

INPUT TAX CREDIT

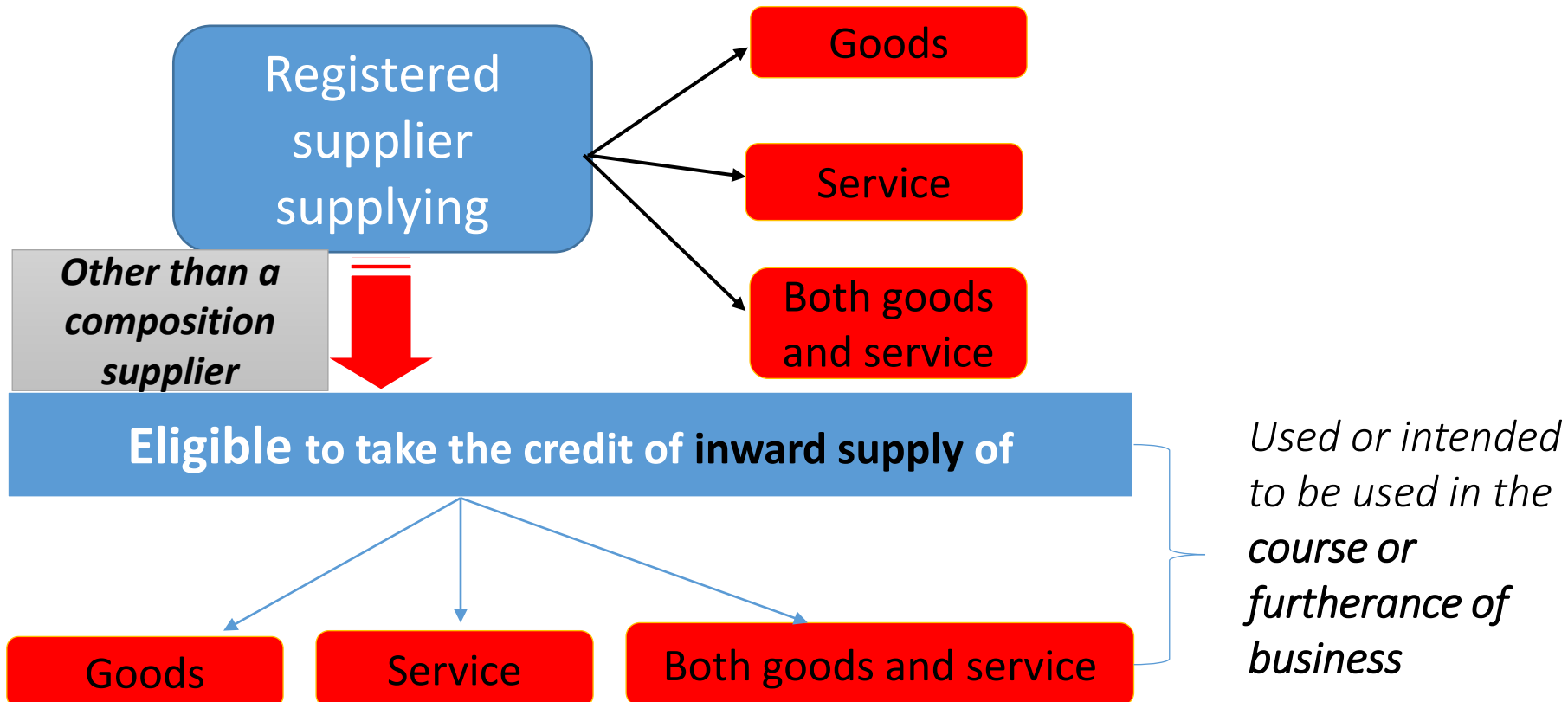
WORKSHOP ON GST

Organised by:

Vasai branch of WICASA

ITC ELIGIBILITY:-

- Registered supplier (other than composition supplier) eligible to take the credit of input tax charged on inward supply of goods or service or both which are used in the course or furtherance of business.



ITC ENTITLING CONDITIONS:-

- ☐ Claimant is in possession of tax paying documents which includes
 - Invoice issued by the supplier in accordance with the provision of section 31.
 - Debit note issued by a supplier in accordance with the provision of section 34.
 - Bill of entry
 - Invoice raised by recipient u/s 31 (3) (f) in case of inward supplies from unregistered suppliers.
 - ISD invoice issued by the ISD in accordance with invoice rules.

