

Input Tax Credit under Goods and Service Tax Act



Definition under GST Act of Input Tax Credit and Input Tax

- “Input tax credit” means
 - ✓ Credit of input tax

- “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)

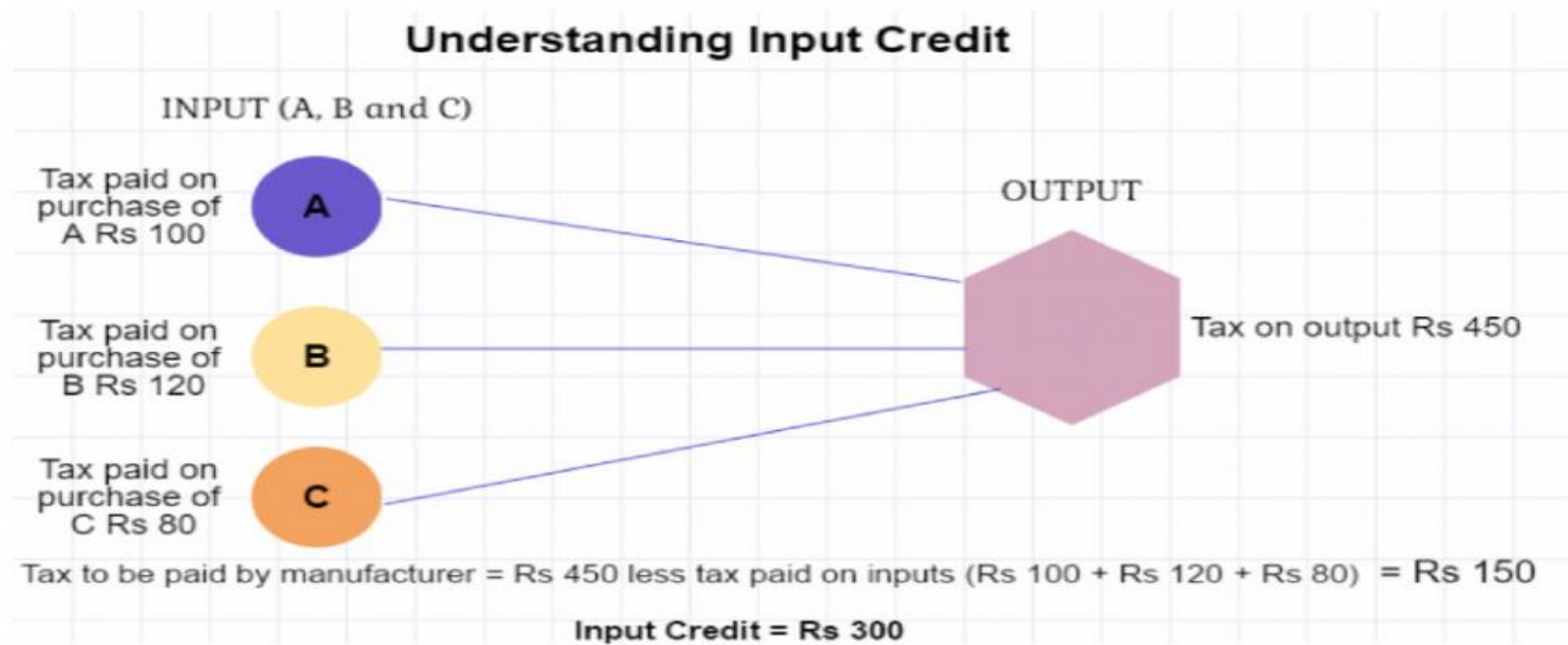
Definition under GST Act of Input and Capital Good

- “Input” means
 - ✓ any goods other than capital goods
 - ✓ **used or intended to be used**
 - ✓ by a supplier
 - ✓ **in the course or furtherance of business**
- “Capital Good” means
 - ✓ means goods
 - ✓ the value of which is capitalised in the books of account
 - ✓ of the person claiming the input tax credit
 - ✓ and which are **used or intended to be used in the course or furtherance of business**

