

# INPUT TAX CREDIT

## Section 16

### Eligibility and Conditions for taking input tax credit

Sec 16(1)  
↓  
Only Registered Person eligible to take ITC

Sec 16(2)  
↓  
Conditions to be satisfied for taking ITC

Sec 16(3)  
↓  
ITC not admissible if depreciation claimed on tax component

Sec 16(4)  
↓  
Time limit for availing ITC

## Section 16(1)

### Only Registered Person eligible to take ITC

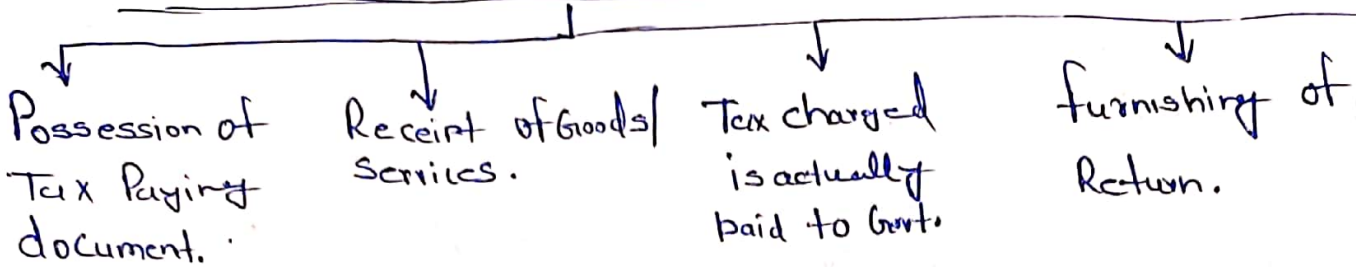
#### Registration Under GST :

Registration Under GST is mandatory requirement for claiming input tax credit. Thus, every registered person shall be entitled to ITC charged on inward supply of goods and/or services.

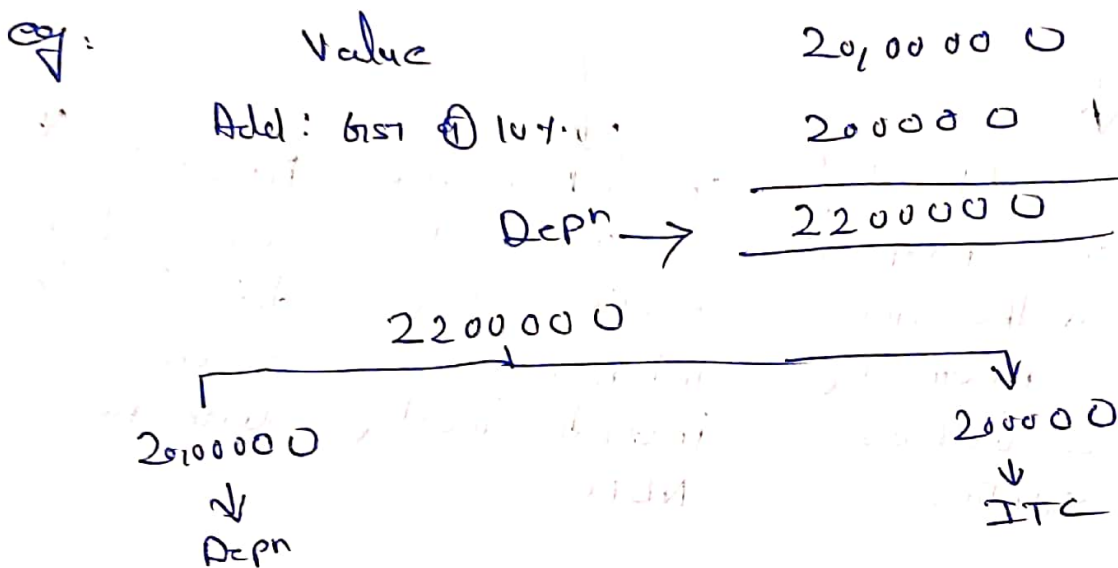
#### Goods/Services to be used for Business Purposes :

ITC will be available on goods and/or services which are used in the course or furtherance of the business. The "intention to use" the goods and/or services in the course or furtherance of business would also lead to availing of credit on such goods and/or services. ~~It is not~~  
Thus, tax paid on goods and/or services which are used or intended to be used for non-business purposes cannot be availed as credit. ITC will be credited in Electronic Credit Ledger.

