24/11/23

CHP-14 INPUT TAX CREDIT

I/w tax ← [ ] → o/w

- Input goods ✓
- Capital Goods ✓
- Input Sr ✓

⇓

GST = o/w tax
(-) I/w tax
GST

(i) Capital Goods [S.2 (19)]
= Goods
+ capitalised in B of A/c
+ used / intended to be used in the course / furtherance of buisness.

(ii) Input [2(59)]
= Goods
+ not capitalised (not capital goods)
+ used / intended to be used in the course / furtherance of buisness.

(iii) Input Sr [2(60)]
= Sr.
+ used / intended to be used in the course / furtherance of buisness.

(iv) Input tax [S.2(62)]

$\xrightarrow{I/W}$ Regd Person

↓

GST = Input tax

↓

① Import ✓

② RCM ✓

③ CS ✗

(a)

Intra $\longrightarrow$ M r X $\xrightarrow{O/W}$

- CGST
- SGST

Inter $\longrightarrow$

- IGST ✓

Import $\longrightarrow$

- BCD Basic custom duty
- SWS Social welfare surcharge.
- IGST

e.g:-(i)

FCM

FCM $\xrightarrow{I/W}$ ☐

↓

ITC ✓

RCM

RCM $\xrightarrow{I/W}$ ☐

↓

ITC ✓

(ii)

$$\begin{array}{ccc} \boxed{\text{Compo Dealer}} & \xrightarrow{\text{O/w} \qquad \text{I/w}} & \boxed{\text{Normal Dealer}} \\ \downarrow & & \downarrow \\ \text{Out of own pocket.} & & \cancel{\text{ITC}} \end{array}$$

$$\begin{array}{ccc} \boxed{\text{Normal Dealer}} & \xrightarrow{\text{O/w} \qquad \text{I/w}} & \boxed{\text{Compo Dealer}} \\ \downarrow & & \downarrow \\ \begin{array}{r} 100 \\ +\ 18 \\ \hline 118 \end{array} & & \cancel{\text{ITC}} \\ & & \text{S.10} \end{array}$$

Input Tax

① I/w = GST
② Import goods = IGST
③ I/w RCM = GST

exclude
Compo levy.

* **S. 16**

S.16(1) Eligibility

• Input
• Capital Goods

RP ⟶ Input tax ⟶ G/Sr ⟶ Buisn

G/Sr ⟶ Input Sr.

✓ GSTIN
✗ UIN

Input tax ↓

① within India = ITC ✓

② Import $_{G}$ = ITC ✓

③ RCM (I/W) = ITC ✓

④ ISD (I/W) = ITC ✓

⑤ purch from compo = ~~ITC~~

S.16(2) Conditions

S ⟶ R (I/W)

conditions

1] Supporting document.

2] G/sr. are received.

3]

4]

5]

6] reflected in GSTR-2B.
↓
ITC ✓

① Supporting document

(i) within India = Tax Invoice, Debit Note.

(ii) Import of Goods = Bill of entry.

(iii) RCM (Inwards) = Self Invoice. → If not prepared then ITC reversal.

Input Sr. Distributor
(iv) ISD (Inwards) = ISD Invoice.

(v) purchase from composition dealer = X.

[If no document, then we must not take ITC, ∵ ITC reversal could be the consequences.]

② Goods / Services are received :-

- Cash purchases = ITC ✓
- Credit purchases = ITC ✓
- Advance payment made to supplier & goods are not yet received. (are yet to be received) = ~~ITC~~ ~~ITC~~.

(ii) Goods
Bill to Shift to.

X (maha) —Supply I/W→ Y (Raja) —Supply I/W→ Z (mar

Supply ↓ Tax invoice → ITC ✓

Supply ↓ Tax invoice → ITC ✓

when Goods are received by Z, it is deemed to be recd by Y.

(iii) contract 10,000 units.

X —G→ Y

5000 units, June, 23

3000 units, July, 23

2000 units, Aug 23

ITC of 10,00 units = Aug
↓
When last installme or lot is recieve

③ Tax is paid to Govt

i) ~~FCM~~

S o/w → I/w → R → ITC ✓

R → payt → S

S → govt = tax

ii) Time of supply

S o/w → I/w → R → ITC ✓

R → payt not made. → S

S → govt = tax

↓

R must make payt
within 180 days (6m approx).
from Date of invoice (DOI)

↓

If payt is NOT made within
180 days then ITC shall be
reversed by Receipent
(ITC reversal)

o/w tax
(-) I/w tax (18000)
GST

ITC reversal.

o/w tax + 18000
(-) I/w tax
GST

(iii)

GSTR-1 → GSTR-2B

S O/W —— GISr. ——→ I/W R

ITC ✓

Payt made.

govt = Not yet paid.

