

INPUT TAX CREDIT IN GST

CA Aarchana Yadav
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Legal Provisions

ITC Concepts

Eligibility for ITC

Features of ITC Provisions

Transitional Provisions

ISD & its Features

Cross Utilization

Law define

Input - 2 (59) *“means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business”*



Input Service - 2(60) *“means any service used or intended to be used by a supplier in the course or furtherance of business”*

Input Tax Credit - 2(63) *“means the credit of input tax”*

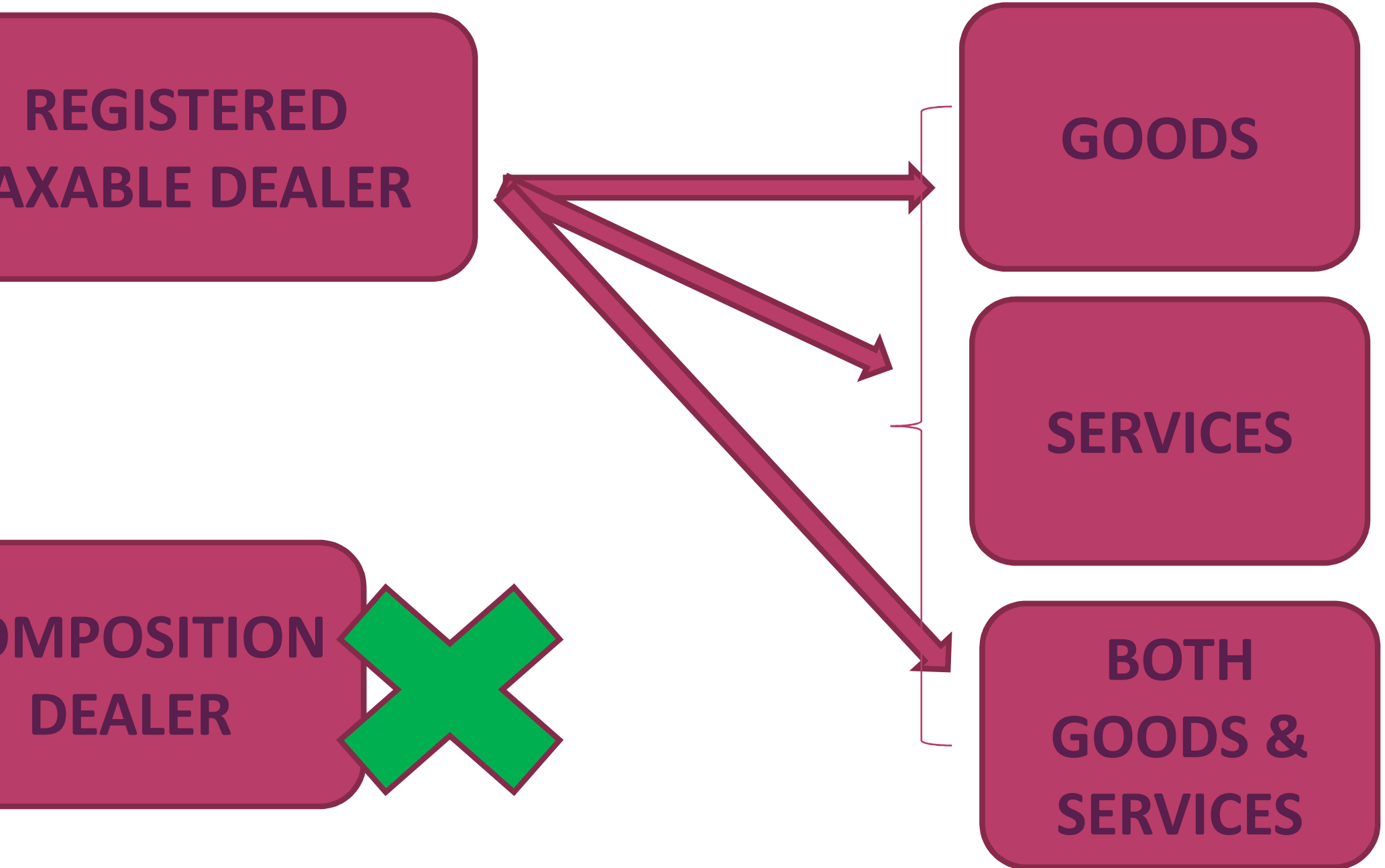
Electronic Credit Ledger - 2(46) *“The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed.”*