Definition under GST Act of Input Service

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

Understanding ITC



Procedures under ITC



Eligibility for availing ITC

Eligibility for availing ITC by a registered person – Sec 16

- Every **registered person**
- Subject to such conditions and restrictions as may be prescribed
- 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 person – Sec 16

Basis **eligible documents 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-3B**

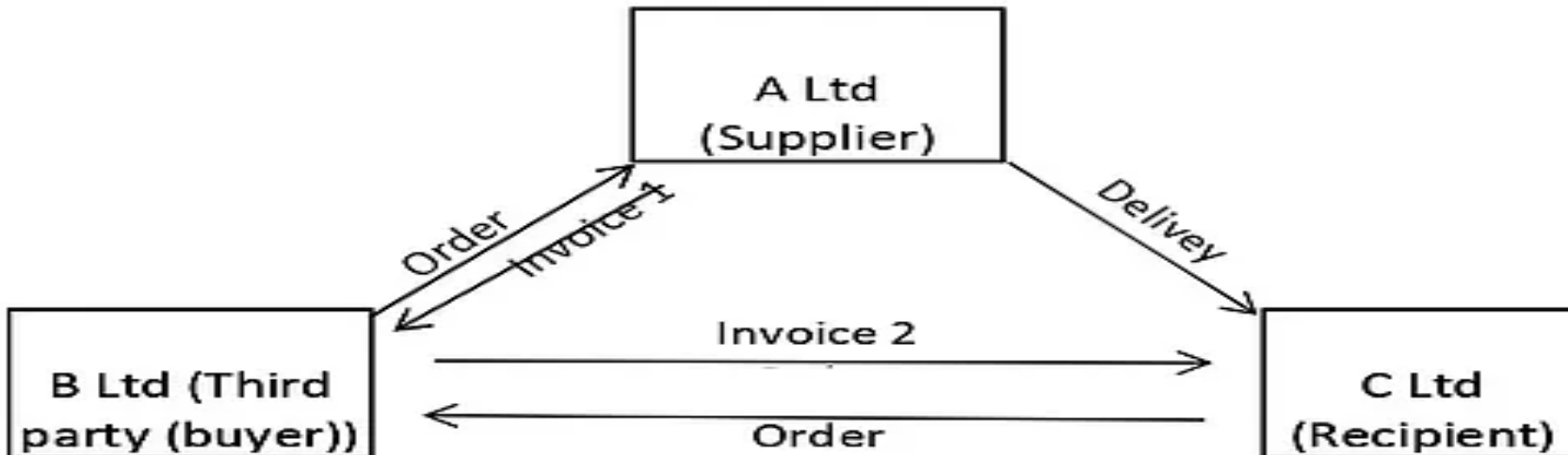
The **payment** has to be **made** by the recipient of goods and/or services **within 180 days from date of invoice**

Eligible documents for availing ITC

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

ITC issues

- Can credit be claimed for tax paid on advance
- Receipt of goods in instalments
- Goods directly cleared to the job worker
- Goods/services deemed to be received by a taxable person when the supplier delivers the goods/services to the recipient/any other person, on the direction provided by the registered person to the supplier Eg Bill-to-Ship-to model



ITC issues (continued....)

- If the recipient of goods and/or services
 - a. fails to pay (value + tax) within 180 days from date of invoice
 - b. makes partial payment or less payment

Manner of availment of ITC

ITC in case of Capital Goods – Sec 16

Example:

Cost of asset = Rs 100
GST@10% = RS 10
Total Cost = Rs 110

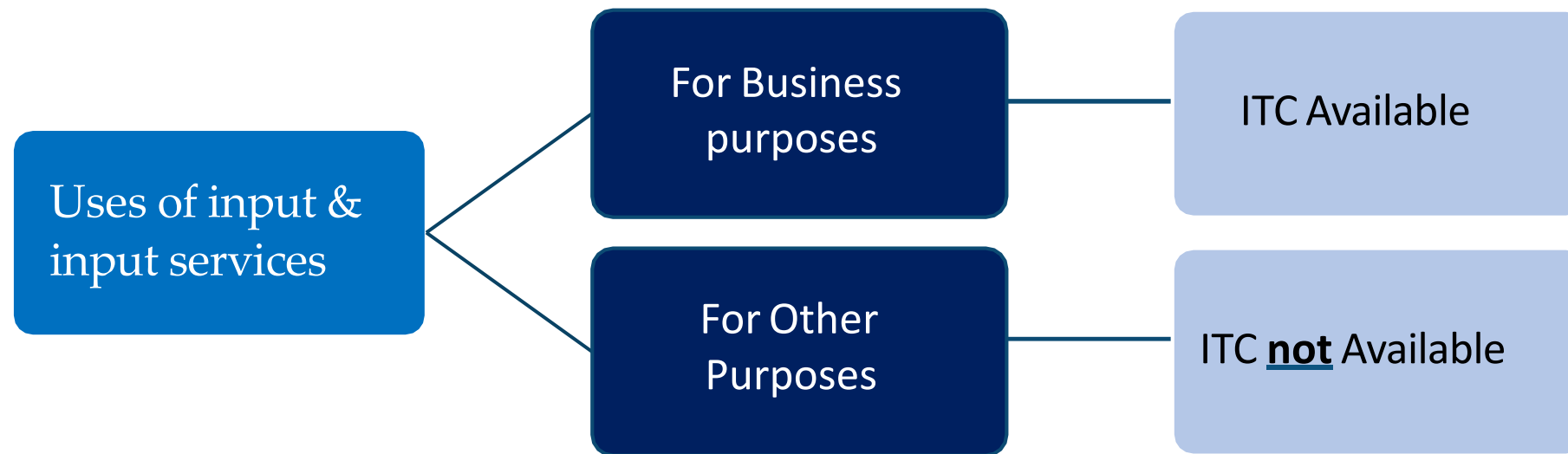
If Depreciation charged on
Rs.100
ITC Available

If Depreciation charged on
Rs.110
ITC not Available

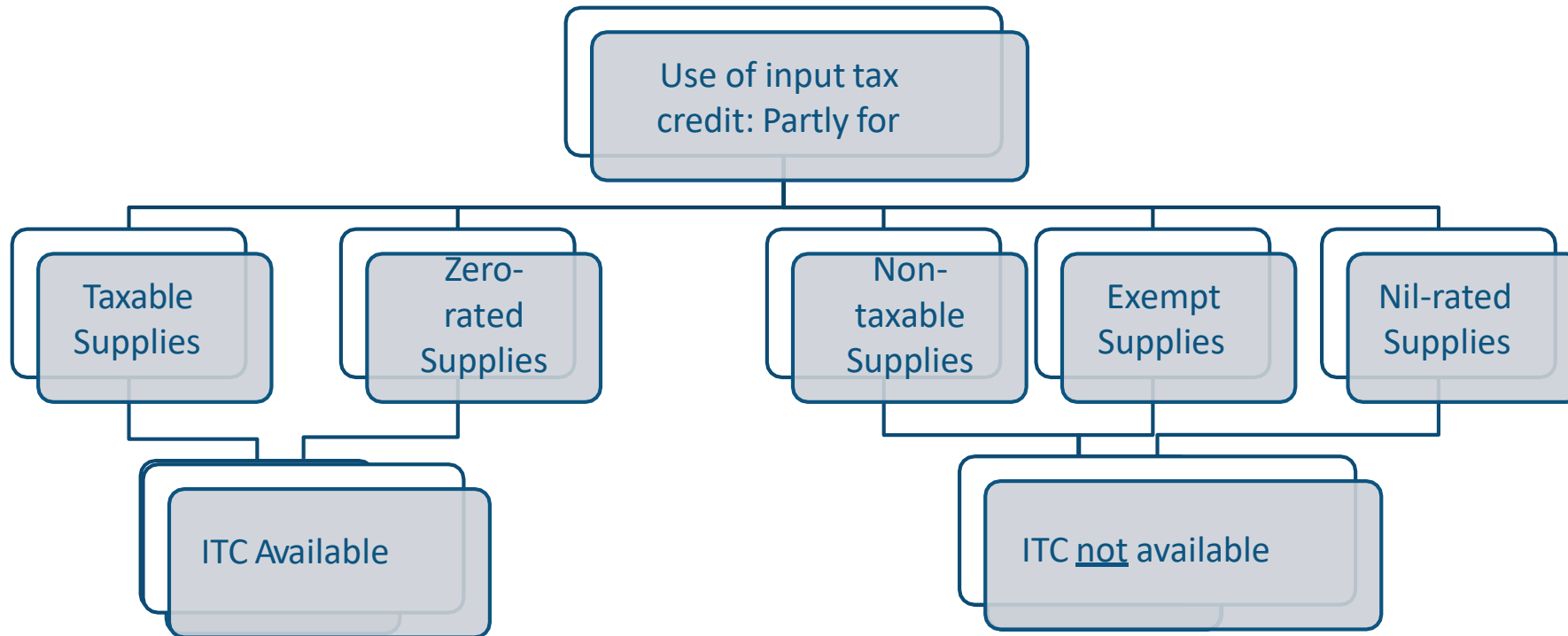
Depreciation claimed on Tax component of the cost of
capital goods under IT Act