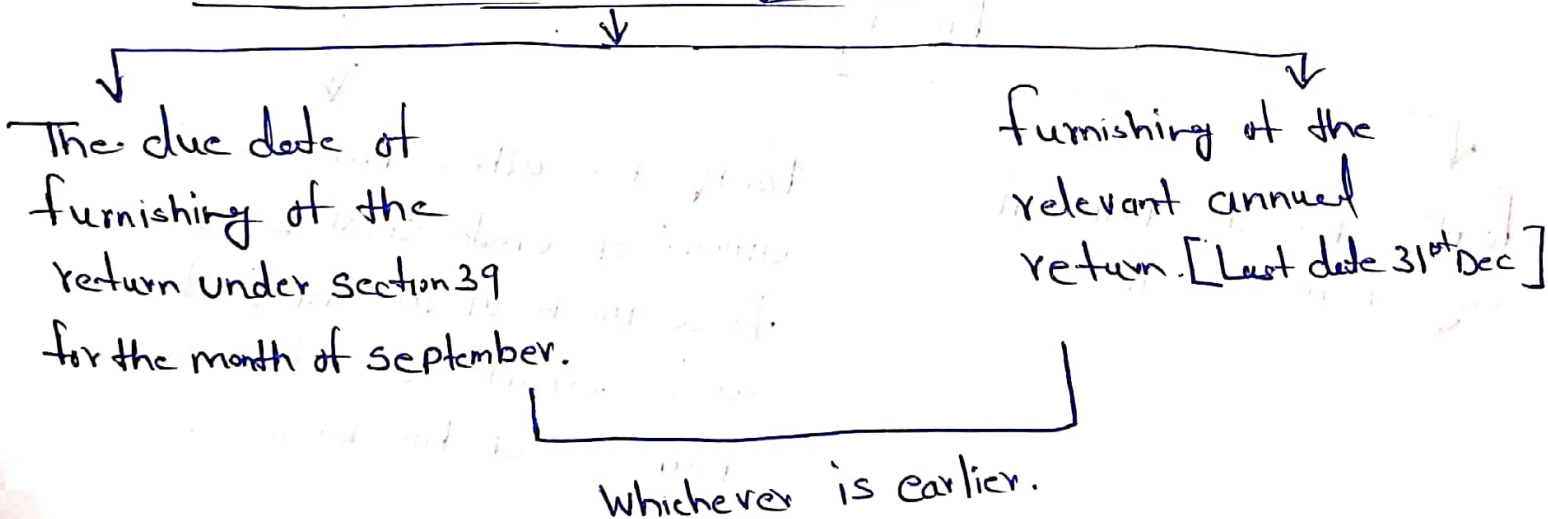
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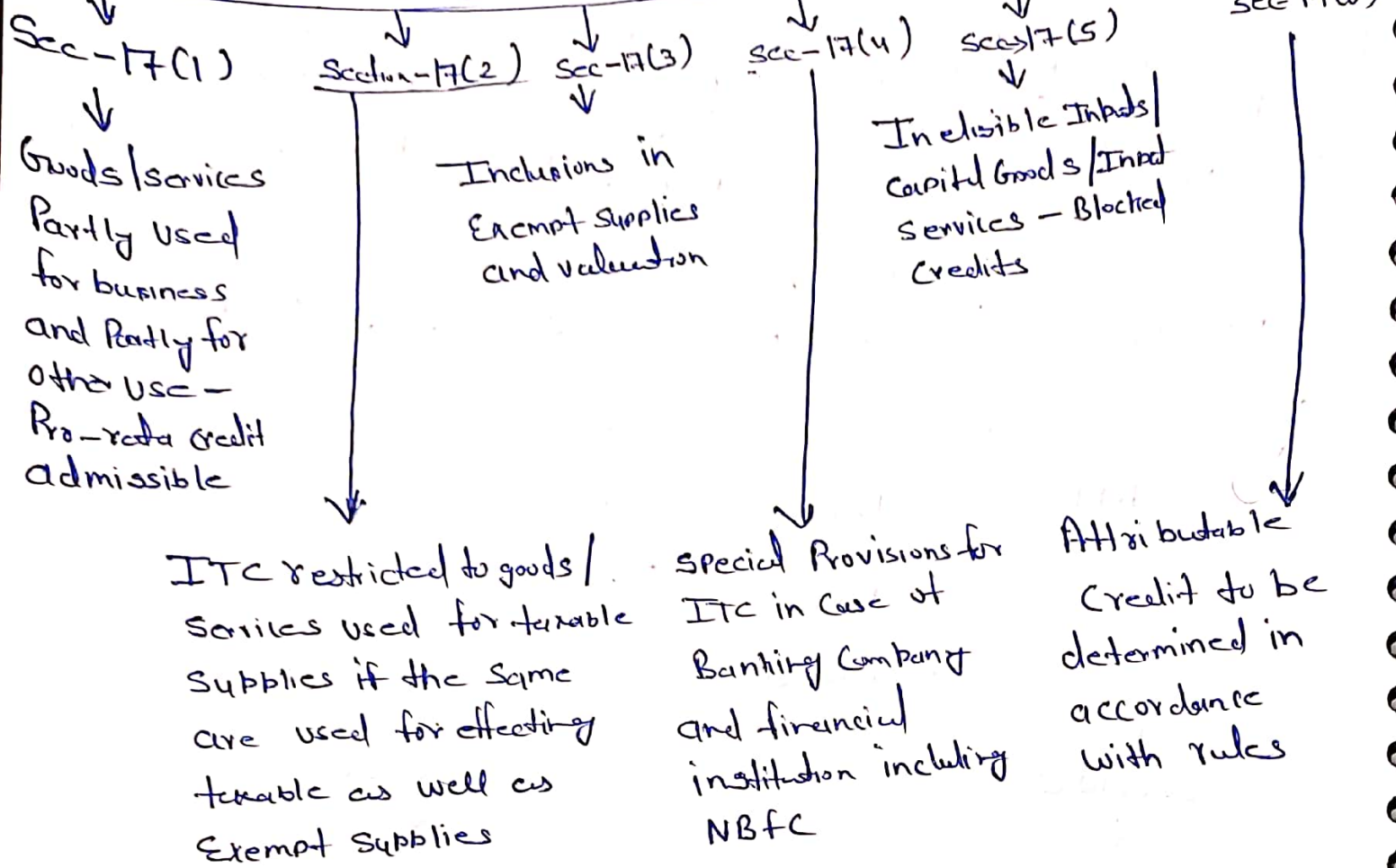


Section 16(4)  
Time Limit for availing ITC



# Section 17

## Apportionment of credit and blocked Credits



## Section 17(1)

Goods/Services partly used for business and partly for other use  
Pro-rata credit admissible

Partly for the purchase of any business and

Partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.



## Section 17 (2)

ITC restricted to goods/services used for taxable supplies if the same are used for effecting taxable as well as exempt supplies

Partly for effecting taxable supplies including zero-rated supplies under this Act or under the IGST Act

Partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

## Zero-rated Supply

Export and

Supplies to a SEZ or SEZ developer

Therefore, ITC is available on goods and/or services used for supplies made in the course of export or to an SEZ unit or SEZ developer.

## Section 17 (3)

Inclusions in Exempt Supplies and valuation

Supplies on which the recipient is liable to pay tax on RCM Basis.

Transactions in securities.

Sale of land and subject to clause (b) of Paragraph 5 of Schedule II, sale of building i.e., sale of land and sale of building when entire consideration is received after completion Certificate issued by the competent authority.



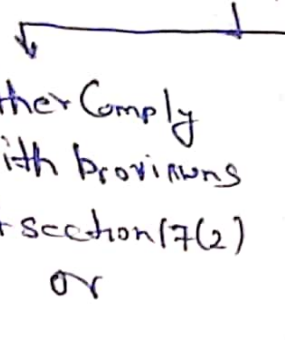
Section 17(4)



Special Provisions for ITC in case of banking Company and financial institution including NBFC.



50% of ITC  
Can be availed



Avail of, every month,  
an amount equal to  
50% of the eligible  
ITC on inputs, capital  
goods and input  
services in that  
month and rest  
shall lapse.



50% restriction  
not applicable  
in case of  
supplies made  
to its own  
establishment



Non-availment  
of ITC for  
non business  
use and of  
Blocked credits



Option once  
exercised  
cannot be  
withdrawn  
during f.y.

Section 17 (6)

Step 1

Compute Common Credit

Total Tax	T
Less: Input / Input services Exclusively Used for Non-Business Purposes	T <sub>1</sub>
Less: I / IS " " for Exempt Supply	T <sub>2</sub>
Less: I / IS " " for Blocked Credit Sec 17(5)	T <sub>3</sub>
I + c Credited to Electronic Credit Ledger	C <sub>1</sub>
Less: I / IS Exclusively Used for Taxable supply	T <sub>4</sub>
Common Credit	C <sub>2</sub>

Step 2 Computed Credit attributable to Exempt supplies

$$D_1 = \frac{E}{F} \times C_2 = 10,00,000 \times \frac{12,00,000}{20,00,000}$$

⇒ Turnover = 20,00,000 { 12 Lakh - Exempt  
8 Lakh - Taxable

Step 3 Compute Common Credit attributable to Non-Business Purposes.

$$D_2 \Rightarrow C_2 \times 5\%$$

$$\therefore C_2 - (D_1 + D_2) = C_3$$

Input Tax Credit Eligible

$T_4 + C_3$

Step-4

$$(D_1 + D_2)_{\text{Provisional}} = 90,000$$

$$(D_1 + D_2)_{\text{final}} = 10,00,000$$

$$(D_1 + D_2)^P < (D_1 + D_2)_{\text{final}}$$

∴ Recipient will have to pay  
⇒ 10,000 + Interest @ 18%.

$$\text{If } (D_1 + D_2)^P > (D_1 + D_2)_{\text{final}}$$

then govt. will refund the difference

Q CGST ₹ 1,08,000

The above Input tax on input services includes the following

- |       |  |        |
|-------|--|--------|
| (i)   | Exclusively used for supplying Exempted services         | 18000  |
| (ii)  | " " " " taxable services                                 | 54,000 |
| (iii) | Not eligible u/s 17(5)                                   | 18000  |
| (iv)  | Exclusively used for supplying services for Personal use | 10800  |

The total turnover of the person during the month of Jan, 2020 is ₹ 60,00,000. It includes ₹ 15,00,000 Exempted Supply of services. Calculate Total Credit Eligible for month of Jan?



Q2 A Garment factory receives a government order for making uniforms for a defence personnel. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread, buttons and lining material for the collars are the ones which are used for other taxable products of the factory.