✓ Input Tax - 2(62)

(62) “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- (a) the integrated goods and services tax charged on import of goods; 
 - (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
 - (c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
 - (d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or
 - (e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act,
- does not include the tax paid under the composition levy; 

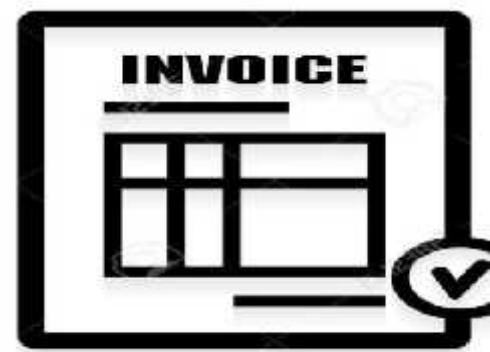
✓ Input Tax - 16 (1)



intended to be used in the course or furtherance of business

should I take credit?

✓ Input tax -
16 (2)



in possession of
tax invoice (not
older than 1 year)



tax on such goods are
deposited with the
government by supplier

2



Goods/services
are received



4



He has furnished
return

Section 16

Proviso - last lot/ instalment

Proviso - Consideration + Tax not paid within 180 days

TC where:

tax paid” is in pursuance of any demand order on account of
d, wilful misstatement or suppression of facts;
preciation under Income Tax law claimed on tax component
tion -16(3)

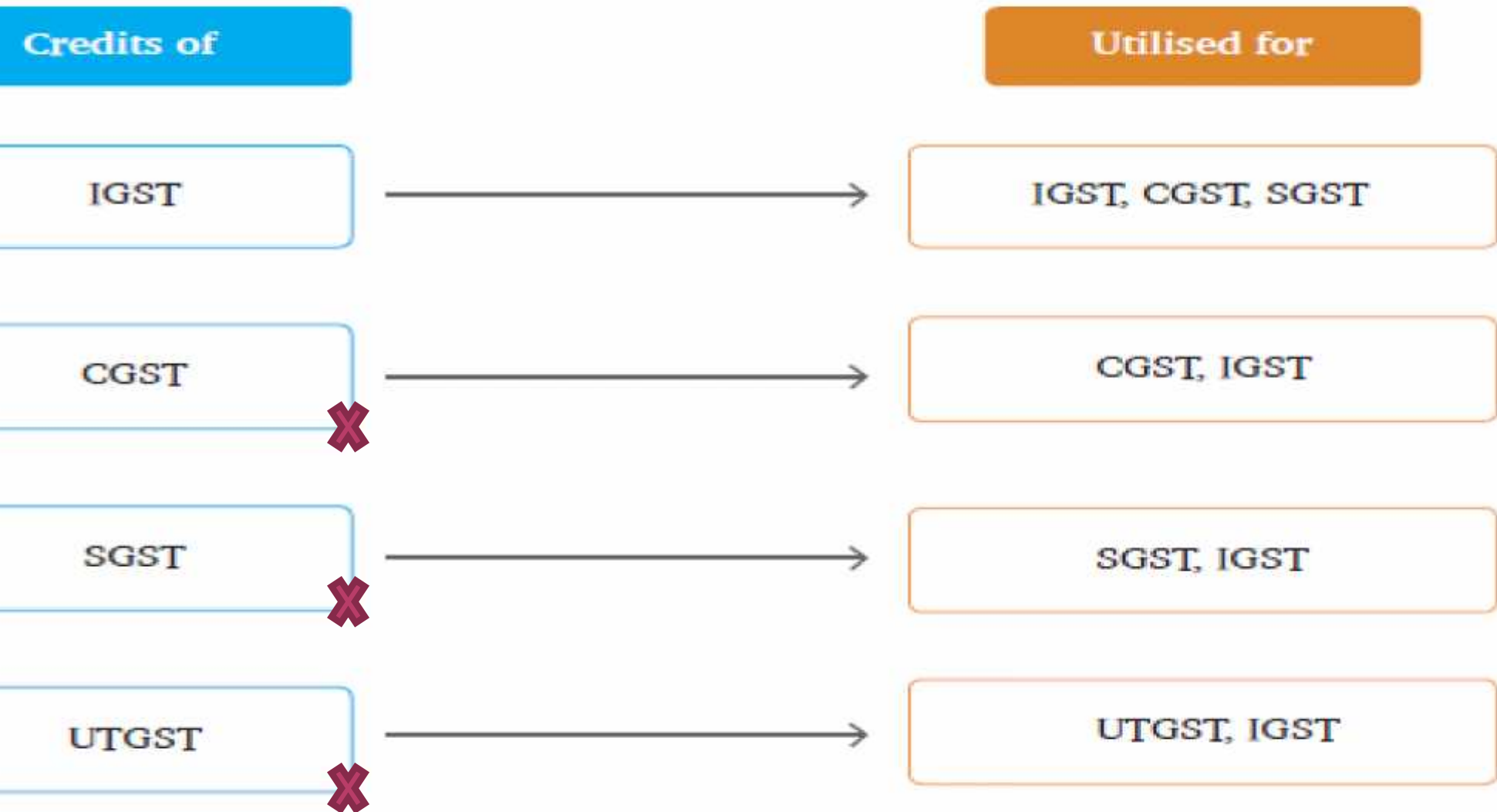
in relation to an invoice/ debit note to be made
by:

