

# INPUT TAX CREDIT & RELATED ASPECTS

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# Presentation Layout

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- ❑ Introduction & an example
- ❑ ITC related Concepts
- ❑ Persons eligible for ITC
- ❑ Features of ITC Provisions
- ❑ Apportionment of Credit & Blocked Credits
- ❑ Claim of ITC & Provisional Acceptance
- ❑ Matching, reversal & reclaim of ITC

# Introduction to ITC

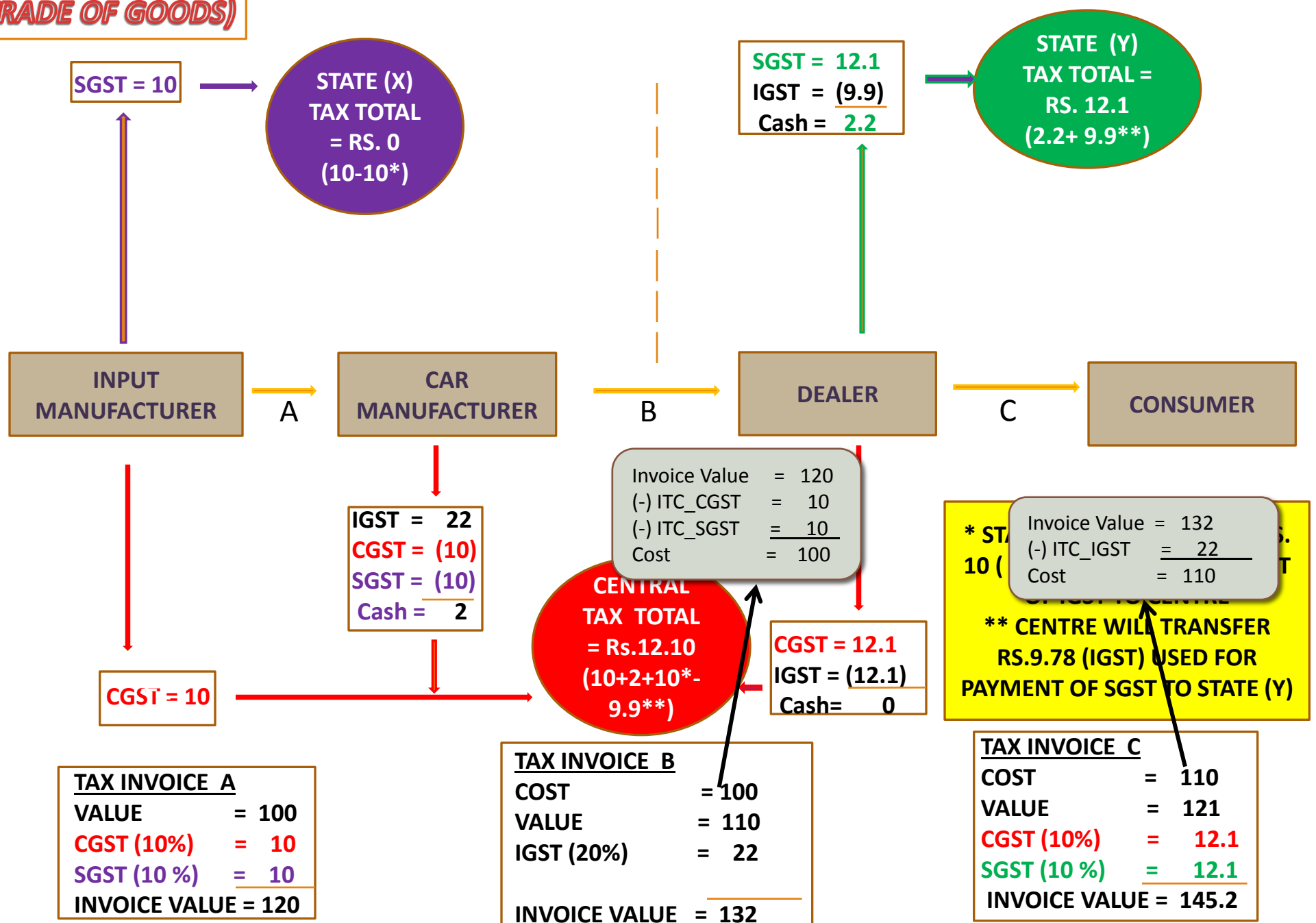
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- “Input Tax” in relation to a taxable person, means
  - The IGST (including that on import of goods),
  - CGST and SGST
  - charged on any supply of goods or services to him

It thus includes:

- Basket of CGST & IGST under CGST Act
- Basket of SGST & IGST under SGST Act
- Basket of IGST, CGST & SGST under IGST Act