ITC not Available

ITC in case of Inputs and Input Services – Sec 17



ITC in case of taxable and non-taxable supplies



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

Utilisation of ITC

Method of utilization of ITC

Upto 31 st January 2019	From 1 st February 2019- N.N.02/2019- Central Tax
<p>ITC Utilization to be done as follows:</p> <p>IGST liability- First ITC of IGST, then ITC of CGST, then ITC of SGST.</p> <p>CGST liability- First ITC of CGST, then ITC of IGST.</p> <p>SGST liability- First ITC of SGST, then ITC of IGST.</p>	<p>New section 49A introduced: ITC Utilization to be done as follows:-</p> <p>IGST liability- First ITC of IGST, then ITC of CGST, then ITC of SGST.</p> <p>CGST liability- First ITC of IGST, then ITC of CGST.</p> <p>SGST liability- First ITC of IGST, then ITC of SGST.</p>

Time period to avail ITC

1 year from the date of Invoice

September following the end of financial year

Date of filing of Annual Return

Whichever
is
earlier

Restrictions on ITC – Sec 17(5) Blocked credits

a) Motor Vehicles

ITC on Motor Vehicles will **NOT** be available if seating capacity is not more than 13 persons

Except
when they are used for

- Transportation of goods , or
- Making further supply of such motor vehicles, or
- Transportation of passengers, or
- Imparting training on driving such motor vehicles

ITC on Motor Vehicles will **BE** available if seating capacity is more than 13 persons

Restrictions on ITC – Sec 17(5) Blocked credits (cont...)

b) Vessels and Aircrafts

ITC on Vessels and Aircrafts will **NOT** be available

Except

when they are used for

- Transportation of goods , or
- Making further supply of such vessels or aircrafts, or
- Transportation of passengers, or
- Imparting training on navigating such vessels, or
- imparting training on flying such aircraft

ITC will also not be available in case of services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft

Restrictions on ITC – Sec 17(5) Blocked credits

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;*

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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

- food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft except when used for the purposes specified, life insurance and health insurance, membership of a club, health and fitness centre and travel benefits extended to Employees on vacation such as leave or home travel concession

EXCEPT where it is obligatory for an employer to provide the same to its employees under any law for the time being in force

- 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

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.

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Thank You!!

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