0th October of FY following the FY to which the
voice for supply pertains; or

ate of furnishing the Annual Return *if furnished prior*
20th Oct.

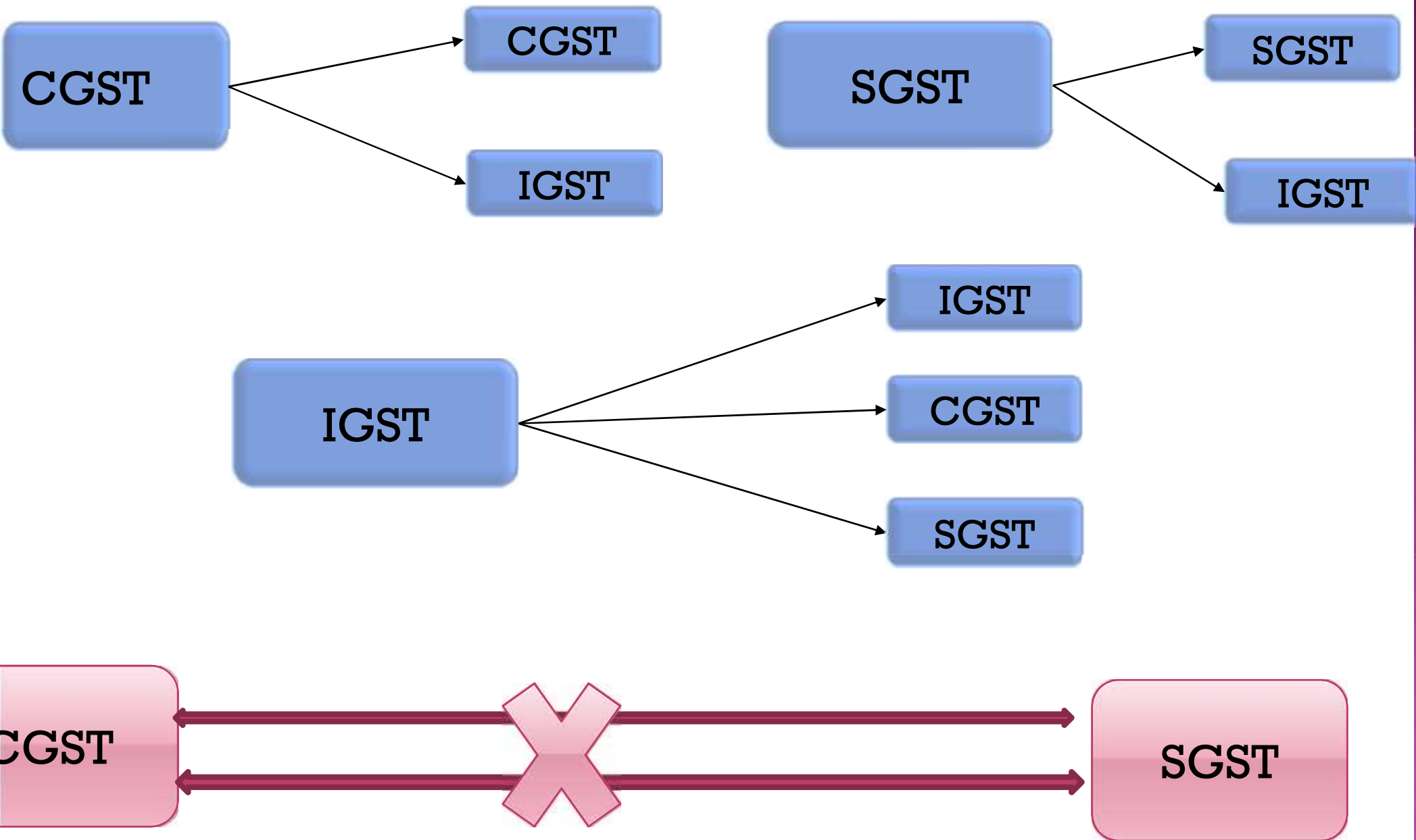
C (CREDIT) SET OFF UNDER GST

Utilization Of Credit



Buyer gets input credit only after seller pays GST & files return

UTILIZATION OF ITC



partly business & partly others - as is attributable to
business

Motor Vehicles & Conveyances unless used for:

- Further supply of such vehicles or conveyances

- Transportation of passengers

- Imparting training on driving, flying, navigating such
conveyances

- Transportation of goods

Section 2(34) defines “Conveyance” as includes vessel, an
aircraft and a vehicle

Supplies received by a non-resident taxable person
except when - “Goods imported by him” 17(5)(f)

ward supplies used for personal consumption - Sec
(g)

Goods lost, stolen, destroyed, written off or disposed
as gift or free samples - Sec 17(5)(h)

Membership of a club, health and fitness centre

rent-a-cab, life insurance and health insurance unless
provided as obligatory on part of the employer

Travel benefits extended to employees on vacation

allow inward supplies unless used for making outward

of same category:

- Food and beverages;

- Outdoor catering;

- Beauty treatment;

- Health services;

- Cosmetic and plastic surgery

ward works contract service for **construction of**
immovable property - unless used for further supply of WC