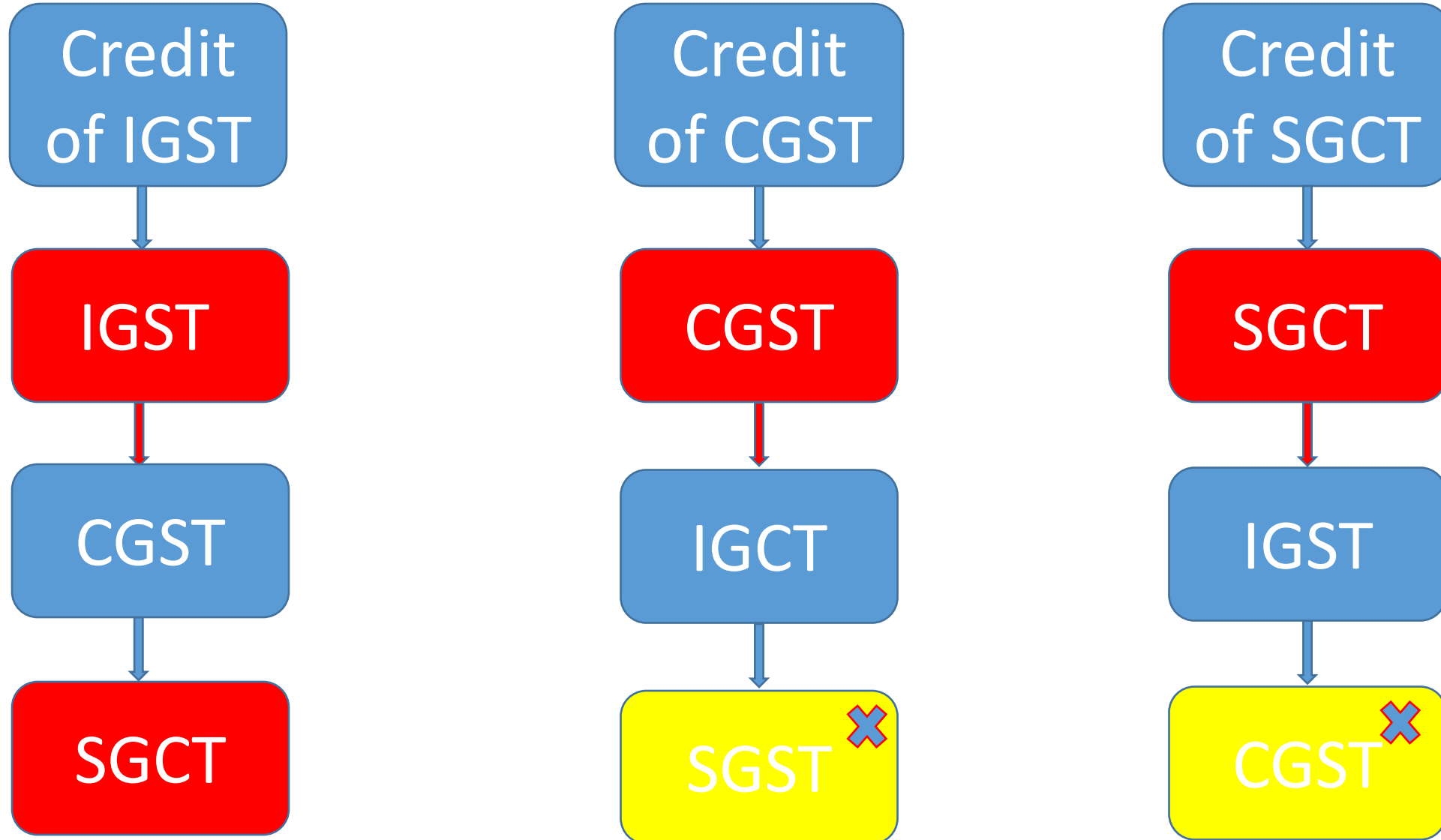
(Tax paying documents should contain all the particulars as prescribed in invoice rules and relevant information contained in the said documents, is furnished in GSTR-2 by such claimant)
- ☐ Claimant has received the goods or services or both.

(It shall be deemed that the claimant has received the goods where supplier delivers goods to other person on the direction of claimant)
- ☐ Tax on the supply has been paid to the Government.
- ☐ Claimant has furnished the return under section 39.

