



Input Tax Credit under GST

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2

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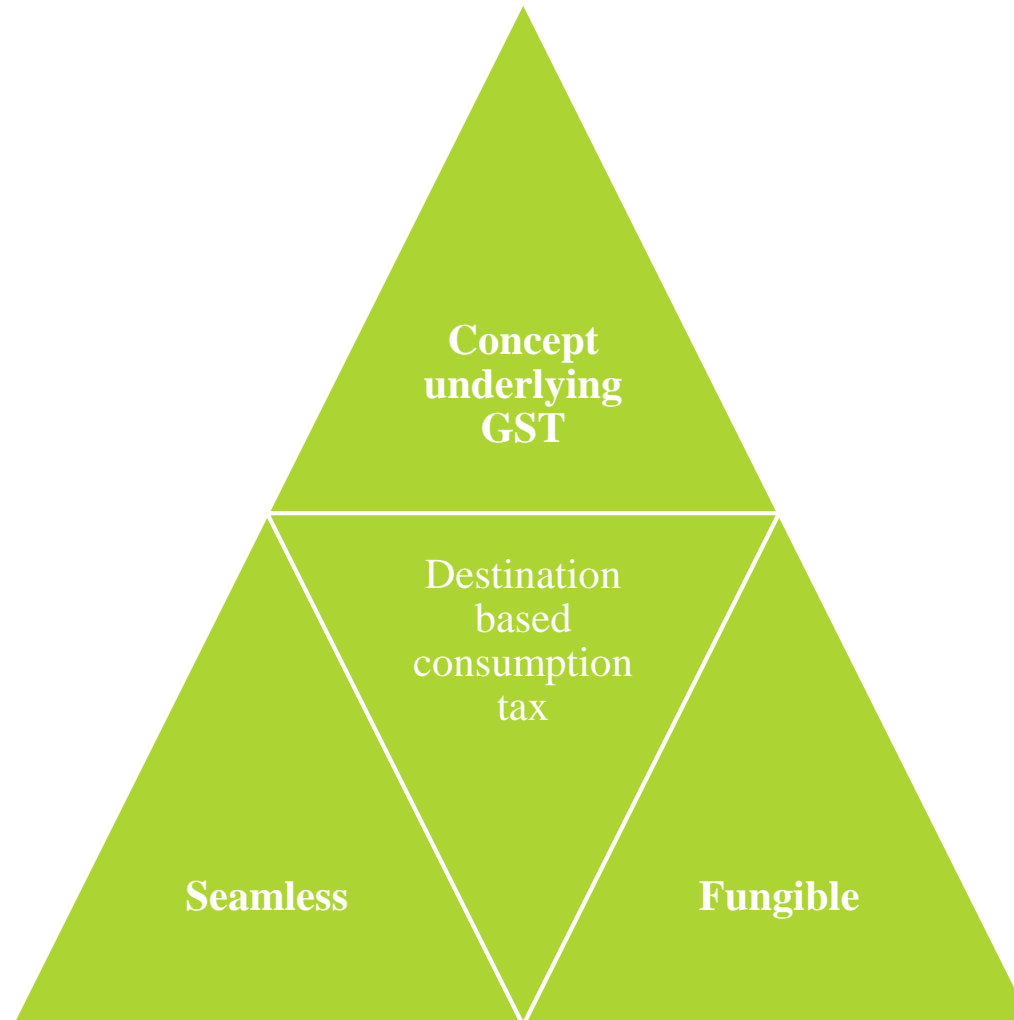
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ITC under GST

3



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Section 155 of CGST Act, 2017

Where any person claims that he is eligible for input tax credit under this Act, the burden of proving such claim shall lie on such person.



Procedures under ITC

5

Eligibility

Availment

Utilization

Concept of **Input Tax Credit** under GST



Definition of Input tax

7

- “Input tax” means
 - IGST (including that on import of goods),
 - CGST,
 - SGST and
 - UTGST;
- Charged on any supply of goods or services and;
- **Includes** tax paid under reverse charge under CGST/IGST/SGST/UTGST
- **Excludes** the tax paid under section 10 (composition levy)



Definition of Input & Input Service

8

- *‘Input’ 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’ means any service used or intended to be used by a supplier in the course or furtherance of business*

Eligibility & Conditions for availing ITC – Sec 16

9

- Every **registered person** [vs. **Taxable Person, Distinct Person**]
- Subject to such conditions and restrictions as may be prescribed
- In the manner specified in section 49
- Be **entitled to take credit of input tax** charged
- **On any supply of goods or services or both to him**
- Which are **used or intended to be used in the course or furtherance of business** and
- The said amount shall be credited to the electronic credit ledger of such person



Conditions for Availment of ITC by a Registered Taxable Person – Sec 16

10

Basis - tax invoice / debit note issued by a registered supplier, or other prescribed taxpaying document

Goods and/or services have been **received***

Tax actually paid by the supplier to the credit of the appropriate Government, either in cash or by utilization of ITC

He has furnished the monthly return in Form GSTR-3 under Section 39

- Sec 41



Documents for availing ITC

11

- Tax Invoice issued by the supplier
- Tax Invoice (self) – reverse charge
- Debit Note issued by the supplier
- Bill of Entry (Imports)
- Invoice or Credit Note issued by an ISD

- **Rule 36(2) of CGST Rules, 2017**
- *Input tax credit shall be availed by a registered person only if all the applicable particulars as prescribed in Invoice Rules are contained in the said document, and the relevant information as contained in the said document, is furnished in form GSTR-2 by such person.*



Conditions for Availment of ITC by a Registered Taxable Person – Sec 16

12

Note:

- Can credit be claimed for tax paid on advance ?
- Receipt of goods in instalments
- Goods directly cleared to the job worker
- Goods deemed to be received by a taxable person when the supplier delivers the goods to the recipient/ any other person, on the direction provided by the taxable person to the supplier. E.g. Bill To – Ship To, Handing over goods to a Transporter
- **For Tax Actually Paid**
- Section 41 – *‘Every registered person shall subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.’*



Conditions for Availment of ITC by a Registered Taxable Person – Sec 16

13

- If the recipient of goods and/or services fails to pay (value + tax) within 180 days from date of invoice, (ITC availed + interest @ 18%) shall be added to his output tax liability. ITC available when amount discharged later.
- **Need** for such provision ?
- Position in case of **partial payment** ?
- **Repercussions in case of less payment by the recipient due to any reason irrespective of tax having been paid in full by the supplier.**
- Provision not applicable to **Schedule I supplies** (i.e. without consideration)
- **Procedure for reversal of ITC** – Amount to be reported in the month following the expiry of 180 days. Amount to be paid with interest @ 18 percent.
- **No time limit for re-availing such credit**