The Turnover of the other garments of the factory and Exempted uniforms in July is ₹ 8 crore and ₹ 2 crore respectively, the ITC on thread, button and lining material procured in July is ₹ 5000, ₹ 25000 and ₹ 15000 respectively. Calculate the eligible ITC on thread, button and lining material.

Q3 Details for the tax period of Oct 2017. Total Input tax 15,000, Input tax used exclusively for non-business 15000

"	"	"	"	"	Exempt supplies	6000
					Input tax ineligible under section 17(5)	6000
"	"				used exclusively for taxable supplies	98000
					Exempt supplies for Oct 2017	1500000
					Total Turnover for Oct 2017	60,00000

Calculate total credit eligible for month of Oct?

## APPORTIONMENT OF CREDIT & BLOCKED CREDITS SECTION 17

**Section 17 (5)** : Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:—

**(a) motor vehicles and other conveyances except when they are used—**

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

(A) further supply of such vehicles or conveyances; or

(B) transportation of passengers; or

(C) imparting training on driving, flying, navigating such vehicles or conveyances;

ii) for transportation of goods;

For making the following taxable supplies, namely:-  
(A) further supply of such vehicles or conveyances;



Patel Auto  
:Authorized dealer



Taxable Further supplies



(B) transportation of passengers; or



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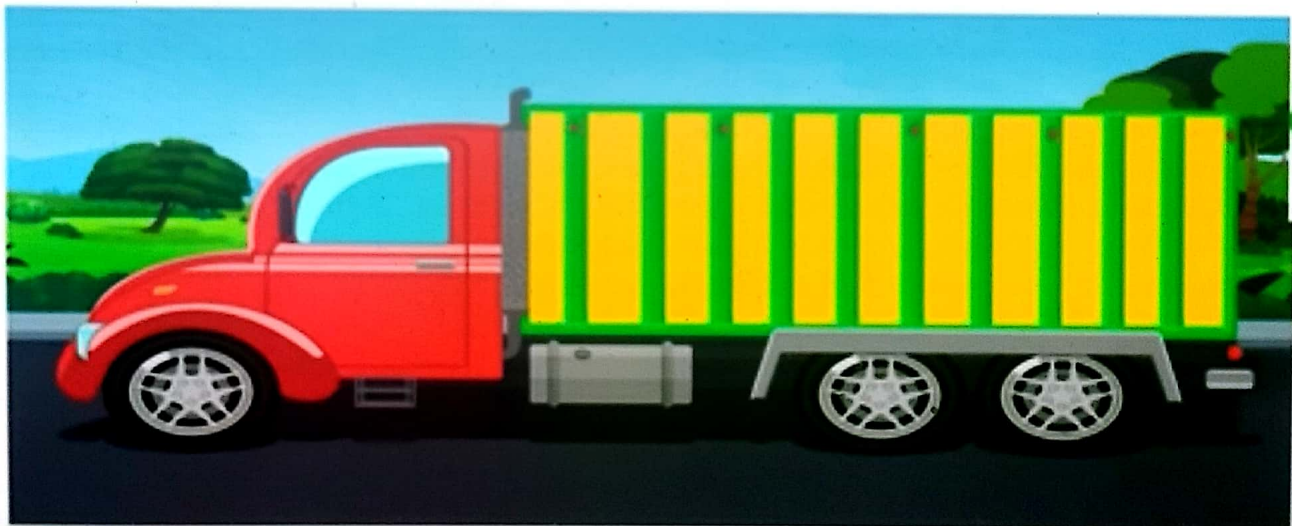
Taxable supplies

(C) imparting training on driving, flying, navigating such vehicles or conveyances;



(ii) for transportation of goods;

Even for own usage in factory etc or as a delivery VAN

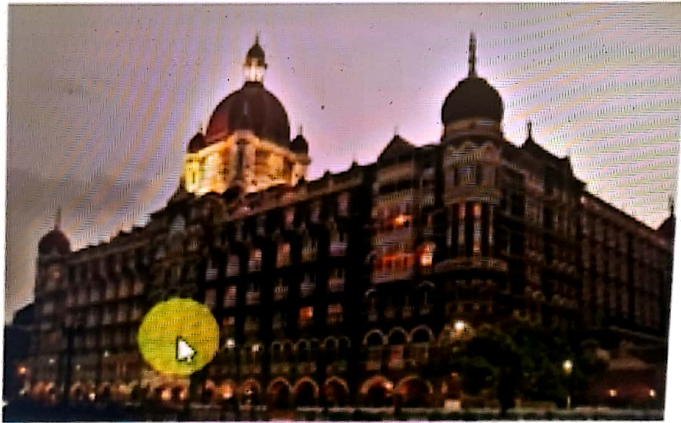




(b) the following supply of goods or services or both:—

-food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

## Outward taxable supply of the same category



Yes ITC



(ii) membership of a club, health and fitness centre;







SORRY



(iii) rent-a-cab, life insurance and health insurance except where —

A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or

B) such **inward supply** of goods or services or both of a particular category is used by a registered person **for making an outward taxable supply of the same category of goods or services or both** or as part of a **taxable composite or mixed supply; and**



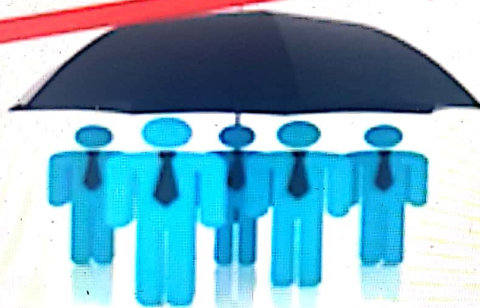






**TATA**

**TATA CONSULTANCY SERVICES**



**LIC**

भारतीय जीवन बीमा निगम  
LIFE INSURANCE CORPORATION OF INDIA





आपत्काले रक्षिष्यामि

GIC Re



## **Reinsurance companies in India:**

- **Swiss Reinsurance Company Ltd, India Branch**
- **SCOR SE**
- **Hannover Rück SE**
- **RGA Life Reinsurance Company of Canada**
- **XL Insurance Company SE, India Reinsurance Branch**
- **General Reinsurance AG**
- **AXA France Vie –**
- **Allianz Global Corporate & Specialty SE, India Branch**



(iv) travel benefits extended to employees on vacation such as leave or home travel concession;

LTA – Leave Travel Allowance

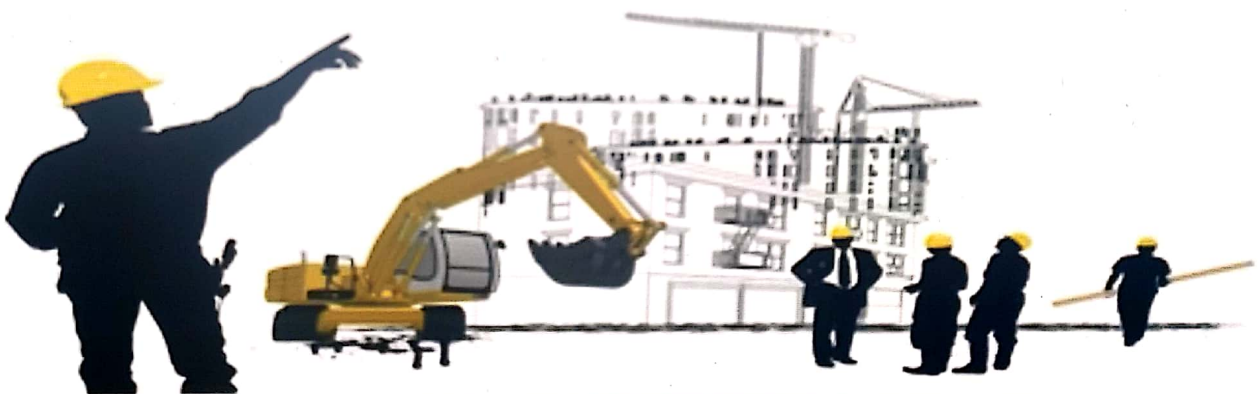


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( c ) works contract services when supplied for construction of an immovable property (**other than plant and machinery**) except where it is an input service for further supply of works contract service; :



**“Plant and machinery”:**

“Plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural supports **but excludes** land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

**Construction”:** both in this clause and the previous one, includes re-construction, renovation, additions or alterations or repairs, **to the extent of capitalization**, to the said immovable property.