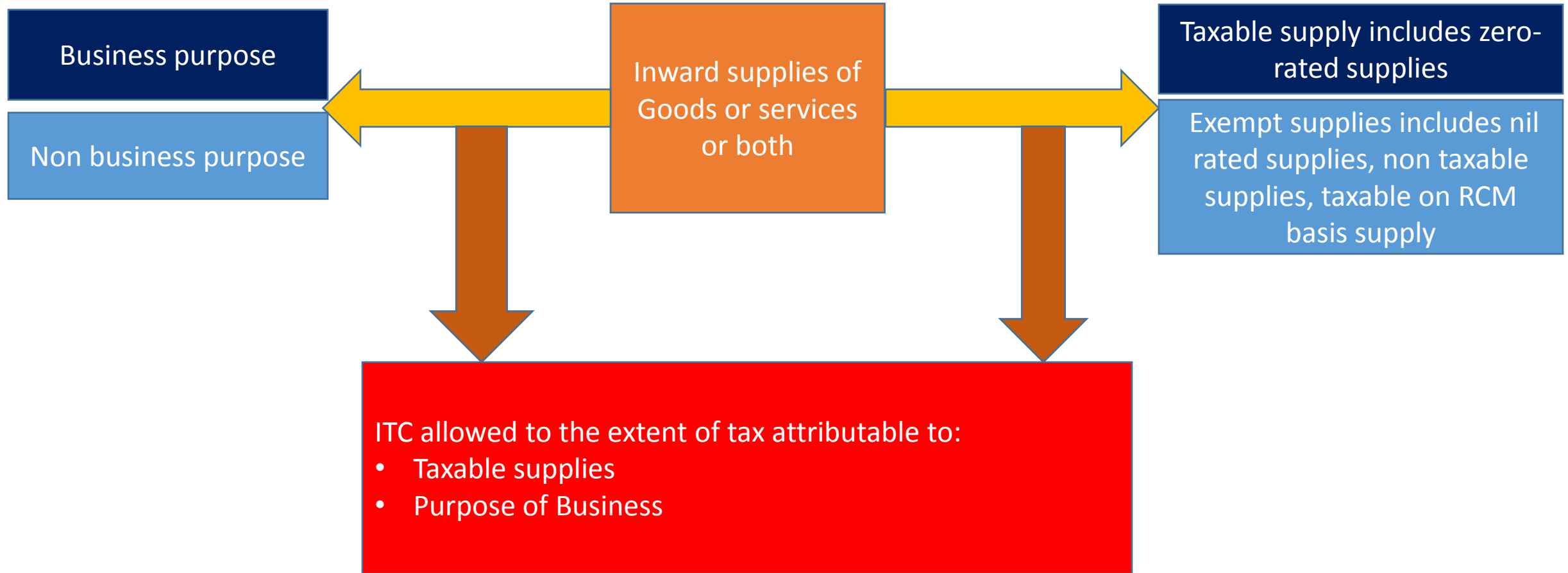
Additional Conditions

- ☐ Where goods are received in lots or instalments then claimant shall be entitled to take credit on receipt of last lot or instalment.
- ☐ If claimant fails to pay the value of supply along with tax to the supplier within a period of 180 days, then ITC claimed by the claimant is added back to his output tax liability along with interest.
- ☐ When claimant claims depreciation on GST component of the cost of capital goods, then ITC on the said component shall not be allowed.
- ☐ ITC in respect of any invoice or debit note shall not be available after the due date of furnishing the return u/s 39 for the month of September following the end of Financial year to which such invoice or debit note pertains i.e. 20th October OR furnishing of the relevant annual return, whichever is earlier.
- ☐ ITC shall not be availed in respect of any tax that has been paid in pursuance of any order where any demand has been raised on account of any fraud, wilful misstatement or suppression of facts.

