



INPUT TAX CREDIT

Eligibility & Condition for ITC (Sec 16)

(1) Every Registered person

- Subject to **Conditions and Restrictions U/s 49**
- shall claim credit of input tax
- charged on goods / services / both
- used or intended to be used
- in the course or furtherance of business
- based on amount credited on ECL.



Eligibility & Condition for ITC (Sec 16)

Conditions and Restrictions U/s 49

CGST	CGST
SGST	SGST
UTGST	UTGST
IGST	IGST
	CGST
	SGST
	UTGST



Eligibility & Condition for ITC (Sec 16)

(2) No ITC shall be availed by supplier, unless, --

- He is in possession of tax invoice, debit notes, or any **other documents**;
- He has received goods / service / both;
- He has claimed ITC and is allowed on provisional basis u/s 41; and
- He has furnished return u/s 39.



Eligibility & Condition for ITC (Sec 16)

(2) Continued...

C. Availment of Credit upon Payment

- reversed credit under 2nd proviso above shall be claimed.



Apportionment of Credit & Blocked Credit (Sec.17)

(1) Proportionate ITC

- In case the inputs, input services and capital goods
- Used partly for business & partly for other purpose
- ITC shall be restricted to such amount as is attributable for business purpose.



Apportionment of Credit & Blocked Credit (Sec.17)

(2) Proportionate ITC

- In case the inputs, input services and capital goods
- Used partly for taxable supplies including zero rated supplies and
- Partly for exempt supplies
- ITC shall be restricted to ITC attributable to said taxable supplies including zero rated supplies



Apportionment of Credit & Blocked Credit (Sec.17)

(3) Value of exempt supplies shall include the following:

- **Supplies on which RCM is applicable.**
- **Transaction in securities**
- **Sale of land and**
- **Sale of building (subject to Paragraph-5(b) of Schedule-II.)**



Apportionment of Credit & Blocked Credit (Sec.17)

(5) Ineligible Supplies for ITC

- a) Motor vehicles and other conveyances except when used for—
 - i. for making following taxable supplies:-
 - A. further supply of such vehicles or conveyances ; or
 - B. transportation of passengers; or
 - C. imparting training on driving, flying, navigating such vehicles or conveyances;
- b) for transportation of goods;



Apportionment of Credit & Blocked Credit (Sec.17)

- b) The following supply of goods / services / both:
- i. food and beverages,
 - ii. outdoor catering,
 - iii. beauty treatment,
 - iv. health services, cosmetic and plastic surgery

except when used:

- for making an outward taxable supply of the same category of goods or services or both ;or
- as an element of a taxable composite or mixed supply.



Apportionment of Credit & Blocked Credit (Sec.17)

- ii. membership of a club, health and fitness centre;
- iii. rent-a-cab, life insurance and health insurance **except where** —
 - An employer is obliged under any law to provide so; or
 - such inward supply used same category of goods/ services / both' or
 - as part of a taxable composite or mixed supply;
- iv. travel benefits extended to employees on vacation such as leave or home travel concession;



Apportionment of Credit & Blocked Credit (Sec.17)

- c. works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;
- d. goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.



Apportionment of Credit & Blocked Credit (Sec.17)

- e) Inward supply from a composite supplier u/s 10;
- f) Inward supply by a non-resident taxable person (except on goods imported by him);
- g) Inward supply used for personal consumption;
- h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- i) any tax paid in accordance with the penal, recovery and confiscation provisions contained in sections 74, 129 and 130.



Apportionment of Credit & Blocked Credit (Sec.17)

