB and Co. C on 1st July 2020. Total unutilized ITC of Co. ABC was Rs 25,00,000. Total Assets of Co. ABC was Rs 1 Crore.

After demerger value of assets of Rs 60 Lakhs were given in Co. AB and Rs 40 Lakhs were given in Co. C.

Companies seeks your advise regarding availing of unutilized ITC of Rs 25 Lakhs.

Ans:

In the case of demerger, ITC will be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.

Value of Assets transferred to Co. AB and Co. C are Rs 60 Lakhs and Rs 40 Lakhs respectively.

Hence Co. AB can avail unutilized ITC of Rs 15,00,000 (25 L * 60/100).

And Co. C can avail unutilized ITC of Rs 10,00,000 (25 L * 40/100).

Question:

Co. ABC is registered in Mumbai, Maharashtra. It started his new unit in Nashik, Maharashtra. It took separate GST number in Nashik.

Total unutilized ITC of Co. ABC was Rs 60,00,000. Total Assets of Co. ABC was Rs 5 Crore.

Co. ABC transferred value of assets of Rs 2 Crores to Nashik Unit and balance of Rs 3 Crores were retained by Co. ABC in Mumbai unit.

Companies seeks your advise regarding availing of unutilized ITC of Rs 60 Lakhs.

Ans:

- The registered person (transferor), having separate registrations for multiple places of business within a State/Union Territory, can transfer the unutilized ITC (wholly or partly) lying in his electronic credit ledger to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration.
- Value of Assets transferred to Nashik unit was Rs 2 Crs out of total of Rs 5 Crores.
- Hence Nashik Unit can avail unutilized ITC of Rs 24,00,000 (60L * 2/5).
- And Mumbai unit can continue to avail unutilized ITC of Rs 36,00,000 (60 L * 3/100).

Section 18(3) - Transfer of ITC on account of change in constitution of registered person [read with rule 41 of CGST Rules].

Question:

Mr. A was running a business. His unutlised ITC in electronic credit ledger was Rs 20 Lakhs as at 30th June 2020. Mr. A died on 1st July 2020 and hence his business was carried over by his son Mr. B.

Mr. B seeks advise if he can avail unutilized input tax credit of Rs 20 Lakhs of Mr. A?

Ans:

- As per Sec 18(3), In case of transfer or change in the ownership due to the death of sole proprietor, the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to another registered person.
- Consultant of Mr. A must file form ITC – 02 for deceased Mr. A for transfer of unutilized ITC.
- GST Liabilities if any of Mr. A must also get transferred to Mr. B.

Question:

Partnership Firm ABC was running a business. His unutlised ITC in electronic credit ledger was Rs 40 Lakhs as at 30th June 2020.

On 1st July 2020, partnership firm got converted into private limited company (Co PQR). Hence Co. PQR obtained new PAN and cancelled old pan of partnership firm. It also obtained new GST number for Co. PQR.

Co. PQR seeks advise if it can avail unutilized input tax credit of Rs 40 Lakhs of Partnership Firm ABC?

Ans:

- As per Sec 18(3), In case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity.
- Hence ITC of Rs 40 Lakhs of Partnership Firm ABC can be transferred to Co. PQR
- Firm ABC must file form ITC – 02 for transfer of unutilized ITC to Co. PQR.

Section 18(4) of CGST Act - Reversal of ITC if goods become exempt or taxable person switches to composition scheme.

- If a taxable person switches over from normal scheme to composition scheme, or his product which was earlier taxable becomes exempt, he is required to reverse input tax credit of GST paid on Stock, WIP and Finished Goods on the day **immediately preceding the date of such switch over.**
- He is also required to reverse ITC taken on capital goods, after allowing deduction of 5% per quarter.
- He shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of such switch over or, as the case may be, the date of such exemption - section 18(4) of CGST Act
- After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse -proviso to section 18(4) of CGST Act.

Input Services Distributor (Sec 2(61)).