Time limit for availing credit

14

- Section 16(4) -
 - *A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.*
-
- X Ltd procured input services of value INR 10 Crores. Tax paid on procurement of such services INR 1.8 Crores. Procurement date being March 10, 2018. What is the last date for availing credit in such case.
 - a) March 9, 2019; or
 - b) October 20, 2018; or
 - c) December 31, 2018



ITC in case of Capital Goods

15

- *“Capital Goods” means the goods, the value of which is capitalized in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of the business. – Section 2(19) of CGST Act, 2017*
- Capital Goods shall include ‘plant and machinery’ – Explanation to Rule 45 of CGST Rules, 2017
- *Plant & 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.*
- *“outward supply” in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business*



ITC in case of Capital Goods

16

Depreciation claimed on Tax component of the cost of capital goods under IT Act

ITC not Available

Example:

Cost of asset	=	Rs. 100
Tax-10%(say)	=	<u>Rs. 10</u>
Total Cost		<u>Rs. 110</u>

If Depreciation charged on
Rs.100
ITC Available

If Depreciation charged on
Rs.110
ITC not Available



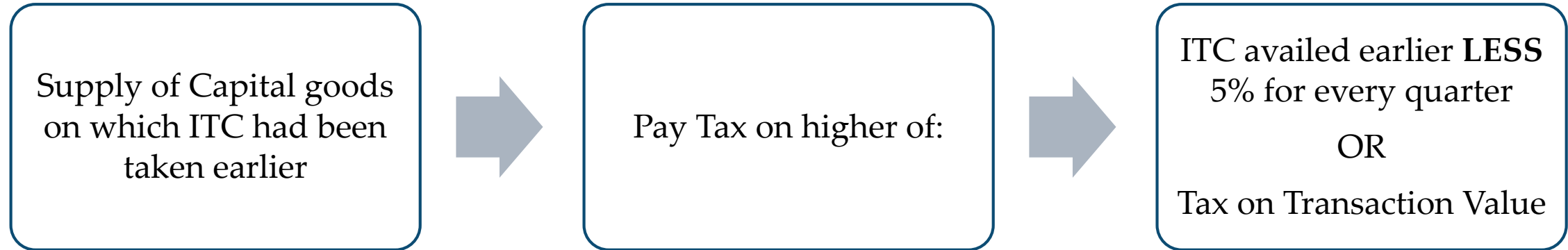
ITC in case of Capital Goods

17

- Credit available in the first year
- **Exclusions:**
 - Pipelines laid outside the factory
 - Telecommunication towers fixed to earth by foundation or structural support
- In case of **supply (clearance) of capital goods** on which ITC has been availed:
 - **Pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be specified; or tax on transaction value of such capital goods or plant and machinery (whichever is higher)**
 - **In case of bricks, moulds, and dies, jigs and fixtures supplied as scrap. Taxable person to pay tax on the transaction value.**
- **Useful life of capital goods to be spread over 5 years i.e. 5 percent * 4 quarters * 5 years or 60 months**



Supply of Capital goods on which ITC already taken – Sec 18(6)



Note: Any credit wrongly taken shall be subjected to the recovery provisions

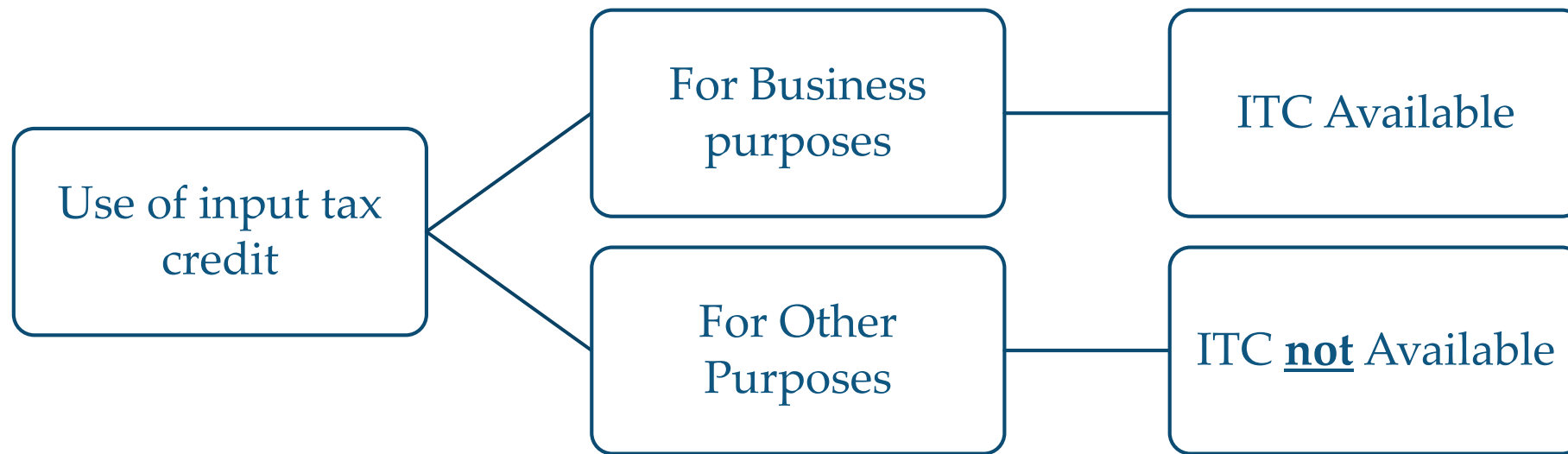
Purchase Date of Laptop	Jan 01, 2015
Purchase Price	50,000
Taxes Paid	10,000
Sale Date	May 05, 2017
Sale Value of Laptop	10,000

Particulars	Amount
Sale Value of Laptop	10,000
IGST @ 18%	1,800

Particulars	Amount
Input Tax Credit Availed	10,000
Less: 5% per quarter (For 10 quarters)	5,000