Plant and machinery means

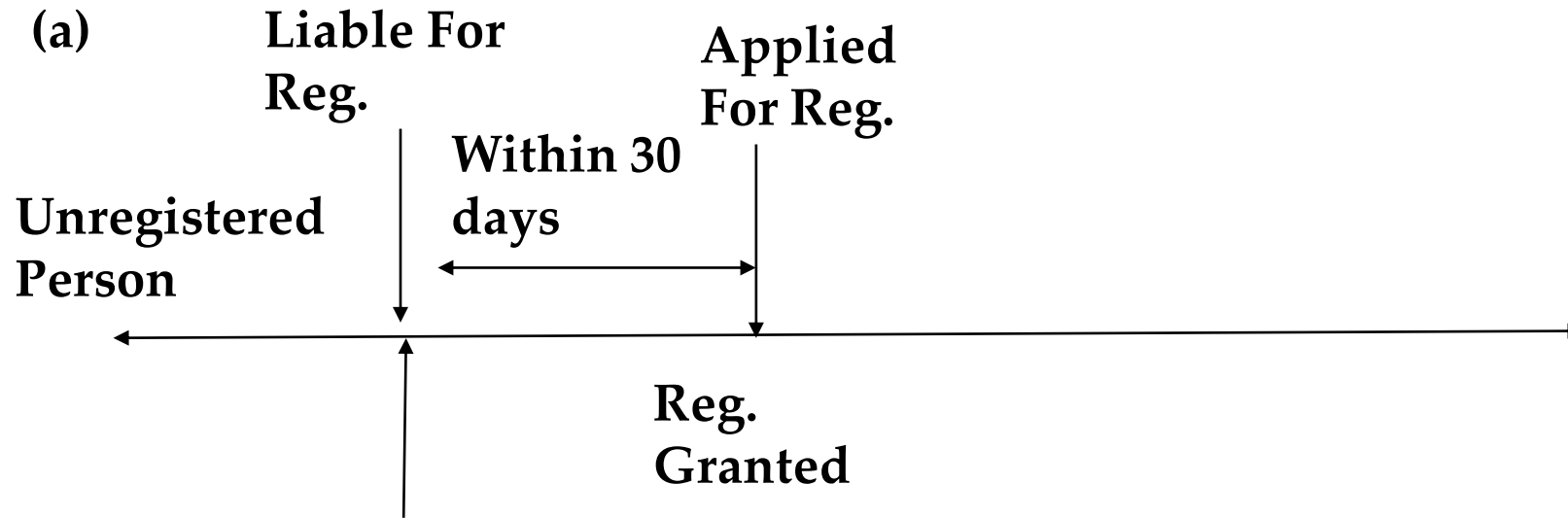
- a) apparatus,
- b) equipment, and
- c) machinery fixed to earth by foundation or structural support
used for making outward supply and
includes such foundation and structural supports

Excludes —

- a) land, building or any other civil structures;
- b) telecommunication towers; and
- c) pipelines laid outside the factory premises.



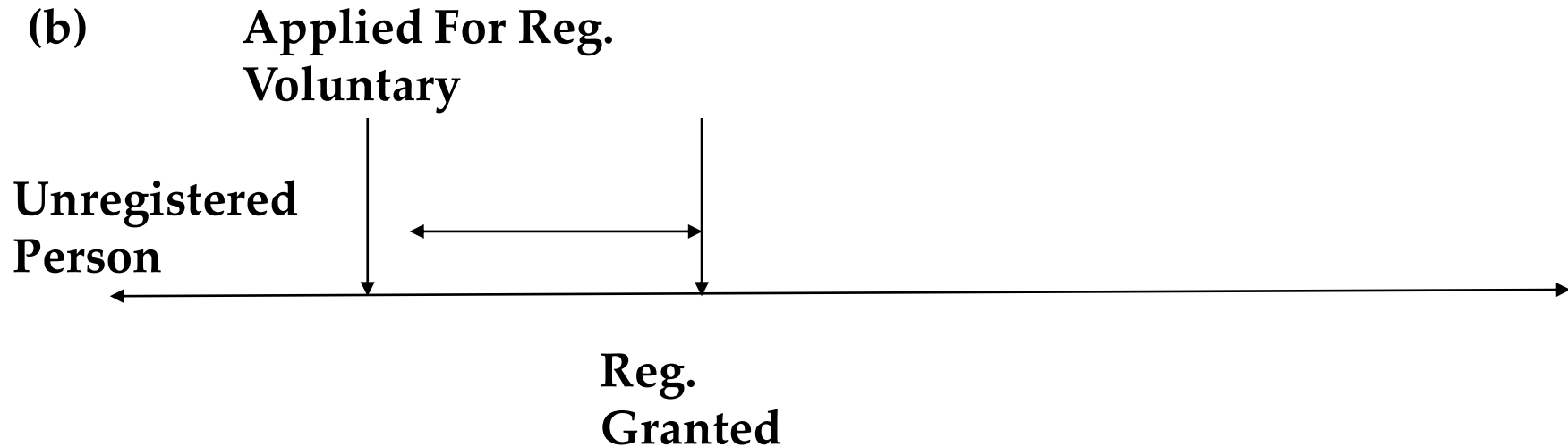
Availability of Credit in Special Circumstances (Sec.18)



- Entitled for ITC in respect of Inputs held in
- Stocks of RM /Semi-finished Stocks/Finished Stocks
- Held on day immediately preceding the day he becomes liable for Reg.