Question:
Mr. Pratik (C.A.) did audit of head office and branches of Company PQR. Head Office and Branches are located in different states.
Mr. Pratik raised Tax Invoice of Rs 1 Cr + 18% GST for such work.
Whether head office can avail entire ITC of Rs 18 lakhs?

Tax Invoice raised of Rs 1 Cr + 18% GST on H.O. Maharashtra for Audit conducted at Head office and Branches.

Provided Audit Services to Maharashtra. → Company Head Office in Maharashtra

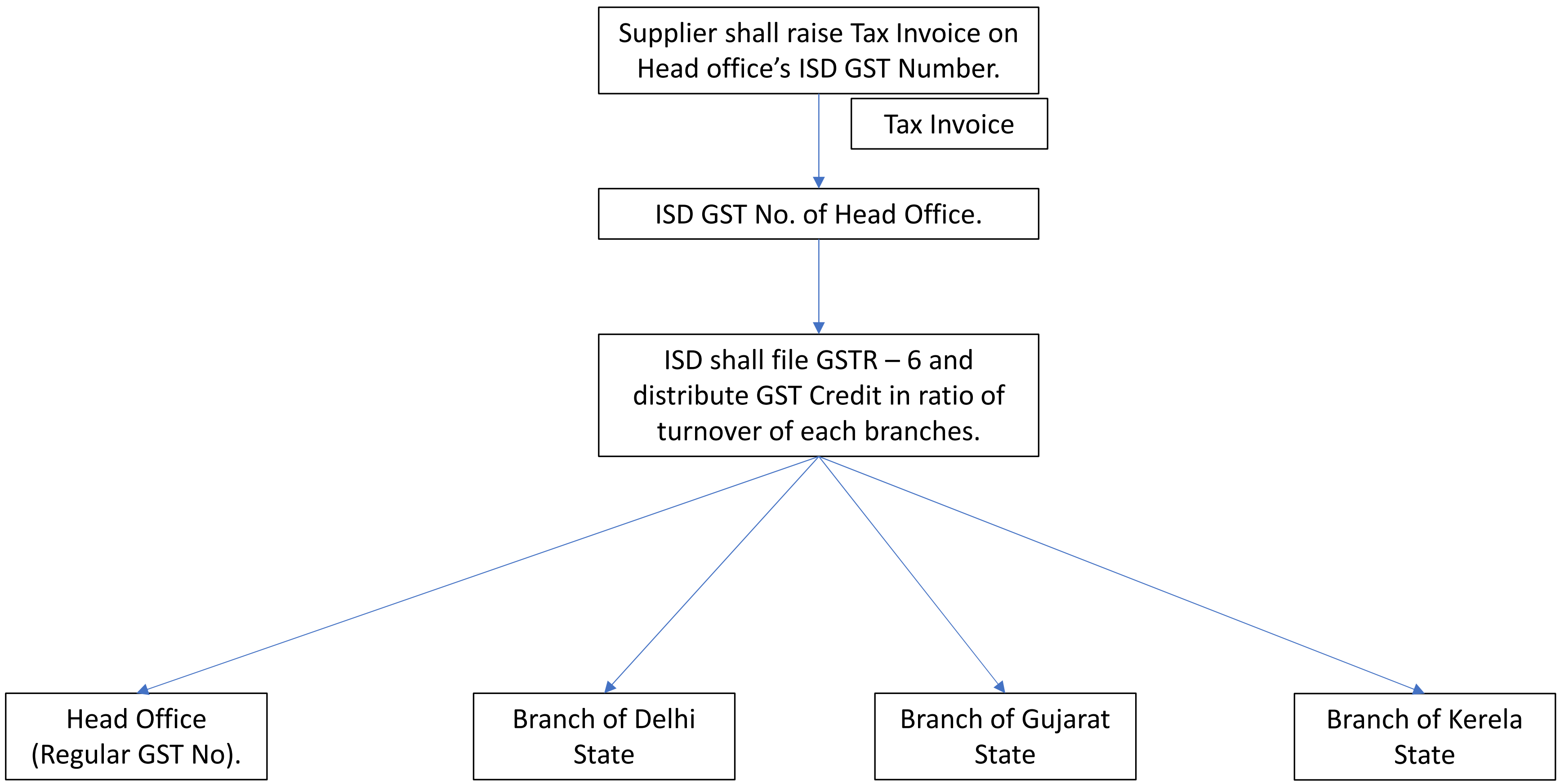
Provided Audit Services to Delhi. → Branch in Delhi