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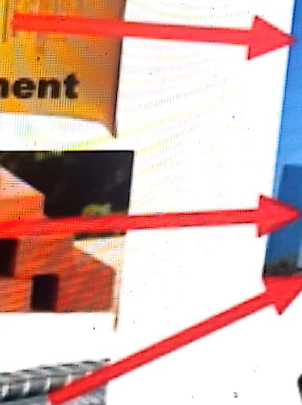
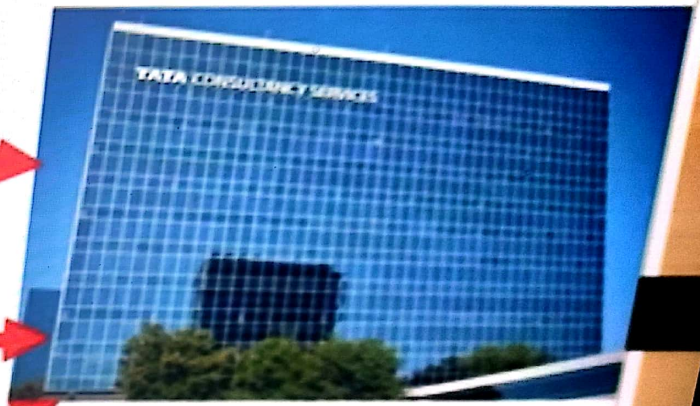






(d) Goods or services or both received by a taxable person for construction of an immovable property **(other than plant or machinery)** on **his own account** including when such goods or services or both are used in the course or furtherance of business.





(c) goods or services or both on which tax has been paid under section 10;

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**section  
10**



**COMPOSITION  
SCHEME  
UNDER GST**

### **Non-resident taxable : Section 2(77)**

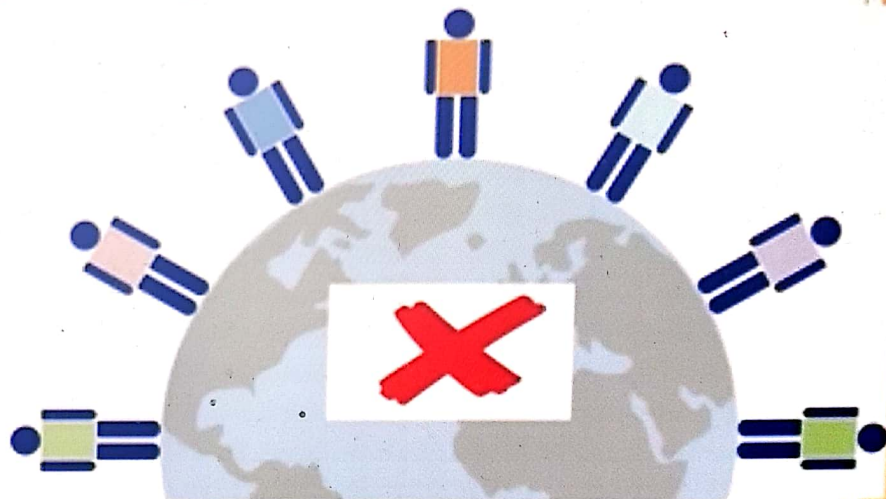
Non-resident taxable person means any person who **occasionally undertakes transactions** involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has **no fixed place of business or residence in India**



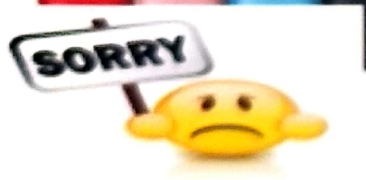
(f) goods or services or both received by a non-resident taxable person except on goods imported by him;

### Goods

Things that people make or grow to sell.



(g) Goods or services or both used for personal consumption:



**(h) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples:**



**LOST**



(i) any tax paid in accordance with the provisions of sections 74, 129 and 130:

- tax paid as a result of evasion of taxes,
- or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.)

## Blocked Credits

Let's divide them broadly —

- Personal Purpose
- Not for further sale
- for immovable Property
- Towers and pipelines etc

S.No	Description
A	Motor vehicles and Conveyances
B	foods and Beverages etc
C	Memberships
D	Rent a Cab, Insurance etc
E	Travel Benefits to Employees
F	Works Contract (WC)
G	Inward supplies for Construction
H	Compoation Scheme [section 10]
I	NRT P
J	Personal Consumption
K	Lost, stolen etc
L	fraud cases

Question 1: Compute the amount of Input Tax Credit admissible to Dayal Ltd. In respect of various inputs purchased during the month of February 2019.

Sr. No.	Particulars	Amount of Tax
1	Goods Purchased without Invoice 60,000	
2	Goods purchased from Harsha Ltd. (Full payment is made by Dayal ltd. To Harsha Ltd. Against such supply but tax not been deposited by Harsha Ltd.)	2,00,000
3	Purchased goods from Sharda Ltd. (invoice of Sharda Limited is received in the month of February 2019, but goods were received on 29th March 2019)	80,000
4	Goods purchased but not for business purpose	40,000
5	Goods purchased against valid invoice from Suchita Ltd. And tax was also deposited by Suchita Ltd. Payment to Suchita Ltd. by Dayal Ltd. for such purchases was done on 29th March 2019.	64,000



**Question 2:** Mr. P has paid input tax credit of Rs. 1,80,000 on all goods/inputs purchased by him during the month of January 2018. He had made the following supplies during that month:

Particulars	Value of Supply
Supplies used exclusively for business purpose	12,50,000
Exempted Supplies	2,75,000
Supplies used for non- business purpose	1,25,000
Goods exported (zero rated supplies)	3,50,000
Total	20,00,000

Determine the amount of Input Tax Credit that is available to Mr. P for the month of January 2018 keeping in view the provisions of Sections 17(1) and 17(2) of CGST Act, 2017.