**GST SCENARIO  
(INTER STATE TRADE OF GOODS)**



TAX INVOICE A	
VALUE	= 100
CGST (10%)	= 10
SGST (10%)	= 10
INVOICE VALUE	= 120

TAX INVOICE B	
COST	= 100
VALUE	= 110
IGST (20%)	= 22
INVOICE VALUE	= 132

TAX INVOICE C	
COST	= 110
VALUE	= 121
CGST (10%)	= 12.1
SGST (10%)	= 12.1
INVOICE VALUE	= 145.2

Invoice Value	= 120
(-) ITC_CGST	= 10
(-) ITC_SGST	= 10
Cost	= 100

* STATE (Y)	Invoice Value = 132
10%	(-) ITC_IGST = 22
	Cost = 110

**\*\* CENTRE WILL TRANSFER  
RS.9.78 (IGST) USED FOR  
PAYMENT OF SGST TO STATE (Y)**

# Concepts

Input & Input Services

Input Tax & Output Tax

ITC & e-credit ledger

Input

- Any goods other than capital goods (specified under section 2(19))
- Used or intended to be used by supplier
- In the course or furtherance of business

Sec  
2(52)

Input  
services

- Any services
- Used or intended to be used by supplier
- In the course or furtherance of business

Sec  
2(53)

## Input tax

- Tax charged on supply of goods and/or services
- Includes tax paid on reverse charge basis

Sec  
2(55)

## Output tax

- Tax chargeable on taxable supply of goods and/or services made by him or his agent
- Excludes tax payable on reverse charge basis

Sec  
2(71)

## Reverse Charge

- The liability to pay tax by the recipient instead of the supplier in respect of categories of supplies as notified under sec 8(3)

Sec  
2(87)

## Input Tax Credit

- Credit of input tax

Sec  
2(56)

## Electronic credit ledger

- ITC ledger in electronic form maintained at GSTN

sec  
2(43)

## Non availability of ITC

- Negative list

sec  
17(4)

# Miscellaneous concepts:

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## ❖ Valid return Sec 2(109):

Return furnished under Section 34 (1) on which self assessed tax has been paid in full

## ❖ Place of Business Sec 2(74)

Includes a place from where a business is carried on and includes a warehouse, a godown or any other place where a taxable person stores his goods, provides or receives goods and/or services or where he maintains his books of accounts or where he is engaged in business through an agent



# Eligibility for ITC

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- ❖ Every registered Taxable person – Section 16 (1)
- ❖ Availability of credit in special circumstances – section 18
  1. New registrant within 30 days of liability of registration
  2. Person who has taken voluntary registration
  3. Person switching over to normal scheme from composition scheme
  4. Exempt supplies becoming taxable when handled by a registered taxable person
  5. ITC not entitled after the expiry of one year from the date of issue of tax invoice

# Eligibility for ITC .....

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6. In case of change in constitution on account of sale, merger, demerger, amalgamation, etc unutilized ITC can be transferred to the new incumbent
7. If shifted from normal to composition scheme or taxable supplies become exempt supplies then ITC to be debited in the electronic credit ledger
8. Amount payable under 7 shall be prescribed
9. Manner of calculation of ITC under 1,2,3 & 4 shall be prescribed
10. In case of capital goods or plant and machinery, on availment of ITC, an amount equal to ITC taken reduced by the percentage points as may be specified in this behalf **or** the tax on the transaction value whichever is higher to be paid

# Features of ITC Provisions

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Full ITC allowed on Capital goods in one go


- Exception: Pipelines and telecommunication towers fixed to earth by foundation or structural support – ITC in 3 instalments



Sec  
16(1)

No registered taxable person shall be entitled to the credit of any input tax unless

- He is in possession of a **tax invoice or debit note** or other tax paying document as may be prescribed
- He has **received** goods and/or services
- **Tax** charged on such supply has been **actually paid** to the account of government either in cash or through utilisation of Input tax credit admissible
- A **return** has been furnished under section 34



Sec  
16(2)

# Features of ITC Provisions....

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Provided that:

- Only on receipt of last lot of goods in case of lots/instalments
- Where a recipient fails to pay to the supplier of services within a period of three months, an amount equal to the ITC availed by the recipient shall be added to his output tax liability, along with interest thereon, in the manner as may be prescribed

# Features of ITC Provisions....

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- ❑ Explanation for dealing with “*Bill to Ship to*” Model:
  - Taxable person would be deemed to have received the goods where the goods are delivered by the supplier to a recipient / any other person on the direction of such taxable person, whether acting as an **agent** or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise

# Features of ITC Provisions....

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## No ITC

- On Capital goods, to the extent depreciation is claimed on tax component of capital goods under Income tax act
- on an invoice after the expiry of one year from the date of issue of such invoice
- Beyond September of the following FY to which invoice pertains or date of filing of annual return whichever is earlier