ITC on the Basis of use of Inputs – Sec 17

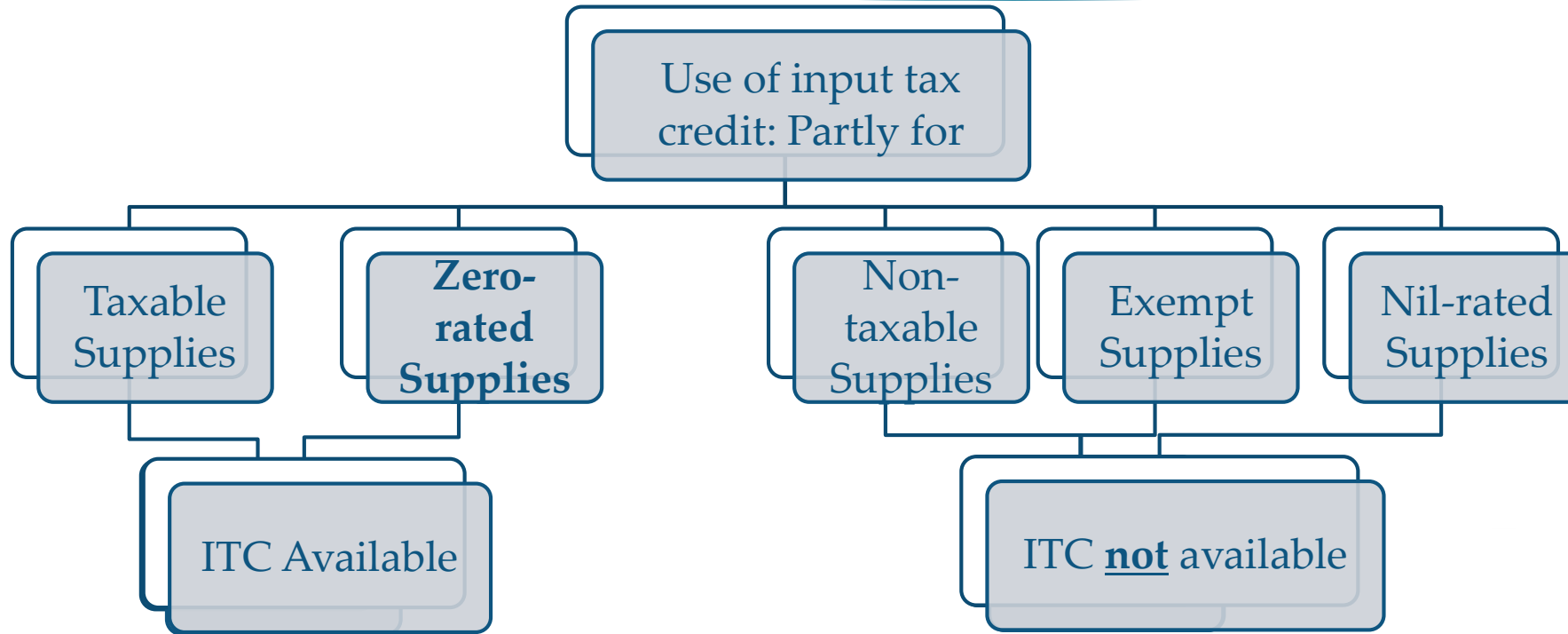


***Note:** Attribution of ITC to be made as per the manner prescribed in the ITC Rules*



ITC on the Basis of use of Inputs – Sec 17

20



Note: Attribution of ITC to be made as per the manner prescribed in the ITC Rules

Alternative to apportionment between taxable and exempt supplies in case of banking companies and financial institutions:

- Yearly option to avail a standard rate of 50% of eligible ITC on inputs, capital goods and input services on a monthly basis
- 50% shall not be applied on tax paid on supplies made by one registered person to another registered person having same PAN



I. *Reversal of credit where inputs or input services are used partly for non-business purposes or partly for effecting exempt supplies –*

- **Total input tax** in a tax period to be denoted as ‘T’
- Amount of input tax used **exclusively for the purposes other than business** ‘T1’
- Amount of input tax used **exclusively for effecting exempt supplies** ‘T2’
- Amount of **blocked credit as per Section 17 (5)** ‘T3’
- Amount of input tax to be credited to electronic credit ledger ‘ $C1 = T - (T1 + T2 + T3)$ ’
- Amount of input tax used **exclusively for effecting taxable and zero rated supplies** ‘T4’
- T1, T2, T3, T4 to be determined at invoice level in GSTR-2
- **Common Credit** “ $C2 = C1 - T4$ ”
- Credit attributable towards **exempt supplies** “ $D1 = C2 * (E/F)$ ”

where

- ‘E’ is the aggregate value of exempt supplies, that is, all supplies other than taxable and zero rated supplies, during the tax period, and
- ‘F’ is the total turnover of the registered person during the tax period:
- Credit attributable towards **non-business purpose** “ $D2 = C2 * 5\%$ ”



- **Remaining credit available for business purpose and for taxable and zero rated supplies “ $C3 = C2 - (D1+D2)$ ”;**
- **C3 to be computed separately for CGST, SGST, UTGST and IGST;**
- **D1 and D2 shall be added to output tax liability provided invoice wise segregation has been made;**
- **Credit calculated on provisional basis shall be computed finally before due date of filing returns for the month of September following the end of the FY to which credit relates;**
- **In case amount payable shall be added to the output tax liability and interest from the month of April of next FY till the date of payment to be paid;**
- **In case amount already paid extra, the differential amount shall be taken as credit in the month of September.**



ITC Rules – Manner of Reversal- Illustration

23

Terms used in Rule	Particulars	Amount
T	Total Input Tax of Input and Input Services	500.00
T1	ITC for Non Business	100.00
T2	ITC for Exempt Supply	50.00
T3	ITC of Blocked Credits (Inputs Only)	25.00
$C1 = T - (T1 + T2 + T3)$	Valid ITC in ECL	325.00
T4	ITC for Taxable Supply	200.00
$C2 = C1 - T4$	Common ITC	125.00
E	Value of Exempt Supplies	2000.00
F	Aggregate Turnover	5000.00
$D1 = E / F * C2$	Value of ITC for Exempt Supply (From Common ITC)	50.00
$D2 = C2 * 5\%$	Value of ITC for Non Business Purpose (From Common ITC)	6.25
$C3 = C2 - (D1 + D2)$	Eligible ITC from Common ITC	68.75
$T4 + C3$	Total Eligible ITC for Use	268.75



II. Reversal of credit where capital goods are used partly for non-business purposes or partly for effecting exempt supplies:

- Amount of input tax in respect of **capital goods used exclusively for non business purposes or used for effecting exempted supplies** shall be indicated in GSTR-2 and shall **not be credited in ECL**
- Amount of input tax in respect of **capital goods used exclusively for effecting taxable supplies including zero rated supplies** shall be indicated in GSTR-2 and shall be credited in ECL
- Amount of input tax for **remaining capital goods** shall be denoted as 'A' and **useful life shall be taken as 5 years**
- In case where **capital goods subsequently used for business purposes or for effecting taxable supplies including zero rated supplies**, input tax credit shall be included in A **after reducing 5% for every quarter**
- The aggregate amount of A shall be denoted as T_c
- Input tax attributable to common capital goods " $T_m = T_c/60$ "
- Input tax at the beginning of tax period for capital goods having remaining residual life during tax period 'Tr' which is aggregate of T_m of all capital goods



ITC Rules – Manner of Reversal

25

- Amount of credit attributable towards exempted supplies “ $T_e = (E/F) * T_r$, where,
- ‘E’ is the **aggregate value of exempt supplies**, that is, all supplies other than taxable and zero rated supplies, during the tax period, and
- ‘F’ is the **total turnover of the registered person during the tax period:**
- Amount of T_e along with applicable interest shall be added to output tax liability during every tax period of the residual life of the concerned capital goods
- **T_e to be computed separately for CGST, SGST, UTGST, IGST**
- **No annual calculation prescribed**