GSTR-3B not filed.

S should make payt of tax till 30th Sept from end of FY.

If payt of tax is not made till 30.9 not made then R shall reverse ITC till 30th Nov.

If payt of tax is made to govt later on then Re-avail ITC

RCM

S O/W —— GISr. ——→ I/W R

↓

RCM

↓

ITC ✓

↓

1st pay tax then avail ITC

(Check last page for PYQ's reference by sir)

(4) Receipent has filed Return u/s 39.

↓

GSTR-3B

(Regular Returns)

→ Refer pg no. 34

ITC is not restricted u/s 38

(6) S o/w ⟶ I/W R

↓

ITC

S = specified · S = otherwise

↓ ↓

~~ITC~~ ITC ✓

[ITC is restricted u/s 38]

→ New registered supplier.

→ who has not defaulted in payt of tax

→ GSTR-1 > GSTR-3B.

→ Amount that exceeds the credit availed by his as per GSTR-2B.

S.18(1)(a) (invent etc se ITC liya jo GSTR-2B se jyada hai)

→ Violation of rule 86B. → Deregn.

S.16(3) Depreciation

* S o/w ⟶ I/W R

100
+18
118

↓
Asset

- Asset A/c -Dr 100
  ITC A/c -Dr 18
  To Bank A/c 118

  ↓

  Income Tax Act 61 → cost=100

  Depn on 100

  ↓

  S.16(3) ITC = ✓

- Asset A/c -Dr 118
  To Bank A/c 118

  ↓

  ITA 61 → cost =118

  Depn on 118

  ↓

  ~~ITC~~

* S.16(4) Time limit to avail ITC

• Tax invoice
• Dr. note

1.4.X1 —— 31.3.X1 —— *

① 30th Nov from end of F.Y. to which such invoice/DN pertains.
② AR का Actual date
whichever is earlier

ITC

Availment	Utilization
↓	↓
book करना	use करना
↓	↓
e-credit ledger [Cr]	e-credit ledger [Dr]
↓	↓
Time limit is specified u/s 16(4).	No time limit

* S.17

* S.17(5)

Blocked credit, ITC shall not be available in following :-

service ↑ S/R
Insurance ↓ Repair ✓

(1) motor vehicle.

8.29

- Goods vehicle → ITC ✓
- Person vehicle (including driver)
  - >13 → ITC ✓
  - upto 13
    - o/w
    - FIT → ✓
  - otherwise ✗

F :- Further supply of such vehicle.

I :- Imparting training

Car → motor training →
↓
ITC ✓

T :- Transportation of passenger.

SIR

② Vessel / Aircraft
- (i) O/W = F_2T ⟶ ITC ✓
- (ii) O/W = Anything (used for transportation of Goods) ⟶ ITC ✓
- Otherwise ⟶ ITC ✗

eg:-

1] Aircraft ⟶ $\boxed{\text{Fedex}}$ ⟶
used for transp^n of parcel
↓
ITC ✓

2) Vessel ⟶ $\boxed{\text{RIL}}$ ⟶ O/W oil
used for transp^n of oil
↓
ITC ✓

3] Vessel ⟶ $\boxed{\text{Adani const}^n}$ ⟶ O/W = const^n of ports
used for transp^n of cement, sand.
↓
ITC ✓

4] Aircraft → RIL → o/w = oil

Aircraft ↓ used for transpn of Makern ↓ ~~ITC~~ S.17(5)

5] 8] (i) F - Food & beverages
O - Outdoor catering
B - Beauty Treatment
H - Health services
C - Cosmetic & plastic surgery.

* Renting
Life
Health.