(B. Com (Hons.) III Semester, 2018, University of Delhi)

**Question 1:** ABC Ltd. Is engaged in the business of manufacture of aluminium products and machines. During November 2017, it has received the inward supply of following inputs/ services:

Sr. No.	Particulars	GST Charged By Supplier (Rs.)
1.	Raw aluminium to be used as raw material	50000
2.	Machine Tools	35,000
3.	Car to be used for employees	1,80,000
4.	Soft drinks to be used in canteen	25,000
5.	Van to be used for transportation of goods	80,000
6.	Consultancy by a chartered accountant	7,500
7.	Air Conditioner for office cost Rs. 25,000, GST Rs. 7,000, depreciation in income tax claimed on Rs. 32,000	7,000
8.	Food packets for employees	3,000
9.	Refrigerator for personal use of Director	5,500
10.	Membership of club to CEO	2,000

Calculate the amount of Input Tax Credit available to ABC Ltd. For the month of November 2017. (B. Com (Hons.) III Semester, 2018, University of Delhi)

**Question 3: Compute the amount of Input Tax Credit for ABC Limited in respect of the following items procured in the month of April 2019.**

Sr. No.	Particulars	GST (Rs.)
1.	Food and beverages purchased for employees during office hours	1,000
2.	Goods supplied for captive consumption in a factory	50,000
3.	Cement used to lay foundation of Plant and machinery. Cost of Cement added in the cost of Machinery purchased	15,000
4.	Trucks used for transportation of goods	50,000
5.	Van used for transportation of employees (seating capacity of Van is 10 persons including driver)	20,000
6.	Maintenance service for such Van	5000
7.	Health insurance of employees mandated by Government	10,000



1. Motor Vehicles: There will be no input tax credit allowed on the motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making the following taxable supplies, Such as:

- (i) Supply of such motor vehicles
- (ii) Transportation of passengers
- (iii) Imparting training on driving such motor vehicles

Earlier ITC was not available on all motor vehicles but now ITC is not available only to the motor vehicles whose seating capacity is less or equal to 13 persons. (Amendment made vide CGST Amendment Act 2018). ITC on Leasing, renting or hiring of motor vehicles is not allowed except for the purposes explained above.

**Example :** If the motor vehicle whose seating capacity is more than 13 persons is used for the transportation of employees of the factory/office, input tax credit on such motor vehicle will be allowed.

Section 18 (Special Cases)

Section 18(1)

(a) Mandatory Registration

↓  
Apply Registration within 30 days and Registration Granted

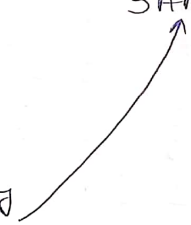
↓  
ITC Available in Respect of Input / semi-finished / finished

↓  
On the day immediately preceding the day / Date from which he is liable to pay tax.

(b) Voluntary Registration

↓  
Input / semi-finished / finished goods

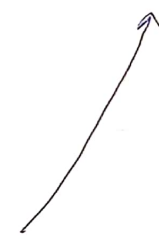
↓  
SAME



(c) Cease to Pay Tax under Composition Scheme

↓  
ITC  
↓  
Input / semi-finished / finished Goods

↓  
On the day immediately preceding the date from which he became liable to pay tax.



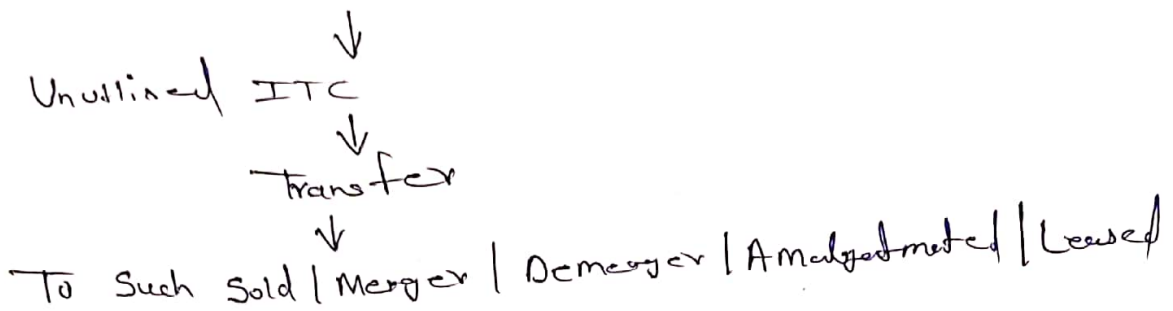
(d) Exempt supply becomes taxable

↓  
same

18(2) : Cannot ~~Take~~ ITC After expiry of 1 year from date of Invoice

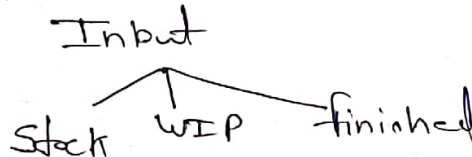
18(3) : Change in Constitution of Business :

on Account of  
Sale / Transfer / Merger / Demerger / Amalgamation / Lease,



18(4) : Regular

(ECL credit)  
(ITC)



Composition

(ECL Debit)  
(ITC)

(Immediately preceding the date of Exercising the option)

\* Capital Goods : Capital Goods life 5 years (60 months)

\* The Goods manufactured by VB has been Exempted from GST w.e.f 01/03/2018, Earlier to this these were liable to GST @ 18%.

following information available on 28/02/2018.

Input	118000	Including IGST @ 18%
Input - WIP	59000	" " "
FG	492000	" " "

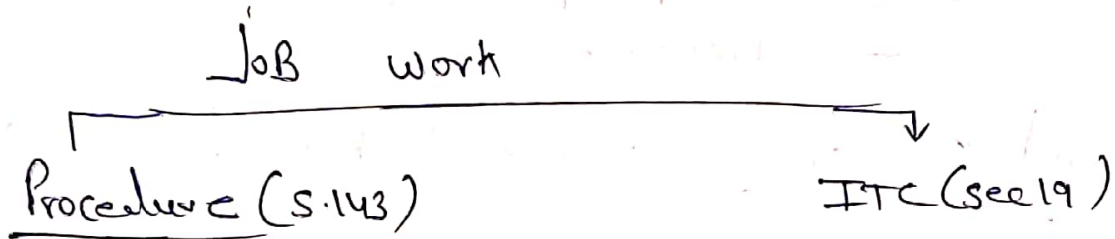
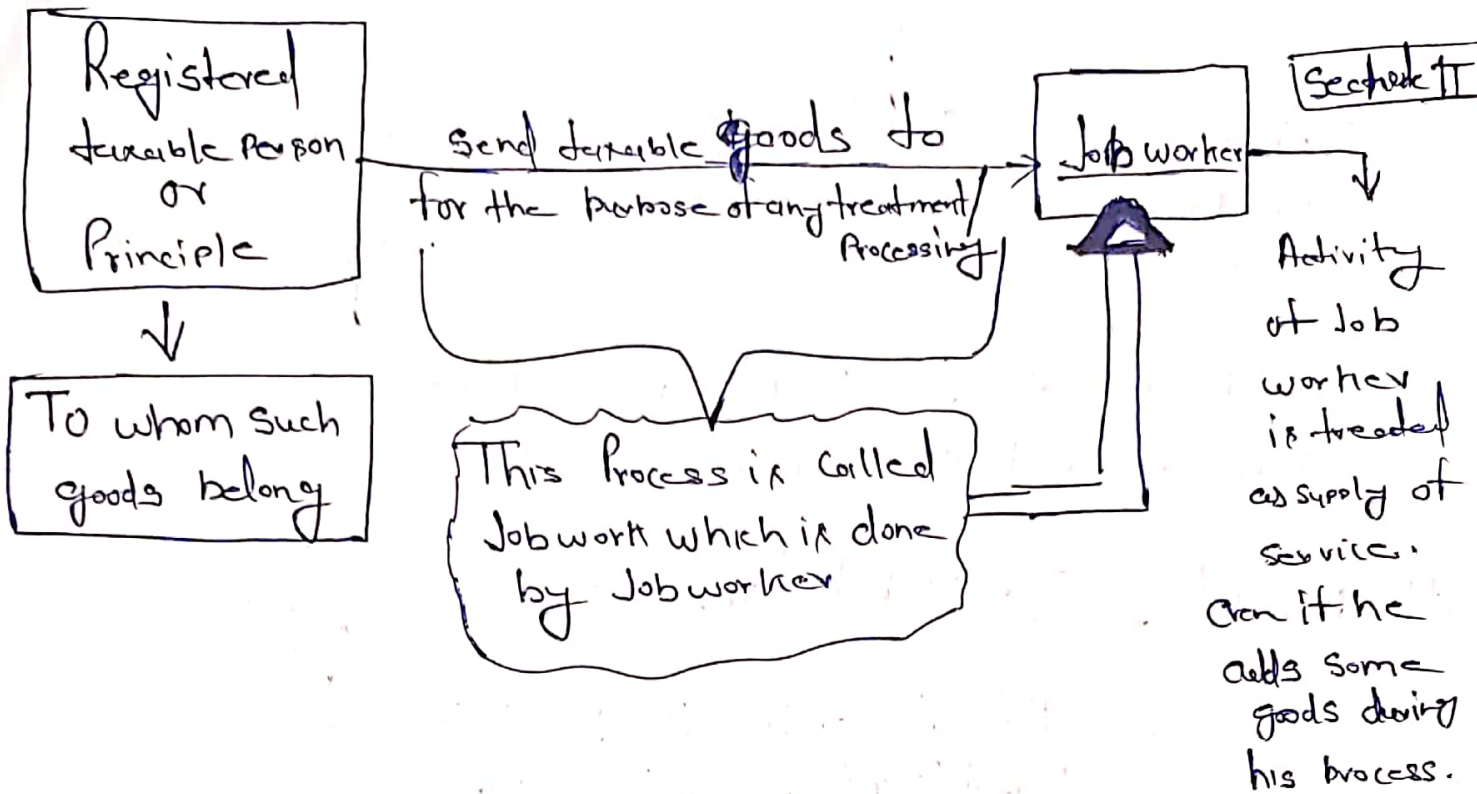
(Input Cost is 50% of value)