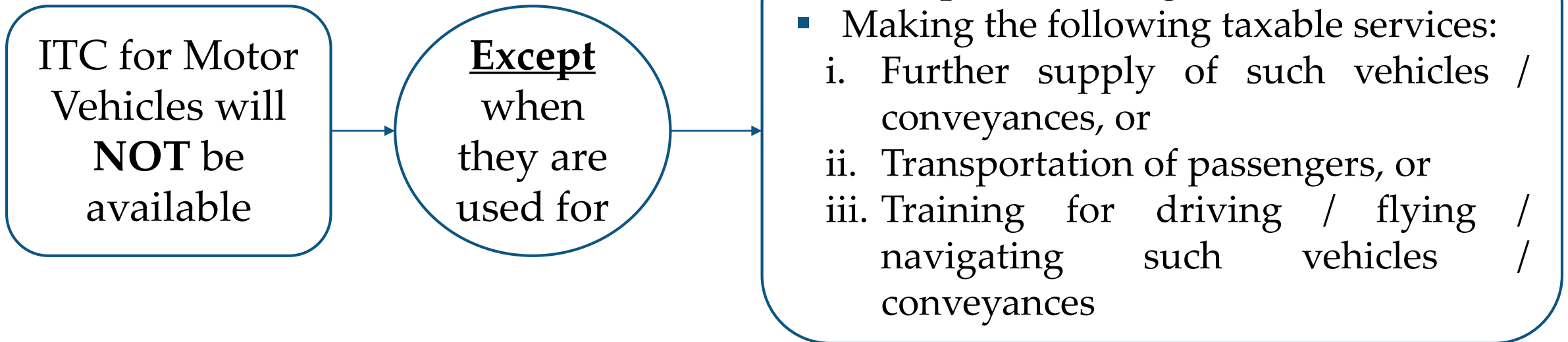


Restrictions on ITC – Sec 17(5)

Blocked credits

26

a) Motor Vehicles



Note: Where any amount has been paid on goods and / or services, in lieu of tax, under composition scheme, no credit on such amount would be allowed.

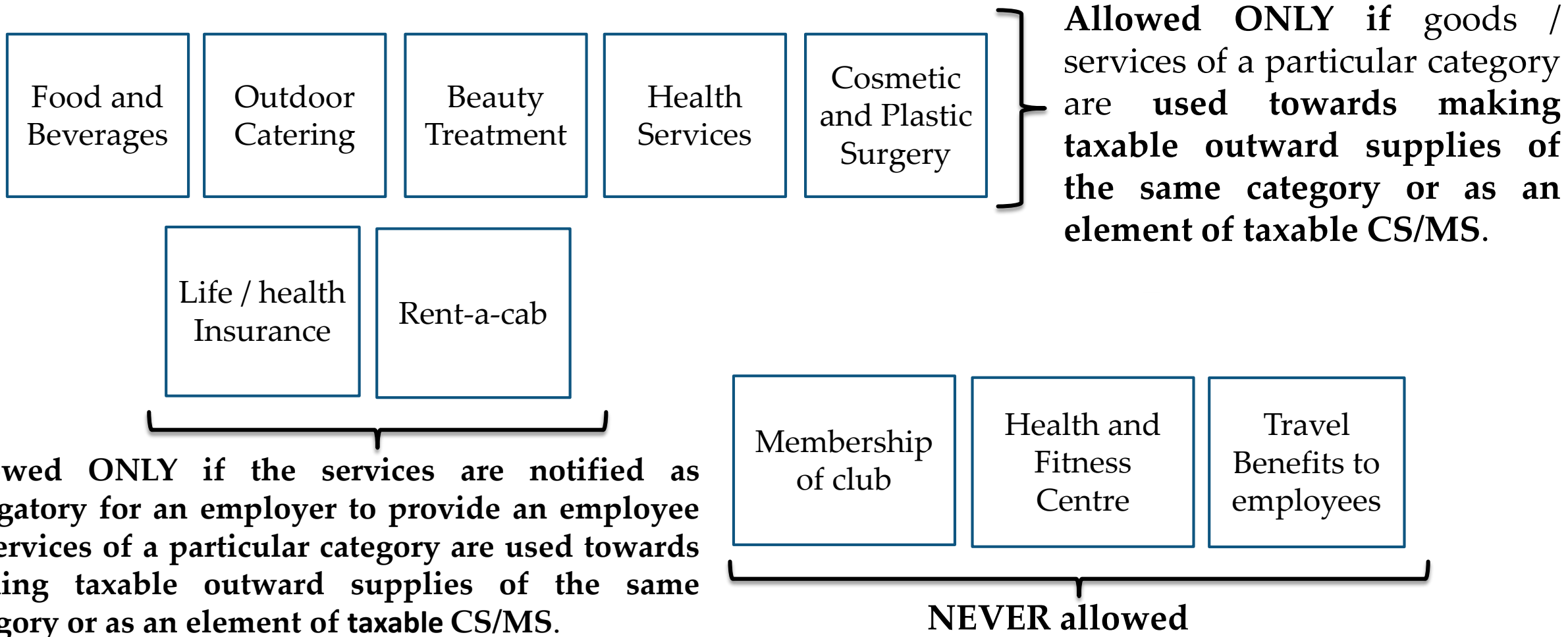


Restrictions on ITC – Sec 17(5)

Blocked credits

27

b) Supply of goods and services being:





Restrictions on ITC – Sec 17(5)

Blocked credits

28

c) Construction of Immovable Property (other than plant and machinery)

Works contract services, except where it is an input service for further supply of works contract service

Goods or services received by a taxable person for construction of an immovable property on his own account *even when used in course or furtherance of business;*

ITC not Available

Construction includes reconstruction, renovation, additions or alterations or repairs to the extent of capitalisation



Restrictions on ITC : Sec 17(5)

Blocked credits

29

- Taxes on supply of goods or services paid u/s 10
- Goods or services or both received by a non-resident taxable person except on goods imported by him, shall not be allowed
- Goods or services or both used for personal consumption
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free supplies and
- Any tax paid in accordance with the provisions of sections 74, 129 and 130 i.e. tax paid after detection of fraud or suppression or goods removed in contravention of GST Act. In such cases of the supplier issues tax invoice at a later stage, it should be clearly marked as 'INPUT TAX CREDIT NOT ADMISSIBLE'.