e - Sec

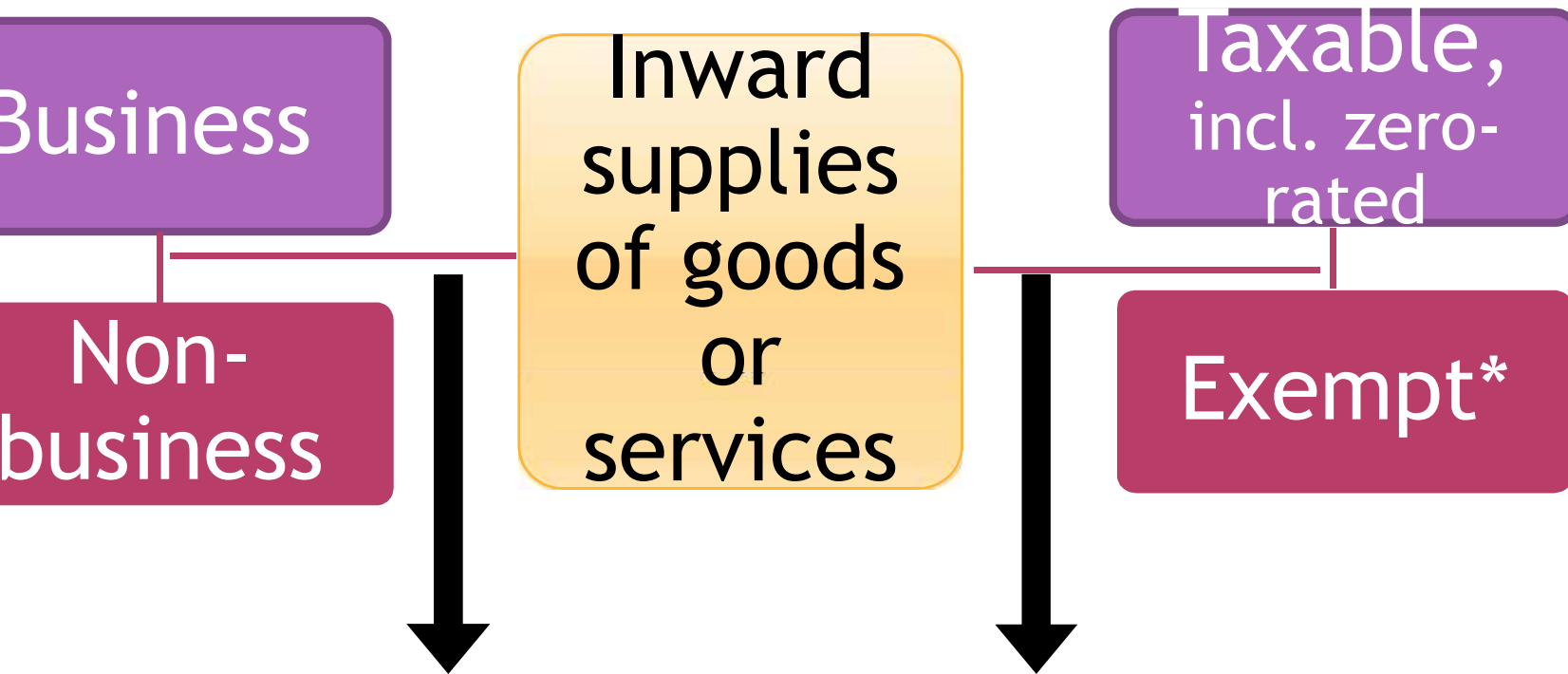
ward supplies for **construction of immovable property** (other than plant or machinery) on own account

ward supplies on which tax paid under **composition**

any tax that has been paid u/s 74, 129 and 130 - Sec 170(i)

tax not paid/ short paid/ erroneously refunded, or ITC wrongly availed by reason of **fraud** or any wilful misstatement or suppression of facts
goods on which tax has been paid on **detention or confiscation**

ITC RESTRICTIONS



***TC allowed to the extent of tax attributable to:
Taxable supplies
Purposes of business***

e., outward supplies that are nil-rated or exempted by way of notification or non-taxable or taxable on RCM basis or transactions in securities, sale of land, sale of building after issuance of completion certificate

SPECIAL PROVISIONS - BANKING & FINANCIAL COMPANIES

& Financial companies
(FCs) engaged in supplying
by way of accepting
, extending loans or
s and having both types of
(taxable & exempt) have 2

Inward
supplies
of goods
or
services

Taxable,
incl. zero-
rated

Exempt

Normal provisions:
*ITC to the extent of
tax attributable to
taxable supplies*

**Monthly availment of 50% of
the ELIGIBLE ITC in that
month (balance lapses).**
• *50% restriction not
applicable to supplies
between 'distinct persons'*

ELIGIBILITY IN SPECIAL CASES

It will be allowed in respect of inputs held in stock contained in semi-finished goods/ finished goods held in stock existing on the day immediately preceding:

Registration

- The date of becoming liable to pay tax
 - *If registration is applied for within 30 days of becoming liable, and is granted - Section 18(1)(a)*

Voluntary registration

- The date of grant of registration - Section 18(1)(b)

Transition to regular

- The date from which he becomes liable to pay tax under the regular scheme of levy** - Section 18(1)(b)

Credit available on capital goods as well

Conditions apply

ELIGIBILITY IN SPECIAL CASES

it will be allowed in respect of inputs held in stock contained in semi-finished goods/ finished goods held in stock AND capital goods existing on the day immediately preceding:

not supply to
able supply
on 18(1)(d)

- The date supply becomes taxable
 - ⑩ *Inputs i.e., in relation to supply of exempt supplies*
 - ⑩ *Capital goods i.e., used exclusively for the exempt supplies*

will be allowed subject to the below CONDITIONS:

it only in respect of those invoices which are not older than 1 yr

it on **capital goods** - to be reduced by 5% per quarter (whole/
, calculated from the date of invoice

aration in **Form GST ITC- 01** to be filed within 30 days of
ming eligible for credit under the 4 special cases under Sec
(a)/ (b)(c)/ (d)

be certified by a CA/ cost accountant if claim > 2 Lakhs;

tails in **declaration will be verified** with details in Form GSTR-1
d GSTR-4 on GST portal (*in cases of switchover from
mpetition to regular, or an exempt to taxable*)