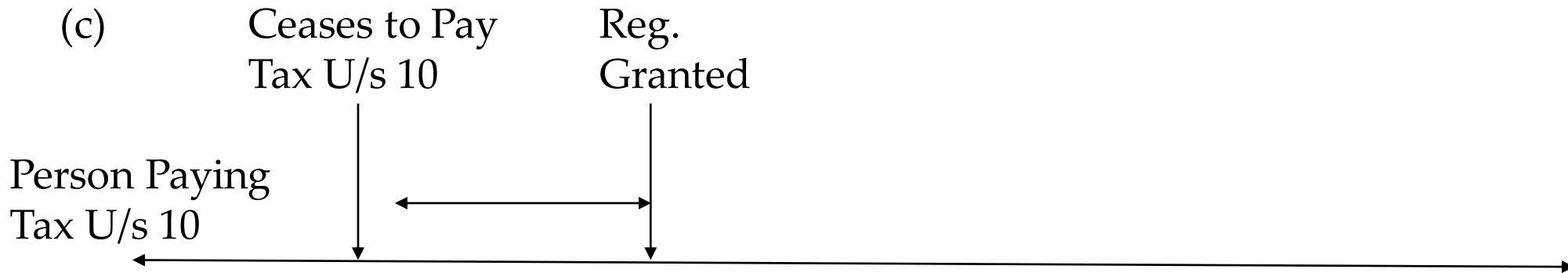
Availability of Credit in Special Circumstances (Sec.18)



- Entitled for ITC in respect of Input Tax paid on
- Stock of RM/Semi-finished Stock/Finished Stock
- Held on day immediately preceding the day registration granted.



Availability of Credit in Special Circumstances (Sec.18)



- Entitled for ITC in respect of
- Stock of RM/Semi-finished Stock/Finished Stock/On Capital Goods
- Held on day immediately preceding the day on which he becomes liable to Tax U/s 9.
- ITC on CG shall be reduced by such percentage points.



Availability of Credit in Special Circumstances (Sec.18)

- (e) No ITC after expiry of one year from the date of issue of tax invoice.**

- (f) Unutilised ITC of the transferor to be transferred to transferee when change of the constitution of registered person due to:**
 - i. Sale/Merger/Demerger/Lease**
 - ii. Transfer of business with specific provision for transfer of liabilities**



Availability of Credit in Special Circumstances (Sec.18)

- g. Payment to be made through Electronic Cash Ledger or ECL**
 - i. Where any registered person who has availed of input tax credit opts to pay tax u/s 10 or,**
 - ii. where the goods or services or both supplied by him become wholly exempt,**



Availability of Credit in Special Circumstances (Sec.18)

(g) Continued....

equivalent to the ITC in respect of

- inputs held in stock /semi-finished /finished goods and**
- on capital goods, reduced by such percentage points**

on the day immediately preceding the date on option exercised /exemption withdrawal.

Upon the payment balance ITC lying in ECL shall lapse.



Availability of Credit in Special Circumstances (Sec.18)

- h) In case of supply of capital goods or plant and machinery, on which ITC has been taken, the registered person shall pay an amount equal to**
- i. the ITC taken on the said capital goods or plant and machinery reduced by such percentage points.**
- or**
- ii. the tax on the transaction value of such capital goods or plant and machinery determined u/s 15, whichever is higher**



Availability of Credit in Special Circumstances (Section-18)

(h) Continued.....

In case of following supplies as scrap:

i. refractory bricks,

ii. moulds and dies,

iii. jigs and fixtures

the taxable person may pay tax on the transaction value.



Manner of distribution of credit by Input Service Distributor (Sec. 20)

- 1) The ISD shall distribute the credit in Following Manner:

CGST ↔ CGST

IGST ↔ IGST

IGST ↔ CGST,

by way of issue of a document containing the amount of ITC being distributed in prescribed manner.