Eligibility of ITC in case of New Registrations – Sec 18(1)

30

Person liable for
registration u/s 25(1)

Who applies for
registration within
30 days

Entitled to credit of
input tax w.r.t inputs
held in stock, semi-
finished or finished
goods

Relevant Date: As on
the preceding date
on which he
becomes liable to
pay tax



Eligibility of ITC in case of New Registrations (Voluntary Registration) – Sec 18(1)

31

Person liable for
registration u/s 25(3)

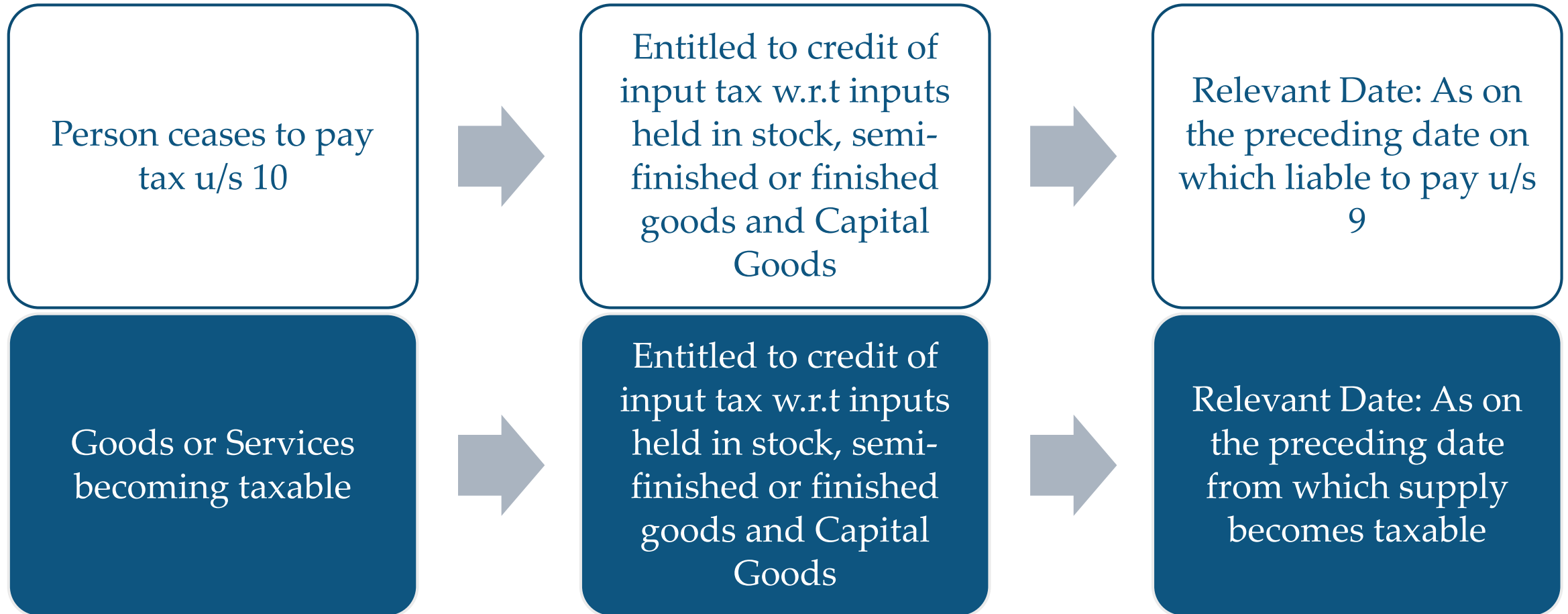
Entitled to credit of
input tax w.r.t inputs
held in stock, semi-
finished or finished
goods

Relevant Date: As on
the preceding date on
which registration is
granted



Switching from Composition / Exempt Supply to Normal Tax / Taxable Supply – Sec 18(1)

32



Credit on Capital Goods to be available after reducing 5% per quarter of a year or part from the date of invoice or such other document on which capital goods were received by taxable person



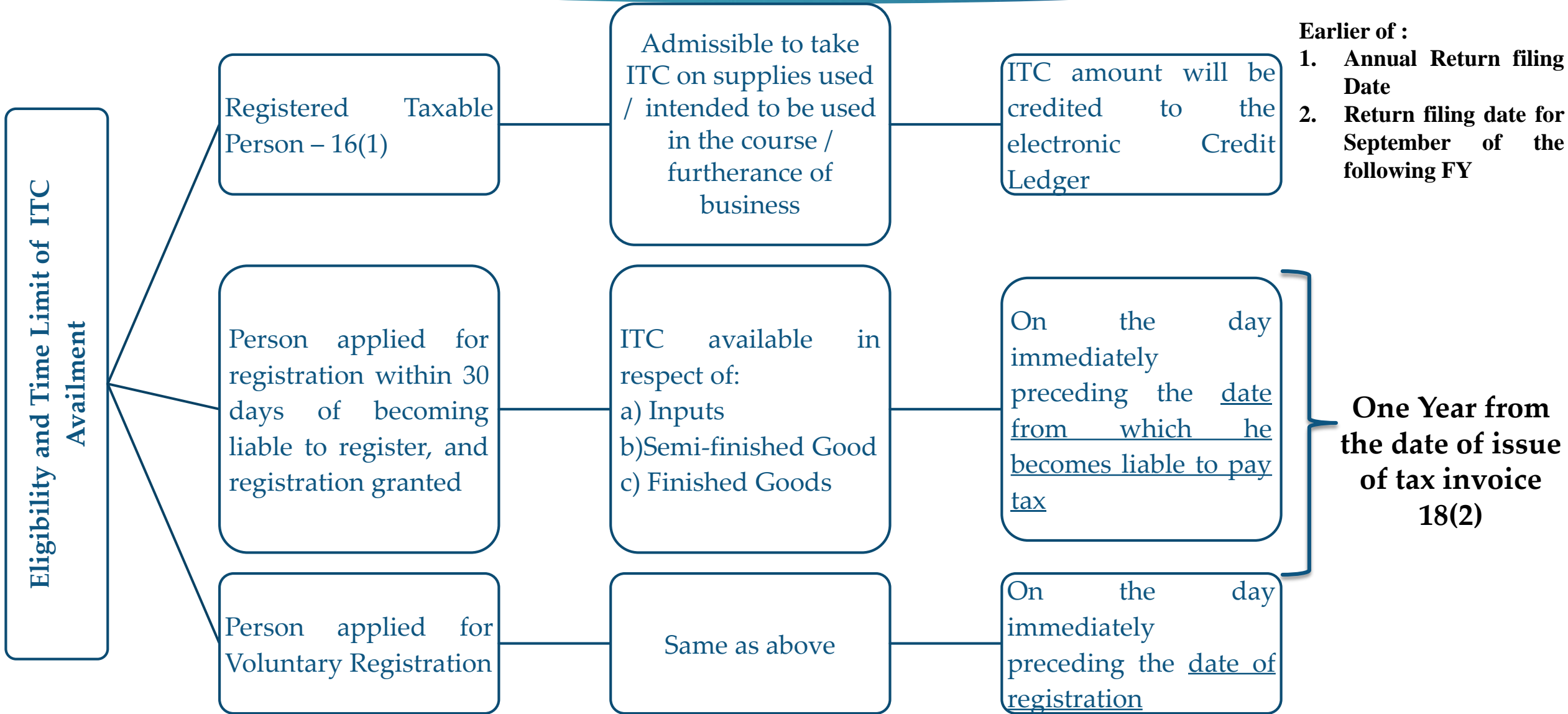
Conditions for claiming credit under – Sec 18(1)