ITC on Capital Goods are purchased on 20/09/2017 ₹ 100000  
Balance of ITC in ECL 150,000

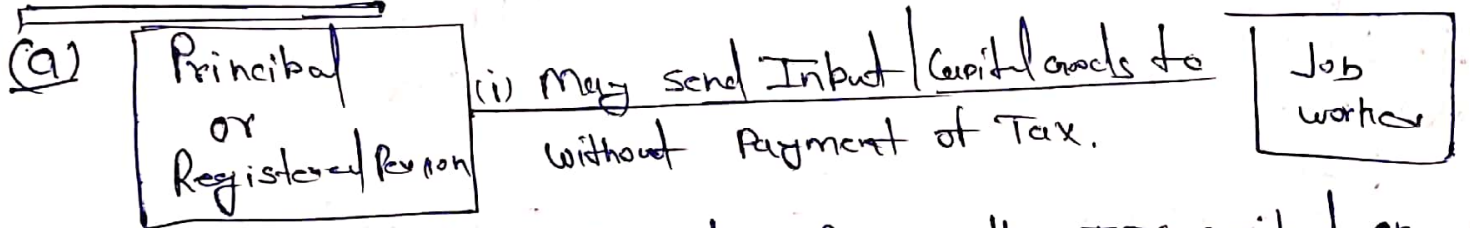




## JOB WORK



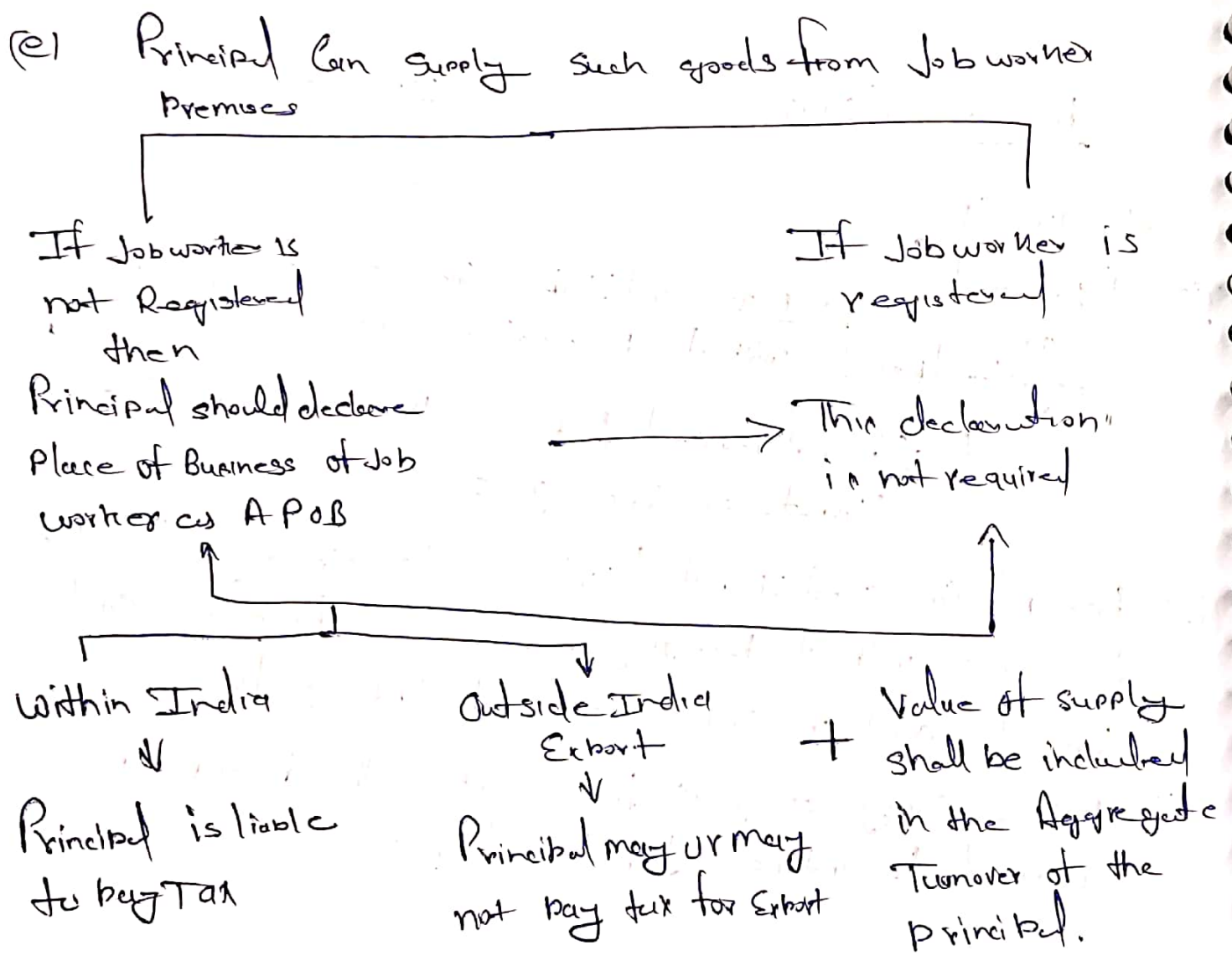
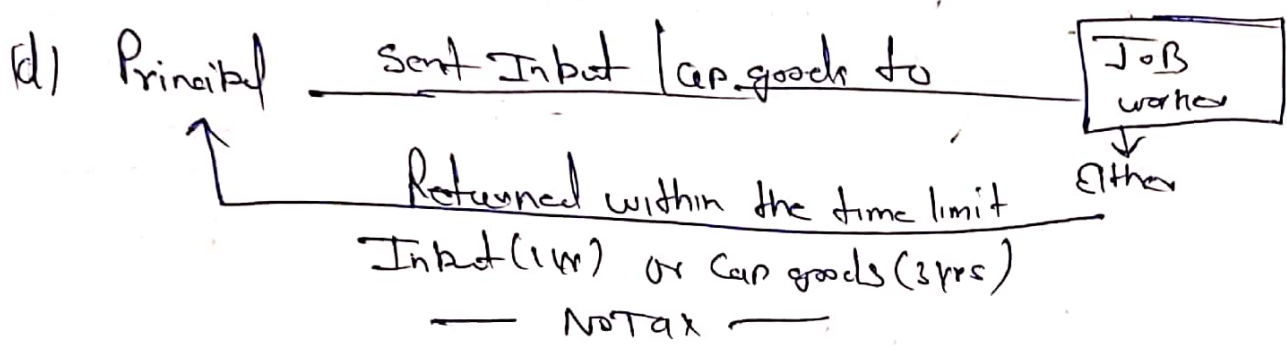
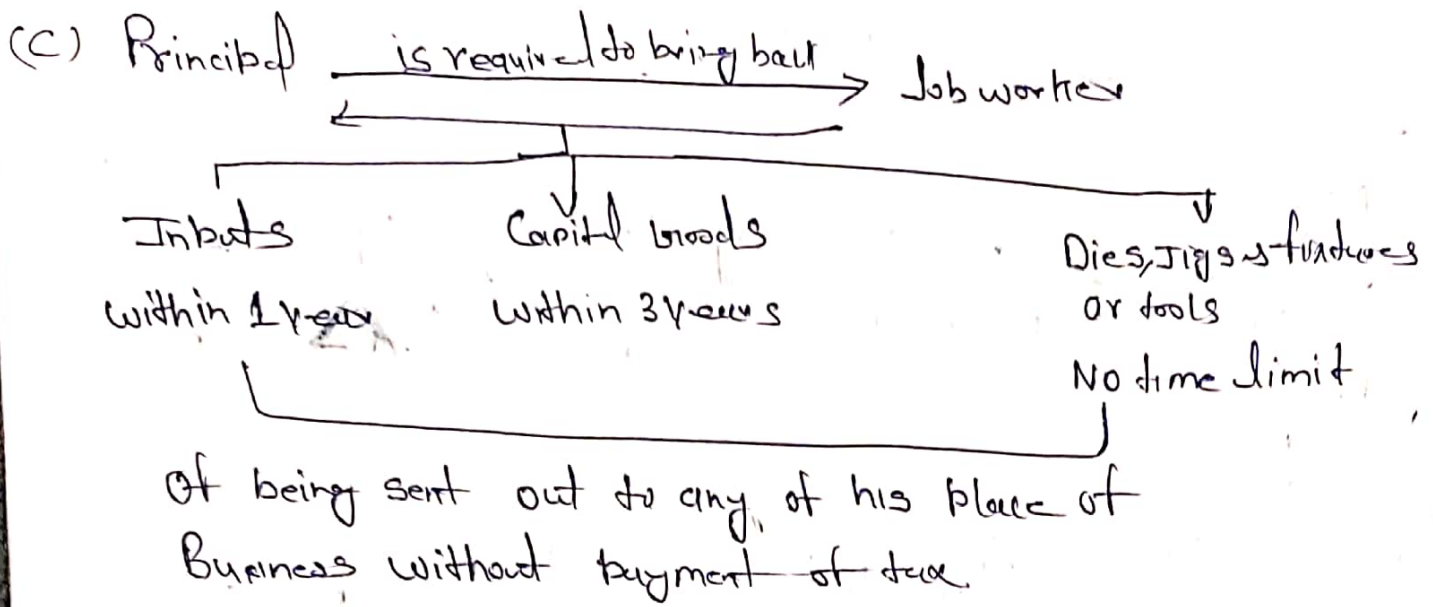
### Section 143 (1)