Provided Audit Services to Gujarat. → Branch in Gujarat

Provided Audit Services to Kerela. → Branch in Kerela

Conclusion:
- Head Office shall take additional GST number as Input Services Distributor.
- It cannot avail entire Input Tax Credit of Rs 18 Crore.
- It needs to distribute ITC in ratio of turnover among each branches.

Input Services Distributor (Sec 2(61)).



Input Services Distributor (Sec 2(61)).

The Credit of Input tax on services attributable to a recipient of credit shall be distributed only to that recipient for utilization of such credit and not to other recipients.

Question1:

Company A has head office in Maharashtra. It has branches in Gujarat, Tamil Nadu and Karnataka with same PAN.

Mr. A is appointed as Auditor just to do Audit of Branch of Gujarat State. Mr. A completes his audit work and issues invoice of Rs 20,000 + 3,600 (GST) to Company A at head office ISD GST No.

Ans:

Company A (ISD GST No) shall transfer entire credit of Rs 3,600 to Branch in Gujarat as expenses are specific and only to that recipient.

The Credit of Input tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable.

Question 2:

Company A has head office in Maharashtra. It has branches in Gujarat, Tamil Nadu and Karnataka with same PAN. Mr. A is appointed as Auditor just to do Audit of Branch of Gujarat & Tamil Nadu State.
Mr. A completes his audit work and issues invoice of Rs 20,000 + 3,600 (GST) to Company A at head office.

Ans:

Company A will transfer entire credit of Rs 3,600 to Branch in Gujarat and Tamil Nadu on a proportionate basis as expenses are specific and limited to Gujarat and Tamil Nadu State.

Input Services Distributor (Sec 2(61)).

The Credit of Input Tax paid on Input services attributable to all recipients of credit shall be distributed amongst all the recipients.

Question 3:

Company A has head office in Maharashtra. It has branches in Gujarat, Tamil Nadu and Karnataka with same PAN.

Mr A is appointed as Auditor just to do Audit of all Branches. Mr A completes his audit work and issues invoice of Rs 20,000 + 3,600 (GST) to Company A at head office.

Ans:

Company A shall transfer entire credit of Rs 3,600 proportionately in ratio of turnover among all its Branches as expenses are attributable to all its branches.

Input Services Distributor (Sec 2(61)).

Question 4:

Company A has head office in Maharashtra. It has branches in Gujarat, Tamil Nadu and Karnataka with same PAN. Turnover of Branches for previous financial year is as follows. (Common credit to be distributed is Rs 10,000/).

Particulars	Turnover
GUJARAT	50,000
TAMIL NADU	30,000
KARNATAKA	20,000
TOTAL TURNOVER	1,00,000

Ans:

ITC to be distributed in following manner:-

- Gujarat State = 10,000 * 50,000 / 1,00,000 = Rs 5,000/-.
- Tamil Nadu State = 10,000 * 30,000 / 1,00,000 = Rs 3,000/-.
- Karnataka State = 10,000 * 20,000 / 1,00,000 = Rs 2,000/-.

Input Services Distributor (Sec 2(61)).

Question5:

Y Ltd. has its head office in Mumbai, for which it has normal GST Registration and additionally has an ISD registration. The company has 4 units across India including its head office. It receives the following invoices in the name of the ISD at Mumbai, for the month of January 2018:

Turnover is as follows :

Particulars	Turnover
Maharashtra	3 Crore
Karnataka	3 Crore
West Bengal	2 Crore
Haryana	2 Crore
TURNOVER	**10 Crore**

Case 1:

Mr. A (Registered in U.P.) raised an Invoice on Head office Mumbai (ISD No) of Rs. 10,00,000 @ IGST 70,000 for repairs executed in 3 units – Karnataka, West Bengal & Haryana

Ans:

IGST ITC to be distributed in following manner:-

- Karnataka State = 70,000 * 3 Cr / 7 Cr = Rs 3,000/- to be distributed as IGST Credit.
- West Bengal State = 70,000 * 2 Cr / 7 Cr = Rs 2,000/- to be distributed as IGST Credit.
- Haryana State = 70,000 * 2 Cr / 7 Cr = Rs 2,000/- to be distributed as IGST Credit.