33

- **Purchase invoice should not be earlier than 1 year from the relevant date**
- **Details of Inputs held in stock / semi finished or finished goods and capital goods to be furnished in Form GST ITC-01 within 30 days from the relevant date**
- **Declaration in Form GST ITC-01 to be certified by a practicing Chartered Accountant or Cost Accountant if the value of credit claimed exceeds Rs. 2,00,000**

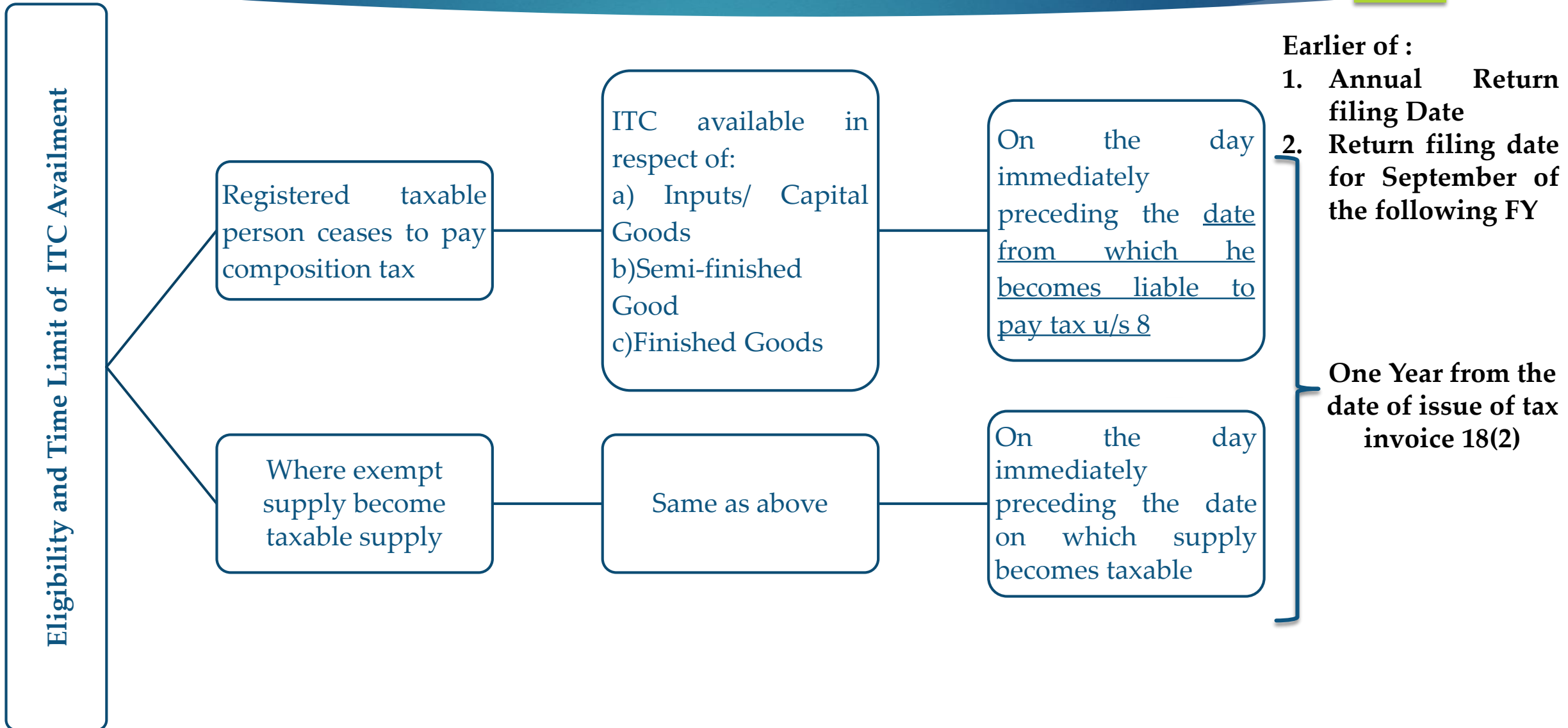


Eligibility and Time Limit for Availing ITC





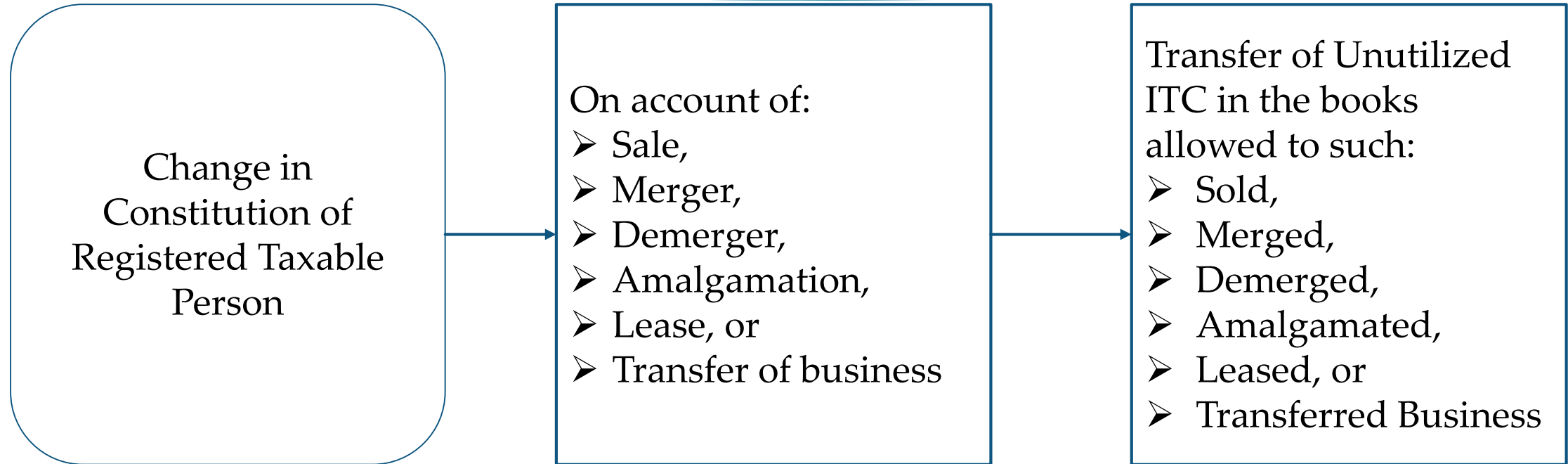
Eligibility and Time Limit for Availing ITC





ITC – Change in Constitution of Taxable Person Sec 18(3)

36



- ITC shall be apportioned in the **ratio of value of assets** of the new units **in case of demerger scheme**
- Transferor to submit **certificate from a practicing Chartered Accountant** certifying whether the sale / merger / de-merger / amalgamation / lease / transfer has been done with **specific provision for transfer of liabilities**
- Transferor to furnish details of credit available in Form GST ITC-02. Transferee to accept and duly account for such inputs/ capital goods in their books of accounts.