Manner of distribution of credit by Input Service Distributor (Sec. 20)

- 2) Following conditions to be satisfied:
- a. the credit can be distributed to the recipients based on prescribed documents;
 - b. amount of ITC distributed \leq amount of credit available for distribution;
 - c. credit of ITC on input services to be distributed to actual recipient of service only;
 - d. credit of ITC on input services attributable to more than one recipient to be distributed to relevant recipient based on turnover of each such recipient in State/U.



Manner of distribution of credit by Input Service Distributor (Sec. 20)

A. “relevant period” shall be—

a) Preceding FY in case recipient have turnover in preceding FY.

or

b) In other case- turnover of previous quarter, of month in which the credit is to be distributed.

B. “recipient of credit” means the supplier having the same PAN as that of the ISD.



Manner of distribution of credit by Input Service Distributor (Sec. 20)

- C. **'turnover'**, means
the value of turnover –(less) the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.



Manner of Recovery of credit distributed in excess (Sec. 21)

(1) Where the ISD distributes

- the credit in contravention of the provisions contained in section 20
- resulting in excess distribution of credit to one or more recipients of credit,
- the excess credit so distributed shall be recovered along with interest, and
- In accordance to the provisions of section 73 or section 74.



Rule-1 – Documents for availing ITC

- a) **Tax invoice issued U/s 31;**
- b) **RCM invoice issued U/s 31(3)(f) subject to payment of tax;**
- c) **Debit note issued by a supplier U/s 34;**
- d) **Bill of entry**
- e) **ISD invoice or ISD credit note or any document**



Rule-2 – Reversal of ITC

- a) **A registered person who has availed ITC**
- b) **But fails to pay within 180Days from the Date of Invoice**
- c) **Shall reverse ITC and mention the same in Form GSTR-2**
- d) **For the month immediately following the period of 180 days**



Rule-2 – Reversal of ITC

Notes:

- i. Goods Supplied without consideration shall be deemed to be paid**
- ii. No time limit for re-availing ITC.**
- iii. Period for Interest – Date of availing credit to date of addition to Output Tax Liability**



Rule-3 – NBFC & FI

- **Banking Co. or Financial Institution including NBFC Not opted to comply with apportionment of ineligible credit u/s 17(2)**
- **Shall not avail credit in Form GSTR-2 of :**
 - a. **ITC on inputs/input services used for non-business purpose**
 - b. **Ineligible supplies u/s 17(5)**
- **Shall avail credit in form GSTR-2 of 50% of the ITC admissible subject to provisional acceptance and matching as per sections 41, 42 and 43.**



Procedure of Distribution of ITC by ISD(Rule-4)

- a. The ITC shall be distributed in the same month
- b. The details thereof shall be furnished in FORM GSTR-6
- c. Amount to be Distributed = Total Amount of credit to be Distributed x Turnover of R1/Aggregate Turnover
- d. ISD has to issue invoice as per Rule Invoice.7(1).
- e. ISD has to issue credit note as per Rule Invoice.7(1).
- f. Additional amount of ITC can be distributed in based on debit note and details to be furnished in GSTR-6.



Procedure of Distribution of ITC by ISD(Rule-4)

g. Manner of Distribution

i. IGST- IGST

ii. If ISD and Recipient is in same state/UT.

CGST	CGST
SGST	SGST
UTGST	UTGST

iii. If ISD and Recipient is in different state/UT

CGST+SGST+UTGST=IGST to be distributed



Procedure of Distribution of ITC by ISD(Rule-4)

- h. Pursuant to the credit note the ISD**
 - i. Reduced ITC shall be apportioned to each recipient in same ratio in which ITC was distributed.**
 - ii. Reduction shall be done in the month in which credit note is issued**
 - iii. It shall be based on FORM GSTR-6.**
 - iv. Reduced amount shall be added to the output tax liability of Recipient.**
- i. In case of wrong distribution by ISD,**
 - i. Credit note shall be issued by ISD**
 - ii. Same shall be dealt as per (g) above.**



Manner of claiming credit in special circumstances (Rule-5)

- a. In case ITC on capital goods held in stock in terms of section 18(1)(c) &(d),
 - i. Shall be claimed after reducing tax paid on such CG
 - ii. Reducing 5% points per quarter from the date of invoice/other documents.

- b. **FORM GST ITC-01** shall be furnished within 30 Days, to claim ITC on Inputs held in stock/Semi-finished goods/finished goods



Manner of claiming credit in special circumstances (Rule-5)

- c. The details furnished in **FORM GST ITC-01** shall be certified by Chartered Accountant in case the claim (CGST+SGST+UTGST+IGST) exceeds Rs.2 Lakhs.