Sec  
16(3)



Sec  
16(4)

Recovery of wrongly availed ITC and interest thereon - [Section 19](#)

ITC in respect of inputs sent for Job Works – [Section 20](#)

Manner of distribution of credit by ISD – [Section 21](#)

Manner of recovery of credit distributed in excess by an ISD – [Section 22](#)

# Apportionment of Credit & Blocked Credits

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1. When goods and/or services are used partly for business and partly for other purposes – ITC attributable to the business is allowed
2. When goods and/or services are used partly for taxable supply and partly for exempt supplies – ITC attributable to taxable supplies is allowed
3. Special Provisions for banking companies – option to avail 50% of ITC every month
4. Negative list goods

Notification to be issued prescribing manner for attribution of ITC under 1 & 2 above

# Negative List Goods:

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- a. Motor vehicles & other conveyances subject to exceptions
- b. Supply of goods & services for food and beverages, beauty treatment, health services, outdoor catering; membership of a club, health & fitness centre; rent-a-cab, life insurance, etc; travel benefit extended to employees or home travel concession
- c. Works contract services when supplied for construction of immovable property
- d. Goods and/or services received by a taxable person for construction of an immovable property on his own account other than plant and machinery even when used in course or furtherance of business (*Construction & Plant and Machinery* defined)



# Negative List Goods.....

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- e. Goods and/ or services on which tax paid under composition
- f. Goods and/ or services used for personal consumption
- g. Goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples
- h. Tax paid in terms of section 67 (erroneous payment), section 89 (detention, seizure & release of goods) and section 90 (confiscation of goods)

# Claim of ITC & Provisional Acceptance

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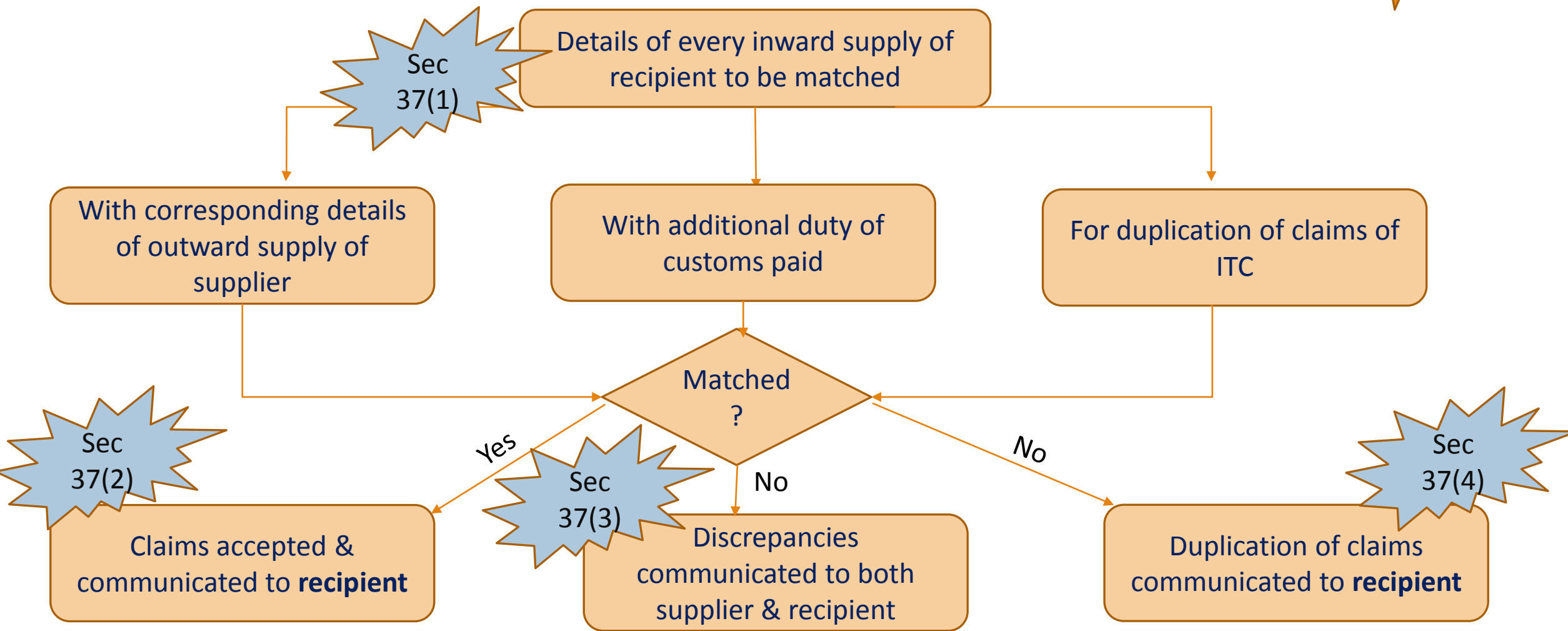