CHANGE IN THE CONSTITUTION

le
merger
emerger#
amalgamation
ease
ansfer/ change
ownership of
business

ITC remaining unutilized in books of such registered persons can be transferred

Transferee

CONDITIONS

1. Transferor to file request to transfer unutilised ITC in **Form GST ITC-02**;
2. Certificate by CA/ cost accountant that change in constitution has taken place with a **specific provision for transfer of liabilities.**
3. **Transferee to accept details furnished;**
4. **Transferee to account for the inputs & capital goods transferred;**

C to be apportioned in the ratio of value of assets in the new unit.

REVERSAL OF INPUT TAX CREDIT

Amount = ITC on:
Inputs (held in stock/
contained in semi-
finished/ finished goods in
stock) and
Capital goods (reduced by
points prescribed)
on the day immediately
preceding:
the date of **exemption**;
the date of **switchover**. -
Section 18(4)

*In the below cases, an
amount shall be payable
either through input tax
credit or by cash:*



A

Taxable



Wholly
exempt

*i.e., the no taxable
outward supplies*

B

Normal
scheme



Composition

BALANCE IN CREDIT LEDGER AFTER SUCH REVERSAL SHALL LAPSE.

AMOUNT PAYABLE IN CASE OF SUPPLY OF CG & PM^{\$}

Amount payable shall be higher of:

ITC taken on the CG/ PM
reduced by prescribed %

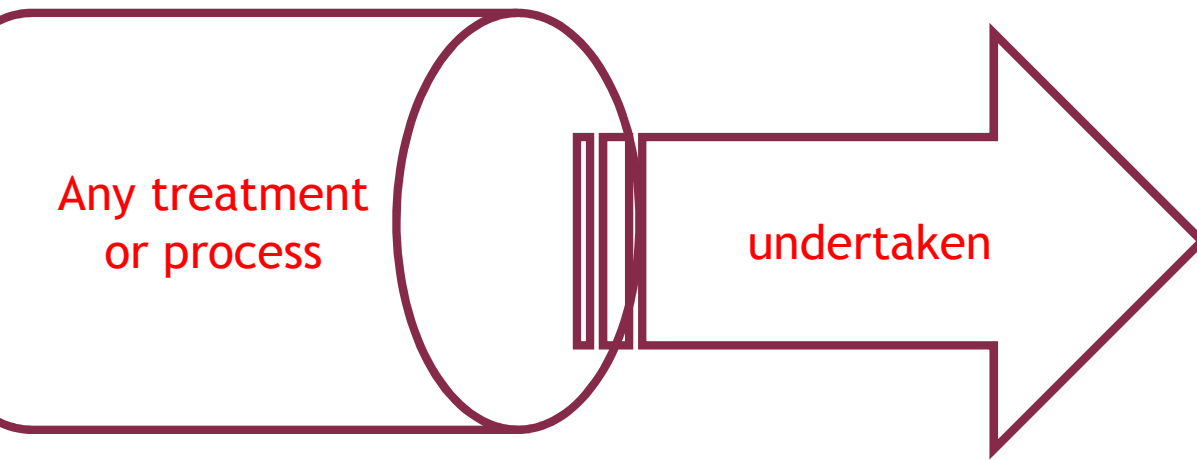
Tax on the transaction value

However, in case of scrapping of refractory bricks, moulds and dies, jigs and fixtures, tax may be paid on the transaction value.

Plant and machinery: Means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for carrying outward supply of goods or services or both; and includes such foundation and structural supports; but excludes land, building or any other civil structures, telecommunication towers and pipelines laid outside the factory premises.