- d. The details furnished in FORM GST ITC-01 shall be verified with the details furnished in GSTR-1 and GSTR-4.



Transfer of credit on sale, merger, amalgamation, lease or transfer of a business (Rule-6)

- a. The details along with unutilized ITC lying in ECL transferred to transferee to be furnished in **FORM GST ITC-02**.
- b. In case of Demerger the ITC shall be distributed in the Ratio of Value of assets of new units as specified in Demerger Scheme.
- c. Certificate from the Practising chartered accountant is required certifying that transfer of business has been done with a specific provision for transfer of liabilities.
- d. Details furnished in FORM GST ITC-02 shall be accepted by the transferee and upon the acceptance the ITC shall be credited to ECL.



Transfer of credit on sale, merger, amalgamation, lease or transfer of a business (Rule-6)

- e. **Details furnished in FORM GST ITC-02 shall be accepted by the transferee and upon the acceptance the ITC shall be credited to ECL.**
- f. **The Inputs and CG to be accounted in Books of Accounts of Transferee.**



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Step-1

Calculate C1 which is the amount of ITC credited to ECL

$$C1 = T - (T1 + T2 + T3) \text{ where}$$

T is total input tax involved on inputs & input services in a tax period

T1 is inputs and input services intended to be used exclusively for purposes other than business

T2 is inputs and input services intended to be used exclusively for effecting exempt supplies

T3 inputs and input services on which credit is not available under sub-section (5) of section 17



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Step-2

Calculate C_2 which is Common Credit

$$C_2 = C_1 - T_4$$

Where

T_4 is inputs and input services intended to be used exclusively for taxable supplies including zero rate supplies.

' T_1 ', ' T_2 ', ' T_3 ' and ' T_4 ' shall be determined and declared by the registered person at the invoice level in FORM GSTR-2.



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Step-3

Calculate D1 which is ITC attributable to exempt supplies

$$D_1 = E/F \times C_2$$

Where C_2 is Common Credit

E is the aggregate value of exempt supplies during the tax period

F is the total turnover in the State of the registered person during the tax period



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Notes:

Aggregate value of exempt supplies and total turnover

Excludes:

- **Duty or tax levied on tobacco under entry 84 duties of List I of the Seventh Schedule to the Constitution.**
- **Duty or tax levied on alcoholic liquor for human consumption and opium Indian hemp and other narcotic drugs and narcotics under entry 51 of List II.**
- **Duty or tax levied on sale or purchase of goods other than newspaper under entry 54 of List II**



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Step-4

$$C_3 = C_2 - (D_1 + D_2)$$

Where

D_2 is the amount of credit attributable to non-business purposes if common inputs and input services are used partly for business and partly for non-business purposes

Notes:

- i. The amount 'C3' shall be computed separately for ITC of CGST, SGST, UTGST and IGST.
- ii. The amount of D_1 & D_2 shall be added to the value of output tax liability of the registered person.



Manner of determination of ITC in respect of inputs or input services and reversal thereof (Rule-7)

Notes continued.....

- i. Input/input services are identifiable shall be added in T_1 and T_2 respectively and accordingly T_4 is arrived.
- ii. Final ITC shall be computed before the due date of filling return for the month of September of the following FY.
- iii. In case the Value of D_1 and D_2 finally computed exceeds the aggregate value arrived in step-3, it shall be added to the output tax liability of the registered person in the month of September.



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

- 1) Subject to the provisions of sec. 16(3), the ITC in respect of CG, which attract provisions in sections 17(1) and 17(2),
 - being partly used for the purposes of business and partly for other purposes; or
 - partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies shall be attributed to the purposes of business or for effecting taxable supplies in following manner:



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

- a. the amount of ITC in respect of CG used or intended to be used exclusively for non-business purposes or effecting exempt supplies shall be indicated in FORM GSTR-2 and shall not be credited to his ECL;
- b. the amount of ITC in respect of CG used or intended to be used exclusively taxable supplies including zero-rated supplies shall be indicated in FORM GSTR-2 and shall be credited to the ECL;



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

- c. the amount of ITC in respect of CG not covered under (a) and (b) (mentioned as 'A') shall be credited to the ECL and the useful life of such goods shall be taken as 5 years from the date of invoice for such goods:

Note

1. Where CG used for Non-business or exempt supplies is subsequently used for taxable supplies including zero rated supplies shall be added in the value of "A".