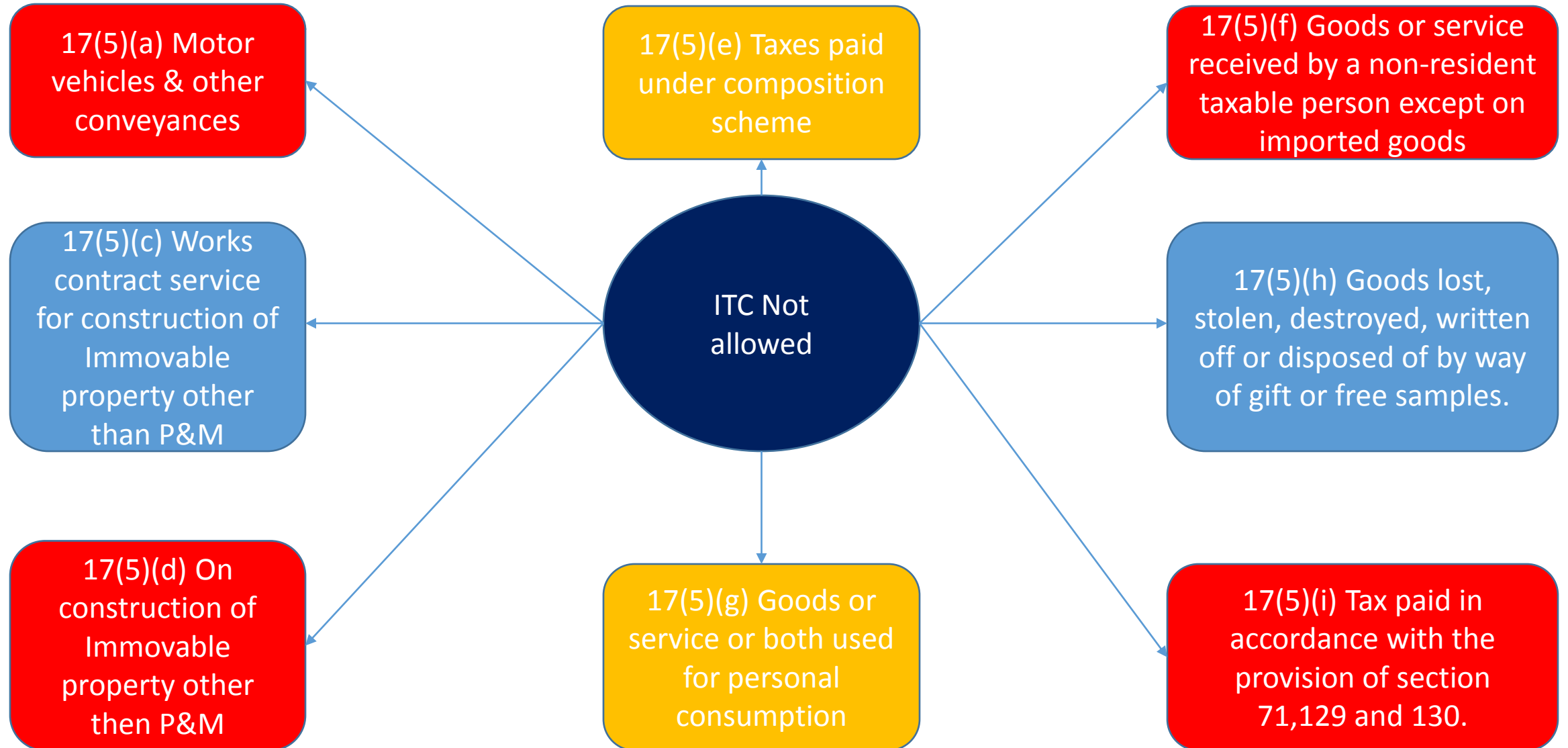
Sequence of set-off under GST:



Apportionment of Credit:



Blocked Credit:



Sec. 17(5)(a)