Job Work

What is Job Work in GST? -Section 2(68)



By Person

JOB WORK

tax-free dispatch for job work (“JW”) to be made under an intimation

Principal **allowed ITC** on inputs and capital goods sent for JW, even if directly sent to JW premises before first receiving them
can be sent from premises of one JW to that of another

Delivery challan to be raised by the Principal at the time of removal of goods for

even in case goods are directly sent for JW
ITC to contain details of date, GSTIN of JW if registered, taxable amount, place of supply, etc.
details of goods sent/ received during a month to be declared in returns

JOB WORK

Supply deemed to be made on date of sending such goods if:

Inputs not received within 1 year of dispatch

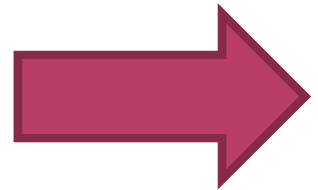
Inputs directly dispatched from job worker's premises within 1 year of dispatch - permitted only if:

- ⑩ Job worker's premises is declared as 'additional place of business'; or
- ⑩ Job worker is a registered person; or
- ⑩ Principal is engaged in the supply of certain notified goods.

Capital goods not received back within 3 years of dispatch

⑩ ***Not applicable to moulds and dies, jigs and fixtures, or tools***

Delivery challan would work as invoice in the above



Inputs/ capital goods can be received at any of the places of business of the principal

INPUT SERVICE DISTRIBUTOR (ISD)

distribution only on **tax invoices received for input services**

only to other units of the same person (i.e., same PAN)

only suppliers of goods can be ISDs

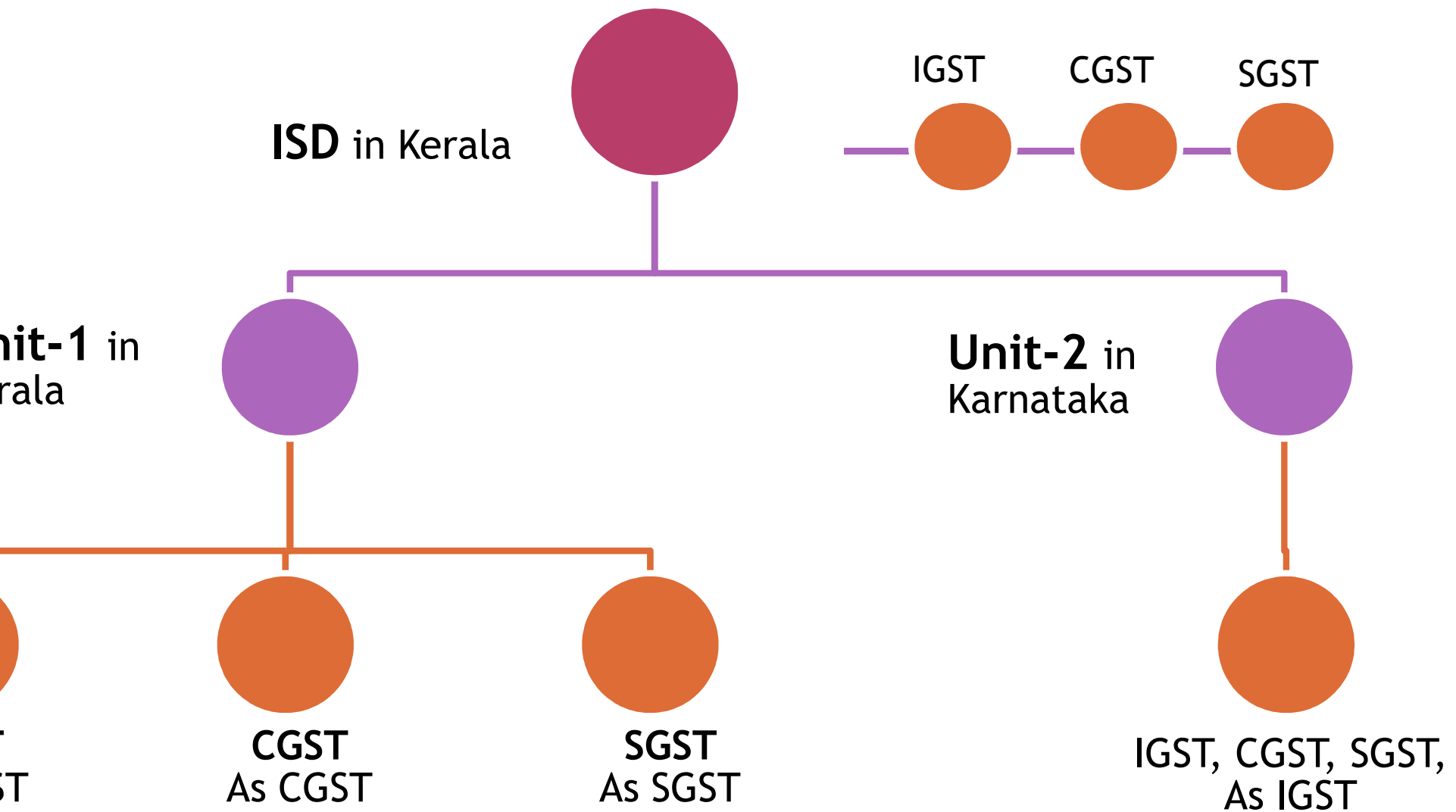
distribution only to those units to which the service is attributable