Input Services Distributor (Sec 2(61)).

Case 2:

T Ltd (Registered in Maharashtra) raised invoice on head office of Rs 3 L plus CGST Rs 8,000 & SGST Rs 8,000 for services provided at 3 units – Maharashtra, Karnataka and West Bengal.

Ans:

I) CGST ITC to be distributed in following manner:-

- Maharashtra State = 8,000 * 3 Cr / 8 Cr = Rs 3,000 to be distributed as CGST Credit.
- Karnataka State = 8,000 * 3 Cr / 8 Cr = Rs 3,000/- to be distributed as IGST Credit.
- West Bengal State = 80,000 * 2 Cr / 8 Cr = Rs 2,000/- to be distributed as IGST Credit.

II) SGST ITC to be distributed in following manner:-

- Maharashtra State = 8,000 * 3 Cr / 8 Cr = Rs 3,000 to be distributed as SGST Credit.
- Karnataka State = 8,000 * 3 Cr / 8 Cr = Rs 3,000/- to be distributed as IGST Credit.
- West Bengal State = 80,000 * 2 Cr / 8 Cr = Rs 2,000/- to be distributed as IGST Credit.

Manner of Utilization of Input Tax Credit (Section 49(5), 49A, 49B, Rule 88A and Circular No. 98/17/2019.

IGST INPUT TAX CREDIT

OUTPUT IGST LIABILITY

OUTPUT CGST LIABILITY

OR

OUTPUT SGST LIABILITY

- IGST Input Tax Credit shall be first utilized against Output IGST Liability.
- Balance IGST Input Tax Credit can be utilized against Output SGST Liability or CGST Liability IN ANY ORDER.

- CGST Input Tax Credit shall be first utilized against Output CGST Liability.
- CGST Input Tax Credit **can never be utilized** against Output SGST Liability.

- SGST Input Tax Credit shall be first utilized against Output SGST Liability.
- SGST Input Tax Credit can **never be utilized** against Output CGST Liability.

Manner of Utilization of Input Tax Credit (Section 49(5), 49A, 49B, Rule 88A and Circular No. 98/17/2019.

SGST INPUT TAX CREDIT

OUTPUT SGST LIABILITY

OUTPUT IGST LIABILITY

- IGST Input Tax Credit shall first be utilized against Output IGST Liability.

- Similarly SGST Input Tax Credit shall be first utilized against Output SGST Liability.
- Balance SGST Input Tax Credit if any can be utilized against Output IGST Liability.
- SGST Input Tax Credit can **never be utilized** against Output CGST Liability.

- CGST Input Tax Credit shall be first utilized against Output CGST Liability.
- CGST Input Tax Credit can **never be utilized** against Output SGST Liability.

Manner of Utilization of Input Tax Credit (Section 49(5), 49A, 49B, Rule 88A and Circular No. 98/17/2019.

CGST INPUT TAX CREDIT

OUTPUT CGST LIABILITY

OUTPUT IGST LIABILITY

- IGST Input Tax Credit shall first be utilized against Output IGST Liability.

- Similarly CGST Input Tax Credit shall be first utilized against Output CGST Liability.
- Balance CGST Input Tax Credit if any can be utilized against Output CGST Liability.
- CGST Input Tax Credit can **never be utilized** against Output SGST Liability.

- SGST Input Tax Credit shall be first utilized against Output SGST Liability.
- SGST Input Tax Credit can **never be utilized** against Output CGST Liability.

Illustration.

Mr. A is trader of goods. He shares details of purchases and sales during April 2018.