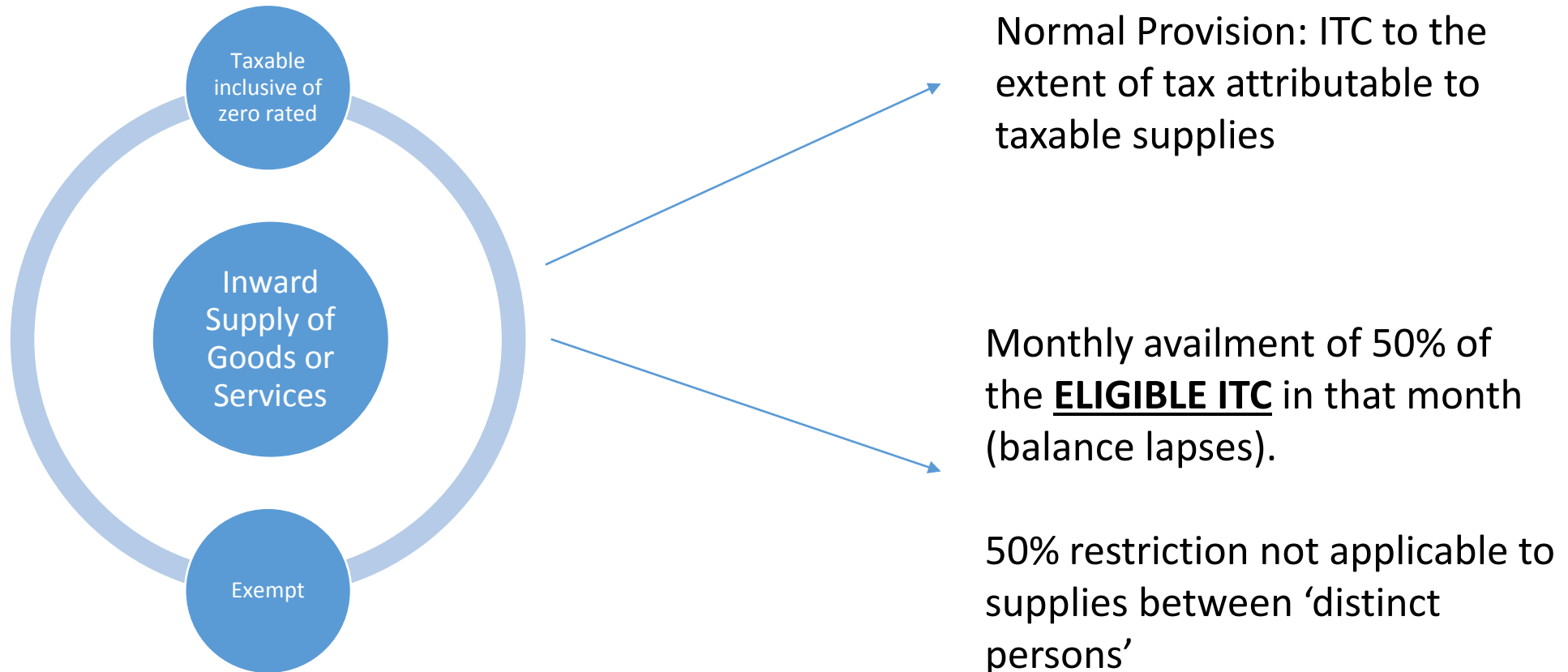
- ❑ Motor Vehicles & Other Conveyances except :
 - Further supply of vehicles or conveyance.
 - Transportation of passengers.
 - Imparting training on driving, flying and navigation.
 - Transportation of goods.

Sec. 17(5)(b)

- ❑ Followings Inward supply unless used for making outward supply of same category
 - Food and beverages
 - Outdoor catering
 - Beauty treatment
 - Health services
 - Cosmetic and plastic surgery
- ❑ Membership of a club, health and fitness centre
- ❑ Rent a cab, life insurance and health insurance unless notified as obligatory on part of the employer or used for same category of outward supply.
- ❑ Travel benefits extended to employee on vacation such as leave or home travel concession