Switching from regular to composition or supplies become wholly exempt – Sec 18(4)

37

Amount equivalent to the credit of input tax in respect of inputs held in stock or input contained in semi-finished goods or finished goods held in stock and

Capital goods reduced by percentage points

Such amount shall be payable by debiting the electronic credit ledger or cash ledger

Balance in electronic credit ledger shall lapse

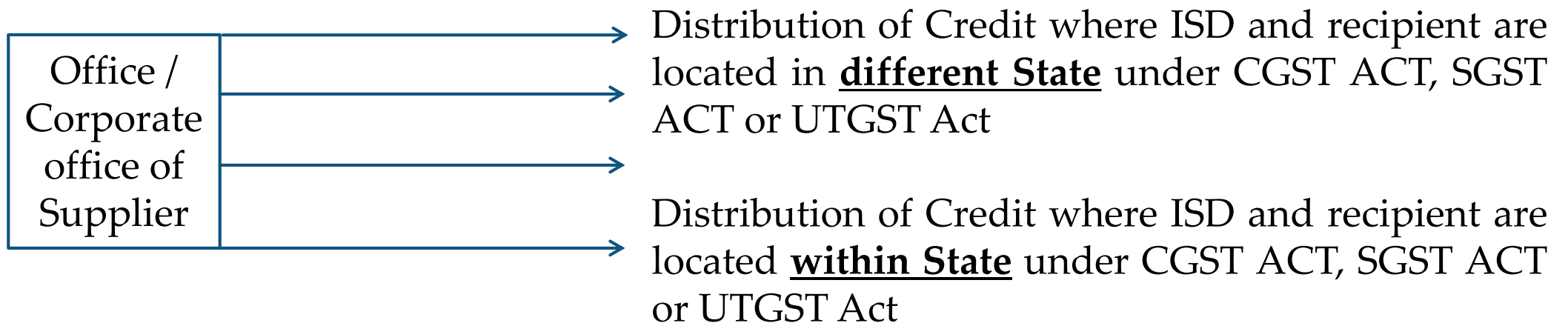
Declaration for input tax reversed to be submitted in Form GST ITC-03



Input Service Distributor – Sec 20

38

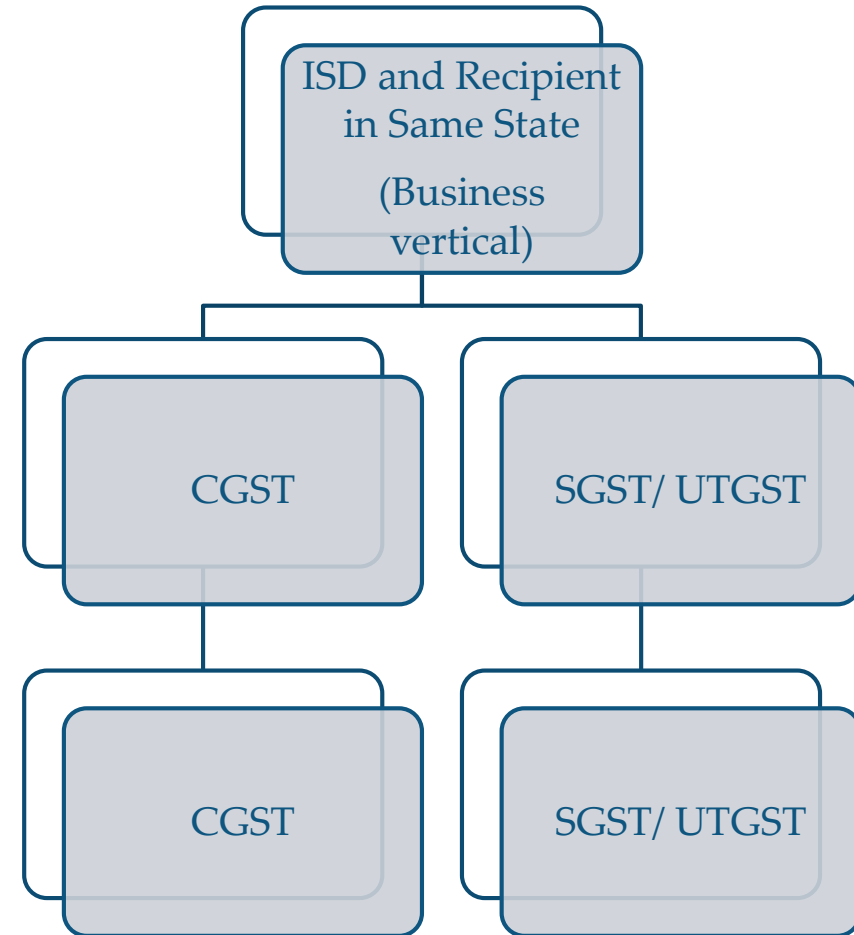
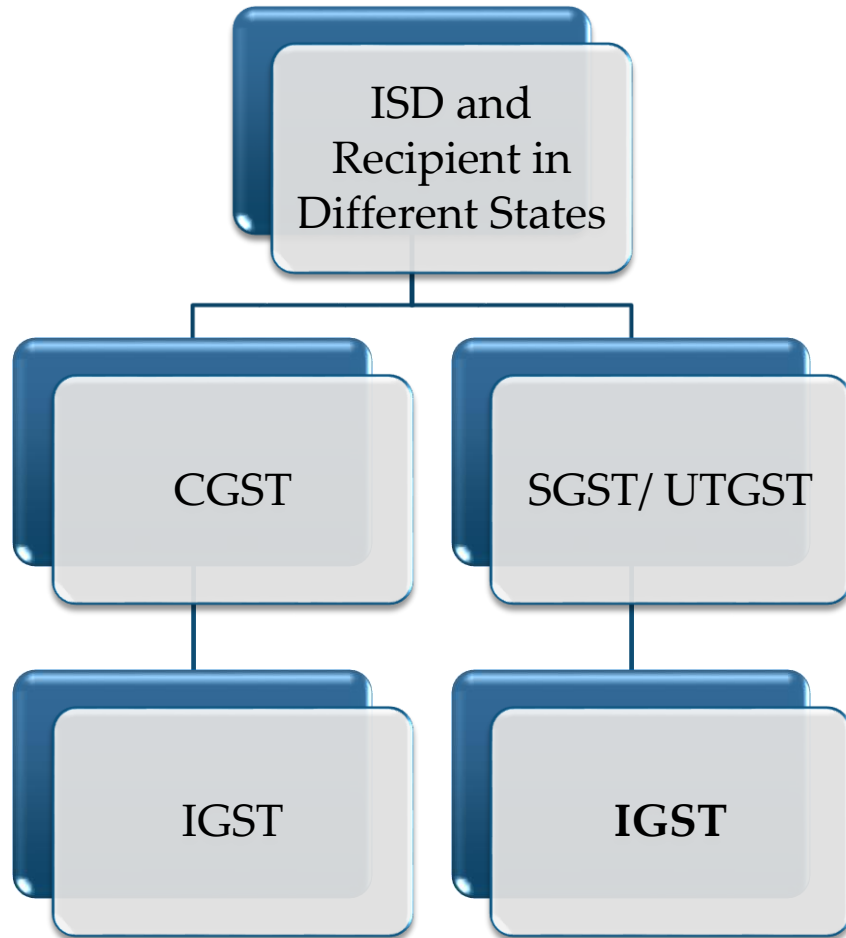
- *'Input Service Distributor' means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purpose of distributing the credit of Central tax, State tax, Integrated tax or Union Territory tax paid on the said services to a supplier of taxable goods or services or both having the same PAN as that of the said office.*