↳ (ii) is not required to Reverse the ITC availed on Inputs or Capital goods.

(b)(i) Principal can send Inputs/Capital goods directly to the Job worker without bringing them to his premises and can still avail on such Inputs and Capital goods.

(ii) Before supply of goods to Job worker the principal is required to intimate Jurisdictional officer.

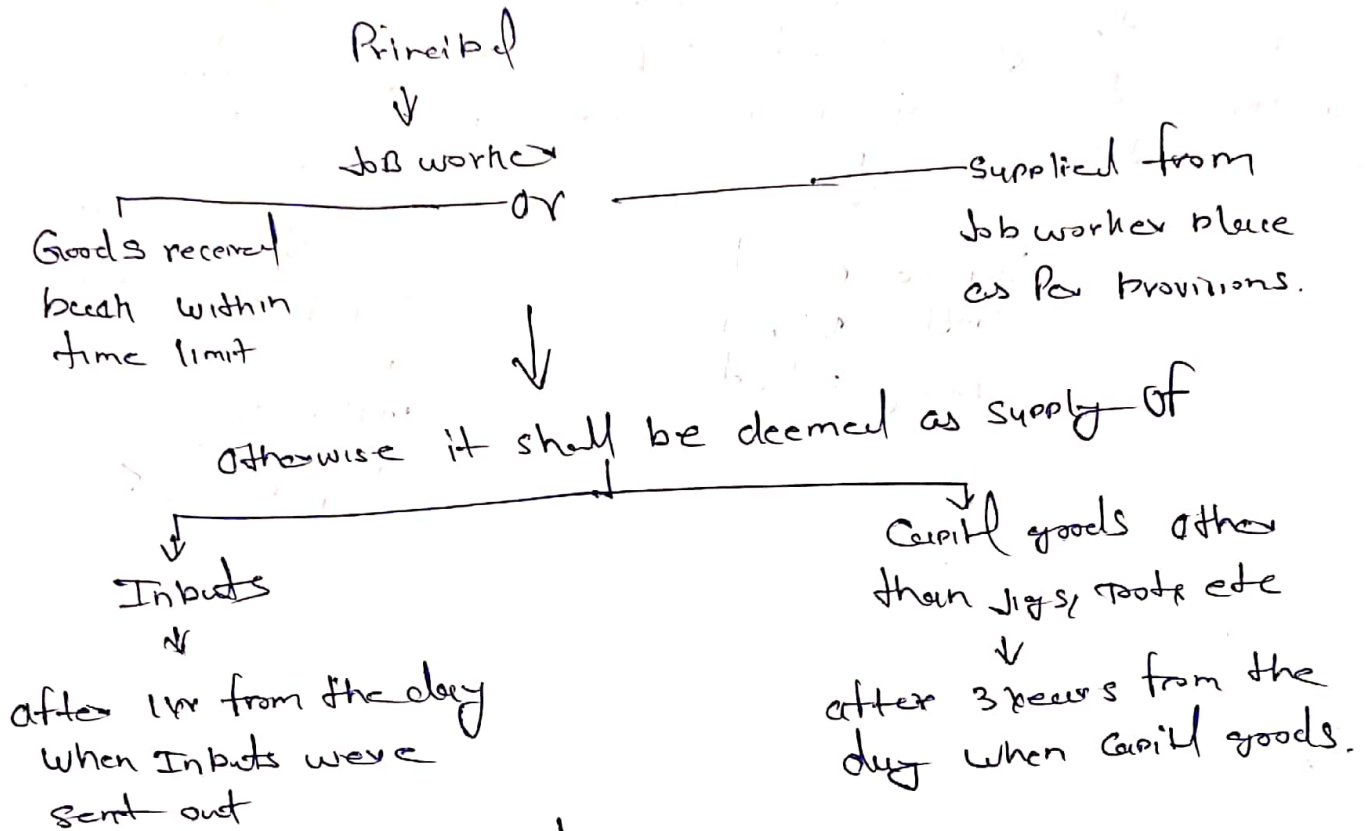




143(2) → Principal to keep proper Books of Accounts for Inputs or Capital goods.