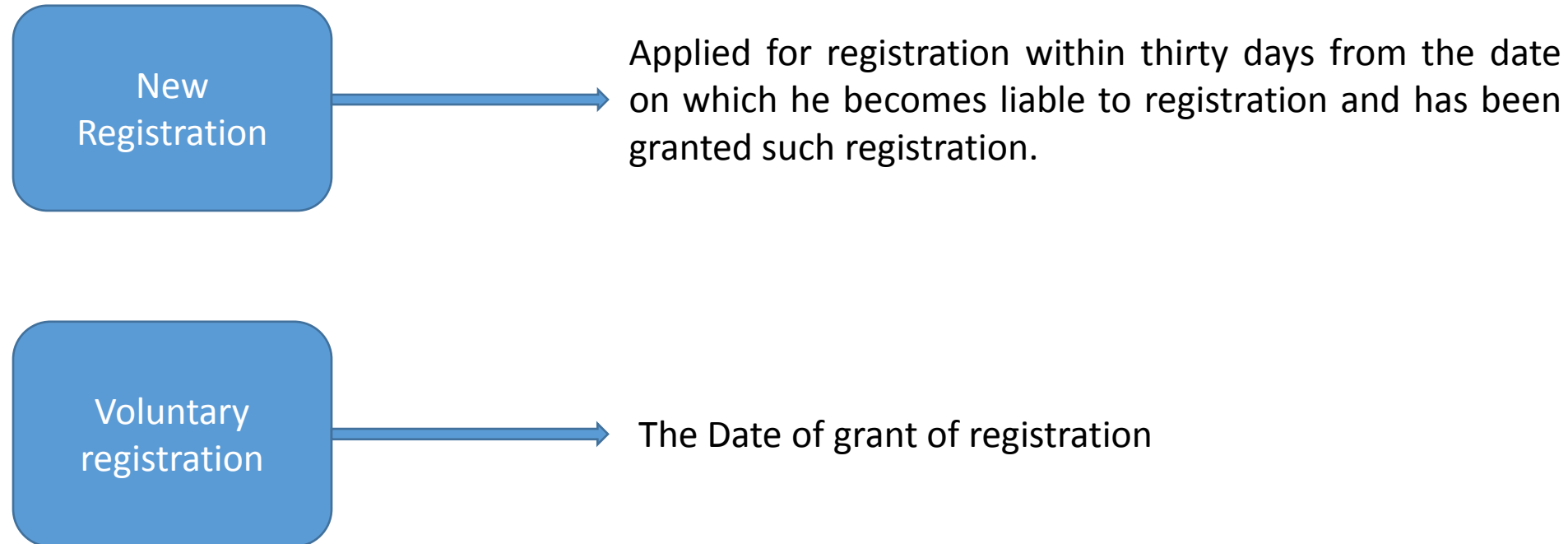
SPECIAL PROVISIONS IN RELATION TO BANKING & FINANCIAL COMPANIES

Banking & Financial Companies (incl. NBFCs) engaged in supplying services by way of accepting deposits, extending loans or advances and having both types of supplies (taxable & exempt) have 2 options



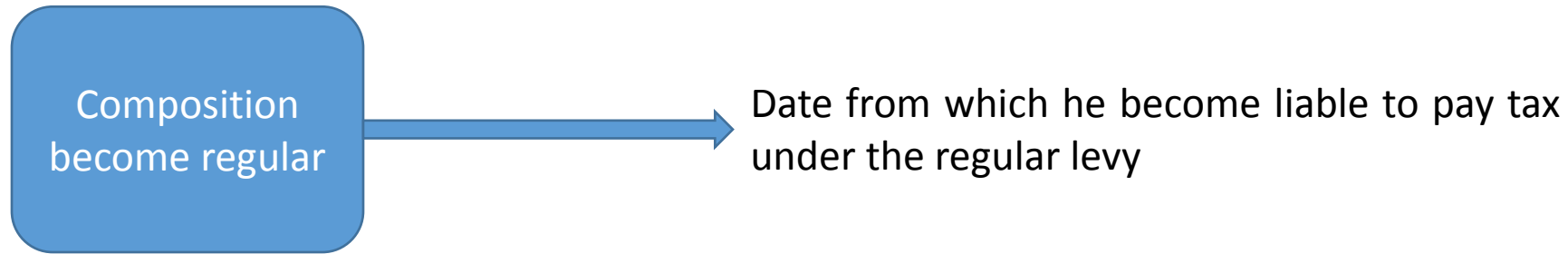
Availability of credit in special circumstances:

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

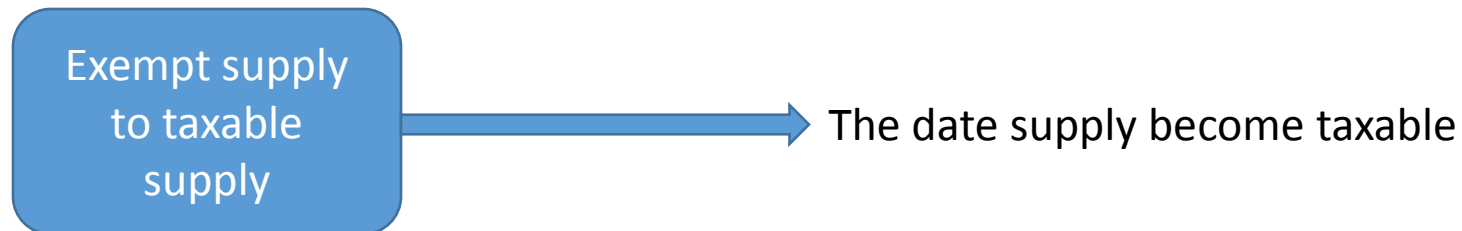


Availability of credit in special circumstances:

Credit will be allowed in respect of inputs held in stock and contained in semi-finished goods/ finished goods held in stock and on capital goods on the day immediately preceding



Credit will be allowed in respect of inputs held in stock and contained in semi-finished goods/ finished goods held in stock related to such exempt supply and on capital goods exclusively used for such exempt supply.



Availability of credit in special circumstances:

Credit will be allowed subject to the below conditions:

- ☐ Credit only in respect of those invoice which are not older then 1 year
- ☐ Credit on **capital goods – to be reduced by 5% per quarter** (whole/ part), calculated from the date of invoice
- ☐ Declaration in **Form GST ITC- 01 to be filed within 30 days** of becoming eligible for credit under the 4 special cases under Sec 18(1)(a)/(b)(c)/(d)
 - **To be certified by a CA/** cost accountant if claim > **2 Lakhs**
 - Details in **declaration will be verified** with details in Form GSTR-1 and GSTR-4 on GST portal (*in cases of switchover from **composition to regular, or on exempt to taxable***).