During April 2018, Mr. A sold goods and had following GST Liability on outward supplies:

- IGST – 5,00,000/-
- CGST – 3,00,000/-
- SGST – 3,00,000/-

During April 2018, Mr. A had purchased goods, services and capital goods and following Input Tax Credit on purchases.

- IGST – 6,00,000/-
- CGST – 60,000/-
- SGST – 60,000/-

Mr. A wants you to calculate GST Liability for the month of April 2018.

Illustration.

Particulars	IGST	CGST	SGST
GST Liability on Outward Supplies	5,00,000	3,00,000	3,00,000

Particulars	IGST	CGST	SGST
GST Input Tax Credit on Purchases, Capital Goods and Services availed	6,00,000	60,000	60,000

Step 1: IGST Input Tax Credit is to be adjusted first against IGST Liability. Unless IGST Input Tax Credit is ZERO, we cannot touch CGST or SGST Input Tax Credit.

- IGST Input Tax Credit is to be adjusted first against IGST Liability.
- Balance IGST Input Tax Credit if any shall be adjusted against SGST Liability or CGST Liability in any order.
- CGST Input Tax Credit is to be adjusted against CGST Liability.
- SGST Input Tax Credit is to be adjusted against SGST Liability.

Particulars	IGST	CGST	SGST
GST Liability on Outward Supplies	5,00,000	3,00,000	3,00,000
Less: Input Tax Credit of IGST against IGST Liability	(5,00,000)	-	-
Less: Input Tax Credit of IGST against CGST Liability & SGST Liability in any order	-	(50,000)	(50,000)
GST Payable after adjusting IGST Credit.	-	2,50,000	2,50,000
Less: Input Tax Credit of CGST against CGST Liability	-	(60,000)	-
Less: Input Tax Credit of SGST against SGST Liability	-	-	(60,000)
GST Payable after adjusting CGST & SGST Input Tax Credit.	-	1,90,000	1,90,000

CGST Payable of Rs 1,90,000 and SGST payable of Rs 1,90,000 shall be payable through Challan.

After payment, such challan amount shall be auto-populated in Electronic Cash Ledger.

Illustration.

Mr. A is trader of goods. He shares details of purchases and sales during April 2018.

During April 2018, Mr. A sold goods and had following GST Liability on outward supplies:

- IGST – 5,00,000/-
- CGST – 2,00,000/-
- SGST – 2,00,000/-

During April 2018, Mr. A had purchased goods, services and capital goods and following Input Tax Credit on purchases.

- IGST – 6,00,000/-
- CGST – 10,000/-
- SGST – 10,000/-

During 1st April 2018 he had following Opening Input Tax Credit.

- IGST – 10,000/-

Mr. A wants you to calculate GST Liability for the month of April 2018.

Illustration.

Particulars	IGST	CGST	SGST
GST Liability on Outward Supplies	5,00,000	2,00,000	2,00,000

Particulars	IGST	CGST	SGST
Opening Input Tax Credit	10,000	-	-
GST Input Tax Credit on Purchases, Capital Goods and Services availed	6,00,000	10,000	10,000
Total Available Input Tax Credit	6,10,000	10,000	10,000

Particulars	IGST	CGST	SGST
GST Liability on Outward Supplies	5,00,000	2,00,000	2,00,000
Less: Input Tax Credit of IGST against IGST Liability	(5,00,000)	-	-
Less: Input Tax Credit of IGST against CGST Liability & SGST Liability in any order	-	(55,000)	(55,000)
GST Payable after adjusting IGST Credit.	-	1,45,000	1,45,000
Less: Input Tax Credit of CGST against CGST Liability	-	(10,000)	-
Less: Input Tax Credit of SGST against SGST Liability	-	-	(10,000)
GST Payable after adjusting CGST & SGST Input Tax Credit.	-	1,35,000	1,35,000

CGST Payable of Rs 1,35,000 and SGST payable of Rs 1,35,000 shall be payable through Challan.

After payment, such challan amount shall be auto-populated in Electronic Cash Ledger.