to distribute by way of an **ISD Invoice**

separate invoice for CGST, SGST(or UTGST) and IGST:

distribution to be done in the **same month** in which ITC becomes available to ISD

PUT SERVICE DISTRIBUTOR



PUT SERVICE DISTRIBUTOR

ution mechanism:

- If invoice attributable only to one unit:
 - Distribution only to such unit
- If attributable to 2/more units:
 - Pro rata ratio of turnover in State
- Distribution to units to which service is attributable regardless of whether:
 - operational/ non-operational;
 - registered/ unregistered;
 - supplying goods/ services/ both;
 - supplying taxable/ exempt supplies
- Any excess credit distributed will be recovered with interest from the units that received such excess credit along with interest.

entitled to take, in his electronic credit ledger, the amount of **CENVAT credit**

carried forward in **the return relating** to the period ending with the day immediately **preceding** the appointed day,

Central Excise , Service Tax = CGST Electronic Credit Ledger

State Vat & Entry tax = SGST Electronic Credit Ledger

provided

Credit is admissible under GST Act

Furnished all his returns under current law for last six months immediately preceding the appointed day

Goods are not cleared under any specific exemption notification notified by Govt

10(2)-CAPITAL GOODS- TRANSITION

credit of the un-availed CENVAT credit

Capital Goods

seen in return of current law

the period ending with the day immediately
preceding the appointed day

vided

less the said credit was admissible as **CENVAT credit** under
the existing law and is also admissible as input tax credit under
the Act.

Not Allowed



140(3) REGISTERED REGISTERED-TRANSITION

Section 140 (3) - Registered Person who was
not registered under earlier laws
engaged in manufacture of exempted
goods/services

Works Contract u/N 26/2012 dated
20.06.2012.

First stage Dealer

Second Stage Dealer

Registered Importer

Depot of Manufacturer

REGISTERED REGISTERED TRANSITION

by paying document available

Dealer entitled for input credit under GST

Invoice not more than 12 months old on

appointed day

or service provider, not taking any abatement

GST

by paying document not available

other than manufacturer & Service Provider

0 % of CGST Liability (if GST rate is $<18\%$)

0% of CGST Liability (if GST rate is $>18\%$)

pass on the credit to customers by reduced

EXEMPTED & NON EXEMPTED GOODS TRANSITION

engaged in the manufacture of *taxable as well as exempted* goods under the Central Excise Act, 1944

provision of *taxable as well as exempted services* under Chapter V of the Finance Act, 1944

but which are *liable to tax under this Act*, shall be entitled to take, in his electronic credit ledger as per

Section 140 (1) for taxable goods

Section 140 (3) for exempted goods

41-JOB WORK - TRANSITION

Goods removed in existing law (Central Excise)

Without payment of duty

Inputs/Semi-finished/ Finished Goods

Goods returned within 6 months

Extended for 2 by Commissioner on request

Not returned :

Input tax credit originally in earlier law taken will
be reversed and

tax will be payable on it

Declare the goods/Capital assets lying with Job

worker on behalf of principal





THANK YOU

CA Aarchana Yadav

☎ - 8169938264/9702477497

caarcyadav@gmail.com

arc_yadav@rediffmail.com