143(3) + 143(4)

Deemed supply → means treated as supply by principal to job worker



Means principal is liable to pay tax along with the Interest and such principal can claim such tax as ITC in future.

143(5) → Removal of waste and scrap on payment of tax. Not with standing anything contained in sec 143(1) and 143(2), any scrap or waste generated during the work, tax on that shall be paid by the

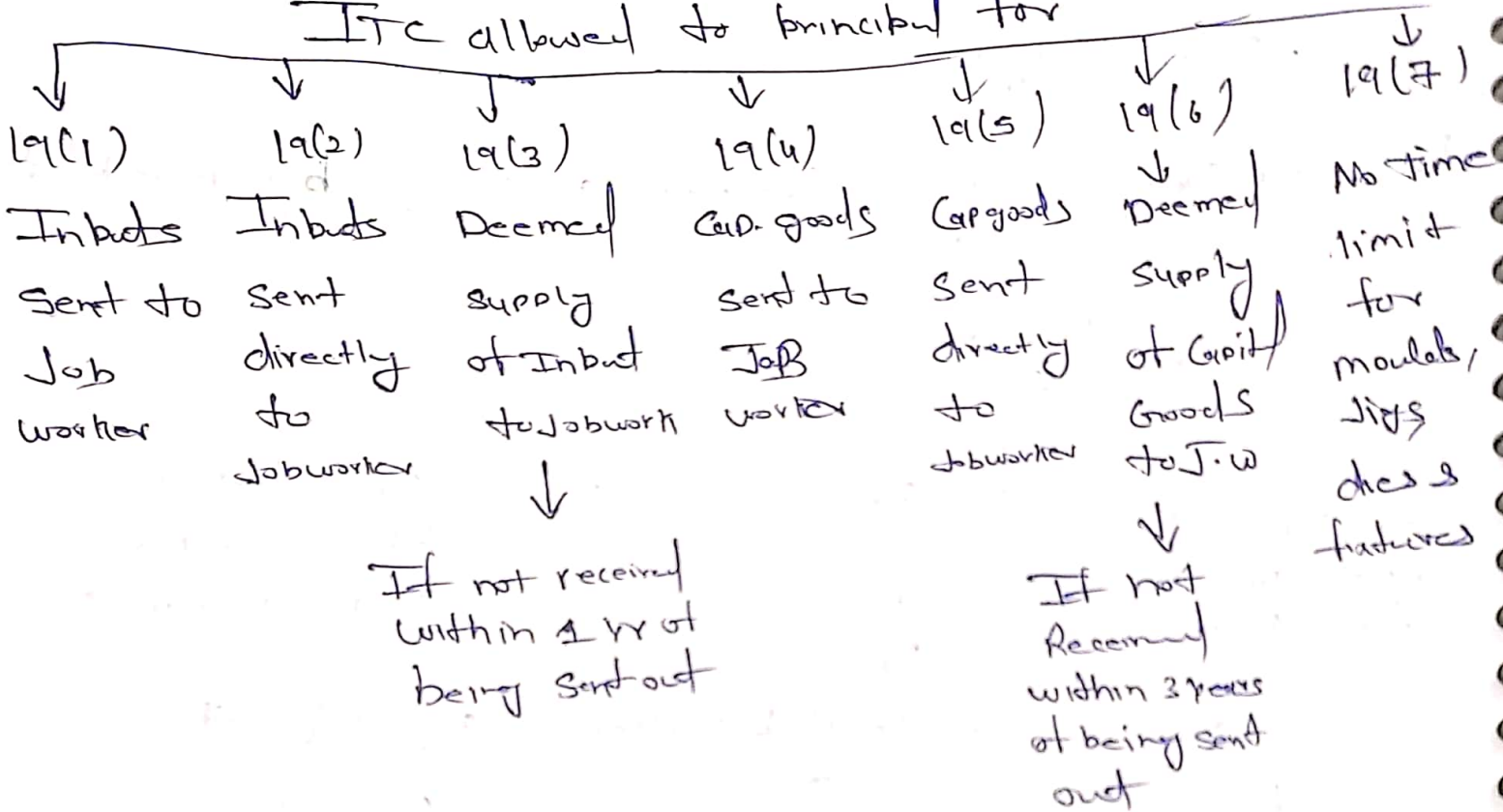
Principal  
↓  
If job worker is unregistered

Job worker  
↓  
If job worker is registered

Section 19

ITC Provisions Relating to Job work.

ITC allowed to principal for



## 10.15 MATCHING, REVERSAL AND RECLAIM OF INPUT TAX CREDIT [SECTION 42]

The following are the relevant provisions:

- (1) **Matching of Inward Supply of recipient with the outward supply of the supplier:** The details of inward supply furnished by the recipient for a tax period shall be matched with:—
  - (a) With the corresponding details of outward supply, furnished by the corresponding registered person *i.e.* the supplier of the same or preceding tax period.
  - (b) With the IGST paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him.
  - (c) For duplication of claim of ITC

The matching will be done within such time and in such manner as may be prescribed.

- (2) **Acceptance and its communication:** If the details of the inward supplies in invoices match with the details of corresponding outward supplies or with IGST under section 3(7) of the Customs Tariff Act, 1975, the claims will be finally accepted and the acceptance will be communicated to the recipient in such manner as may be prescribed.
- (3) **Discrepancy:-** There can be a discrepancy if :—
  - (a) Input tax credit claimed is higher than the tax declared by corresponding supplier
  - (b) The outward supply is not declared by the supplier.

This discrepancy shall also be communicated to both the persons.

- (4) **Discrepancy due to duplication of ITC:** The discrepancy due to duplication of ITC has to be communicated to the recipient only under sub-section (4).
- (5) **Rectification:** The discrepancy should be rectified by the supplier in his return for the month in which it is communicated. The rectification may also be made later by declaring the details in his return within the time prescribed under section 39(9).
- (6) **Reversal of ITC claimed:** If the discrepancy communicated to the supplier is not so rectified by him in the return of the month in which it is communicated it will be added to the output tax liability of the recipient in the return of the recipient, succeeding the month in which discrepancy is communicated.

Similarly, the amount of ITC that has been claimed in excess due to duplication of claim will be added to the output tax liability of the recipient in the return of the month on which duplication is communicated as per sub-section (6) of section 42.

### Example 10.29:

Z Ltd. purchased goods from Mr. X, a registered person. Z Ltd. claimed ITC of ₹ 40,000 for the month of September 2017. Mr. X, however, did not mention about this invoice in his return for the same month. On 15th October the discrepancy was communicated to Mr. X.

Here, Mr. X should rectify the discrepancy in his return for the month of October 2017. If he fails to do so then the ITC claimed by Z Ltd. on the basis of invoice will be added in outward tax liability of Mr. Z in his return for the month of November 2017. Z Ltd. will pay it by 20th Dec. together with interest as per section 50(1) from the date of availing ITC till it is added in the output tax liability, at the prescribed rate.

- (7) **Reclaim of ITC:** If this discrepancy is not rectified by the supplier, it will be added to his output tax liability. But it may also be reduced later if the supplier declares the details of the invoice or debit note in his valid return within the time specified in section 39(9).