ITC- Change in the constitution

In case of Sale, merger, demerger*, lease or transfer of the business with the specific provision of transfer of liabilities ITC remaining unutilised in books of such registered person can be transferred to transferee. Provided followings condition are satisfied:

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

*ITC 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:

- A. The date of **exemption**;*
*B. The date of **switchover**.*

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



A

Taxable



Wholly exempt

B

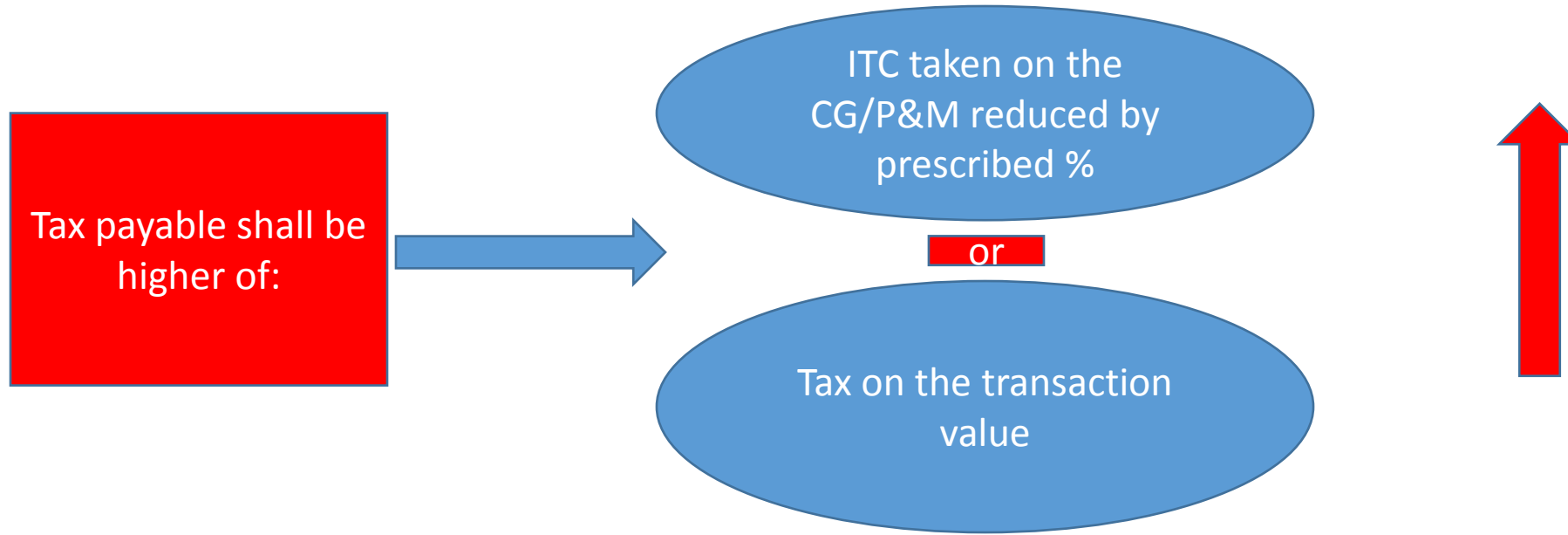
**Normal
scheme**



Composition
scheme

*ANY BALANCE IN CREDIT LEDGER AFTER SUCH REVERSAL SHALL **LAPSE**.*

Supply of capital goods or plant and Machinery



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 making 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

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

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

- Even in case goods are directly sent for JW
- DC 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:
 - Job worker's premises is declared as 'additional place of business'; or
 - Job worker is a registered person; or
 - Principal is engaged in the supply of certain notified goods.
- Capital goods not received back within 3 years of dispatch
 - ***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)