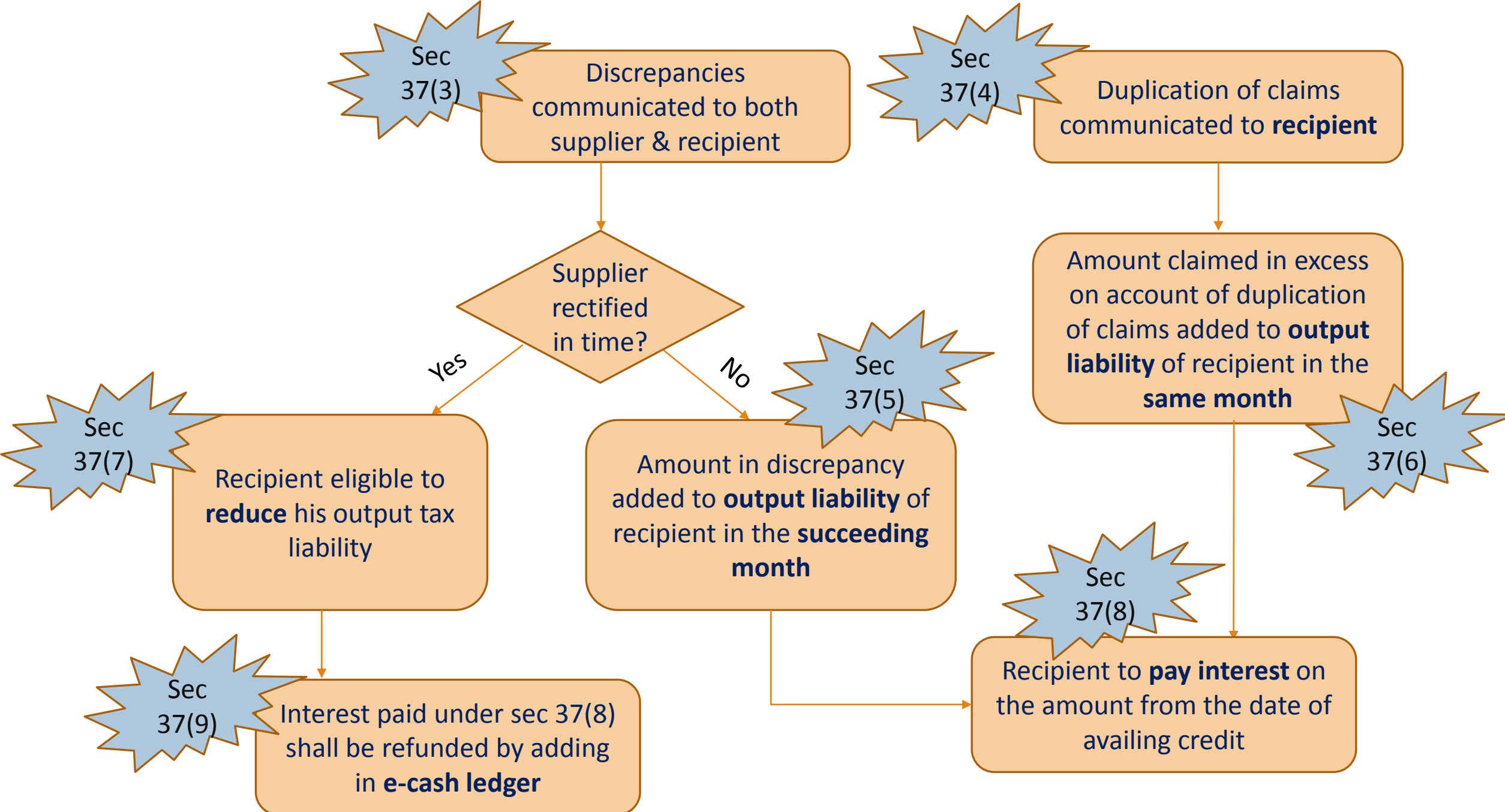
Sec 34

1. ITC available subject to such conditions and restrictions as may be prescribed to take credit as self assessed in the return and such amount shall be credited on provisional basis to the electronic credit ledger
2. ITC shall be utilised only for payment of self assessed output tax liability

# MATCHING, REVERSAL & RECLAIM OF ITC

Sec 37





A close-up photograph of a hand in a dark suit sleeve giving a thumbs up gesture. The hand is the central focus, with the thumb pointing upwards. The background is dark and out of focus.

**THANK YOU FOR YOUR ATTENTION**