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

Notes Continues....

1. 2. Value of "A" shall be arrived by reducing the ITC at the rate of 5% points for every quarter or part thereof and the amount 'A' shall be credited to the ECL;
 2. An item of CG declared under (a) on its receipt shall not attract the provisions of section 18(4) if it is subsequently covered under this clause.
- d. the aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c), to be denoted as 'Tc', shall be the common credit in respect of CG for a tax period:



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

Notes Continues....

1. where any CG used for Taxable supplies including zero rated supplies is subsequently covered under clause (c),
2. the value of 'A' shall be arrived at by reducing the input tax at the rate of 5% points for every quarter or part thereof shall be added to the aggregate value 'Tc'; +
- e. the amount of input tax credit attributable to a tax period on common CG during their useful life, be denoted as 'Tm' and calculated as:-

$$T_m = T_c \div 60$$



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

- f. the amount of ITC, at the beginning of a tax period, on all common CG whose useful life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such CG.
- g. the amount of common credit attributable towards exempted supplies, be denoted as 'Te', and calculated as:

$$Te = (E \div F) \times Tr$$

where,

'E' is the aggregate value of exempt supplies, made, during the tax period, and



Manner of determination of input tax credit in respect of CG and reversal thereof in certain cases (Rule-8)

'F' is the total turnover of the registered person during the tax period:

Notes;

1. Where there is

- **no turnover during the said tax period or**
- **the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which details of such turnover are available i.e. previous to the month during which the said value of 'E/F' is to calculated;**



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

Notes Continues...

For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule;



Manner of determination of ITC in respect of CG and reversal thereof in certain cases (Rule-8)

- h. the amount T_e along with applicable interest shall be added to the output tax liability of registered person.**

- 2) The amount T_e shall be computed separately for CGST, SGST, UTGST and IGST.**



Manner of reversal of credit under special circumstances (Rule-9)

- 1) The amount of ITC relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and CG held in stock shall, for the purposes of section 18(4) or section 29(5), be determined in the following manner namely,-
 - a) the ITC shall be calculated proportionately on the basis of corresponding invoices used for availing ITC;
 - b) for CG held in stock the ITC for remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.



Manner of reversal of credit under special circumstances (Rule-9)

Illustration

CG have been in use for 4 years, 6 month and 15 days.

The useful remaining life in months= 5 months ignoring a part of the month

ITC taken on such CG= C

ITC attributable to remaining useful life= $C * 5/60$

Notes

1. The amount for ITC of IGST & CGST shall be determined separately.



Manner of reversal of credit under special circumstances (Rule-9)

- 2) Where the tax invoices are not available, the registered person shall estimate the amount based on the prevailing market price of goods on the effective date of occurrence of any of the events specified U/s 18(5) and 29(5).
- 3) The amount determined shall added to the output tax liability of the registered person.
- 4) The details of the amount shall be furnished in FORM GST ITC-03 in case of reversal is U/s 18(4) and in FORM GSTR-10, where such amount relates to cancellation of registration U/s 29(5).



Manner of reversal of credit under special circumstances (Rule-9)

- 5) The certificate from the chartered accountant in practice is to be obtained in respect of the details furnished.
- 6) The amount of ITC U/s 18(6) relating to CG shall be determined in the same manner.
- 7) The amount shall be determined separately for ITC of IGST and CGST.
- 8) Where the amount so determined is more than the tax determined on the transaction value of the CG, the amount determined shall form part of the output tax liability and the same shall be furnished in FORM GSTR-1.



Conditions and restrictions in respect of inputs and CG sent to the job Worker (Rule-10)

- 1) The inputs, semi-finished goods or CG shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.
- 2) The challan issued by the principal to the job worker shall contain the details specified in rule Invoice.8:
- 3) The details of challans in respect of goods dispatched to a job worker or received from a job worker during a tax period shall be included in FORM GSTR-1 furnished for that period.



Conditions and restrictions in respect of inputs and CG sent to the job Worker (Rule-10)

- 4) Where the inputs or CG are not returned to the principal within 1year/3years the challan issued under sub-rule (1) shall be deemed to be an invoice for the purposes of the Act.