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

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

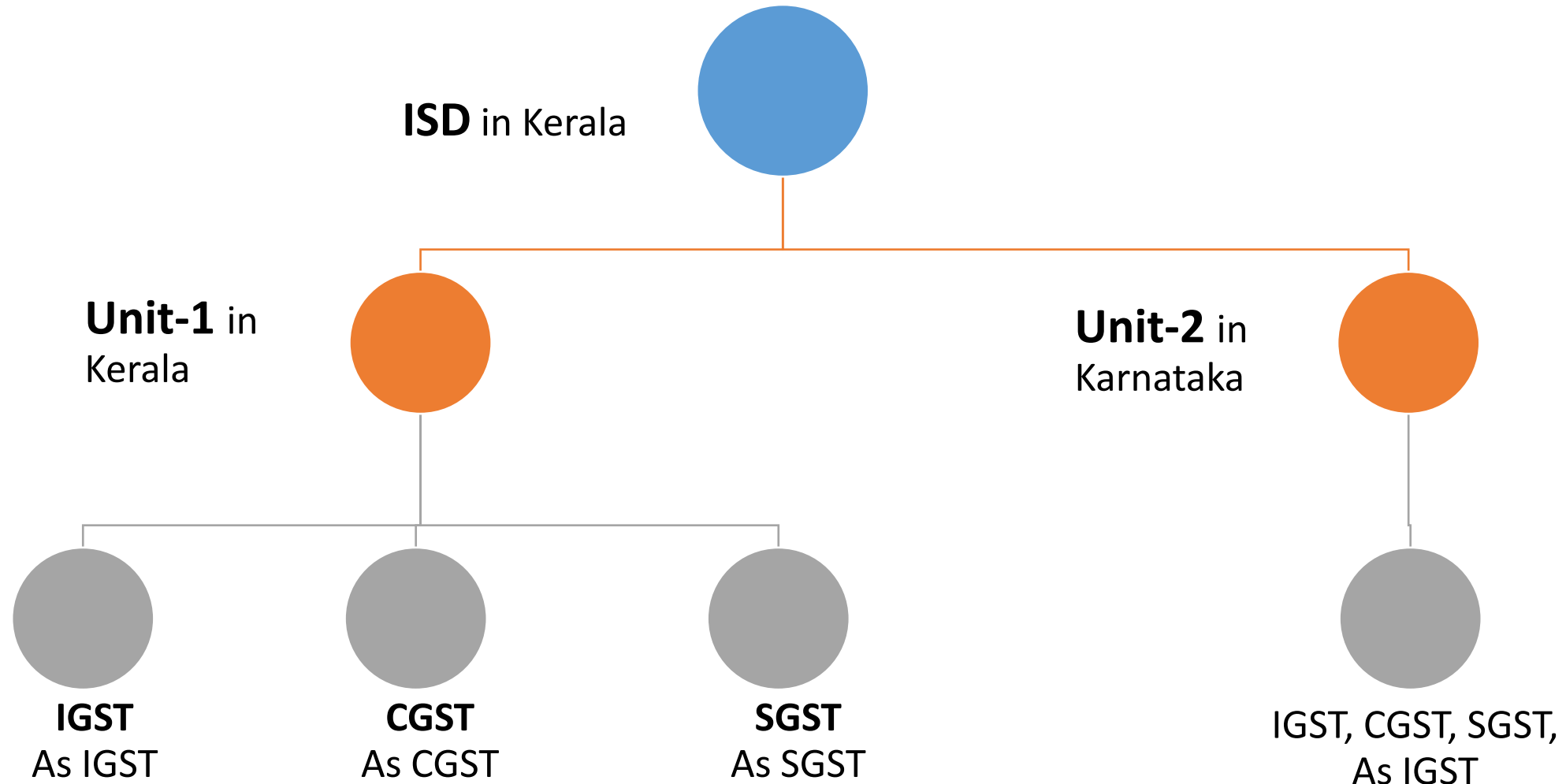
Even **suppliers of goods** can be ISDs

Distribution only to those units to which the service is attributable

ISD to distribute by way of an **ISD Invoice (Separate Invoice)**

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

INPUT SERVICE DISTRIBUTOR (ISD)



INPUT SERVICE DISTRIBUTOR (ISD)

Distribution 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

INPUT SERVICE DISTRIBUTOR (ISD)

- Details of invoices received and credit distributed to be furnished in **Form GSTR-6 on a monthly basis**
 - ❖ Will auto-populate in the return for inward supply of receiving units
- ISD shall issue an ***ISD credit note*** for reduction of distributed credit in case it gets reduced for any reason
- Additional amount of credit received from the supplier through debit notes issued by the supplier, ISD shall be distributed to the recipient to the extent it is attributable to such recipient
- Reduction in credit due to issuance of credit note by the supplier shall be apportioned to each recipient in the ratio in which credit was contained in the original invoice
- **Turnover in State** to be computed for relevant period:
 - ❖ If all **relevant units have turnover in previous FY** – such period;
 - ❖ **Else, the last quarter** (before the month of distribution) for which turnover of all relevant units is available.

THANK YOU

Ankit Rathi

ar@advandassociates.com

+91-9029059911