Input Service Distributor

39





Conditions to distribute credit : Input Service Distributor

40

- Credit distributed to recipient through prescribed documents containing prescribed details. Such document should be issued to each of the recipient of credit.
- Credit distributed should not exceed the credit available for distribution
- Tax paid on input services used by a particular location (registered as supplier) has to be distributed only to that location.
- Credit of tax paid on input service used by more than one location who are operational is to be distributed to all of them based on the pro rata basis of turnover of each location in a State to aggregate turnover of all such locations who have used such services



ITC Rules – Credit Distribution Procedure in case of ISD

41

I. Distribution to one or more recipients – Section 20(2)(d)(e)

- Credit to be distributed to **recipients whether registered or not**, from amongst the total of all the recipients to whom input tax credit is attributable, including the **recipient(s) who are engaged in making exempt supply, or are otherwise not registered for any reason –**

$$C1 = (t1/T)*C$$

where,

“C” is the amount of credit to be distributed,

“t1” is the turnover, as referred to in section 20, of person R1 during the relevant period, and

“T” is the aggregate of the turnover of all recipients during the relevant period;



Relevant terms for ISD

42

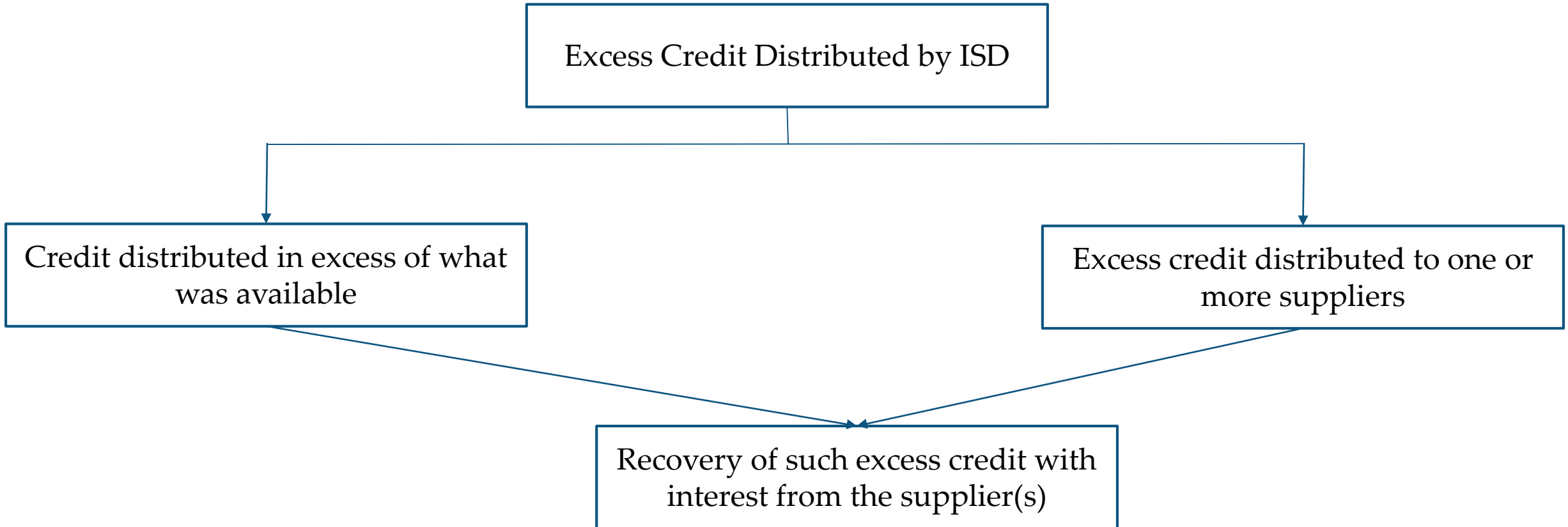
- **Relevant Period –**
- If the recipients of credit have turnover in their States /UT's in the preceding FY
- If not, turnover in the preceding quarter

- **Recipient of Credit –**
- Supplier of goods and/or services having the same PAN as of the ISD



Excess Credit distributed by Input Service Distributor – Sec 21

43





Reversal of CVD in case of gold dore bar

44

- Duty paid u/sec 3(1) of Customs Tariff Act i.e. CVD
- At the time of import of Gold Dore Bar
- Carried forward in terms of Sec 140 of CGST Act
- Stock held as it is or in the form of jewellery on July 1, 2017
- Credit to be available only to the extent of $1/6^{\text{th}}$ of the amount of duty paid
- $5/6^{\text{th}}$ of the credit to be reversed at the time of supply/ debited from ECL
- In case where already supplied, reversal to be made within one week from the date of commencement of these rules [i.e. August 17, 2017 in this case]



Cancellation of Registration – Sec 29

45

- Pay an amount
- By way of debit in the electronic credit ledger or cash ledger
- I.R.O. Inputs, SFG & FG –
 - Equivalent to the **credit of input tax** or
 - **Output tax payable** (whichever is higher)
- In case of CG or P&M -
 - **Tax on transaction value** or
 - **ITC availed reduced by percentage points**

Thank You

For any Clarification, Please Contact

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