F O B H C R L H
- o/w = same category → ITC ✓
- o/w = element of composite or mixed supply. ✓
- Otherwise ✗

Food → Indigo Airlines → transpn of Pass + Food
Food ↓ ITC ✓
CS = Principal supply
o/w = transpn

*

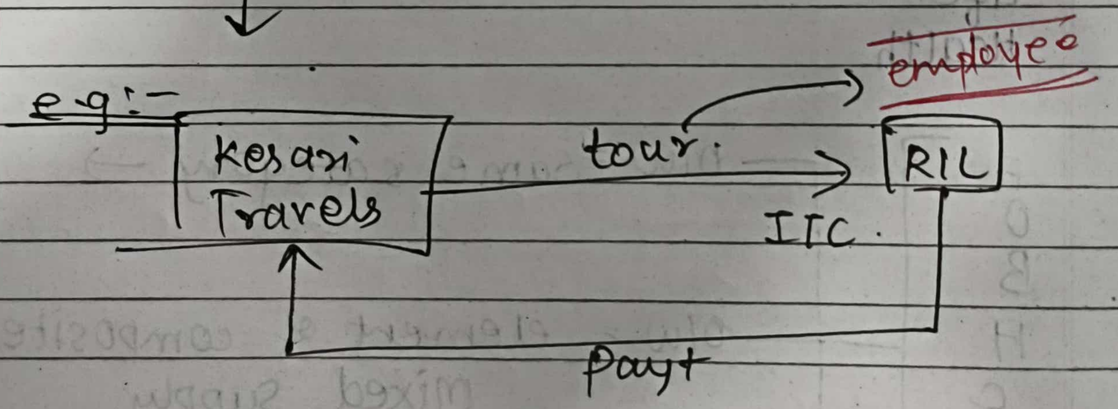
- M/V/ A/c.
  ITC ✓
- S/R
  ITC ✓
- Renting
  ITC ✓

- MV | V | AC
  ~~ITC~~
- S/R
  ~~ITC~~ ✗
- Renting
  ITC ✗

(ii) Membership of club ---- ITC ✗

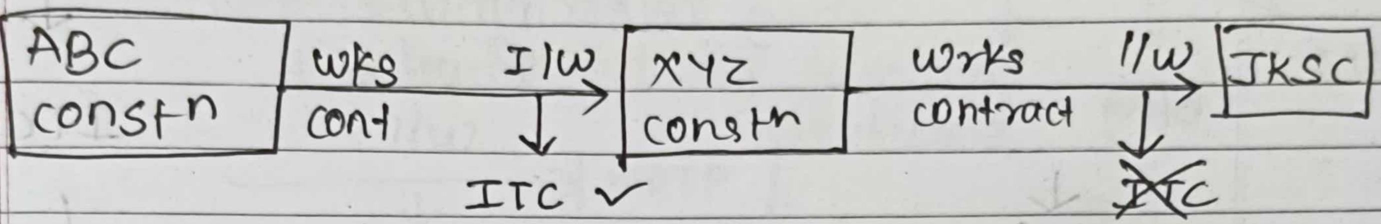
(iii) Travel benefits.
(leave travel concession) ---- ITC ✗

e.g:-

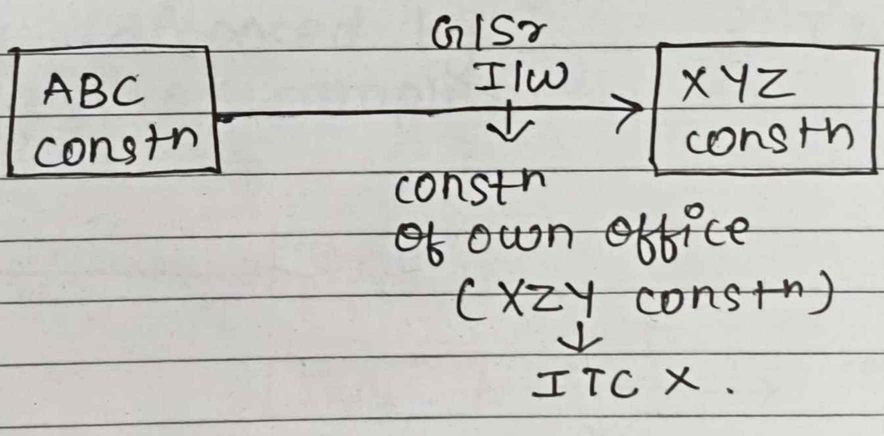


If above (i), (ii) & (iii) is provided by employer to employee under any law then ITC shall be availed.

6] Works contract services for construction of immovable property → ITC cannot be availed. Except
↓
F :- Further supply of works contract service.



7] Goods or services or both received by a taxable person for construction of immovable property on his own account which are used in course or a furtherance of buisness.



pg no. 8.32

S.17(6)

Immovable Property.
↓
L/B/CS/TT/P.

- Land
- Bldg
- Civil structures
- Telecommunication Towers
- Pipelines laid outside factory

↓
~~ITC~~
↓
* Capital expenditure.
~~ITC~~

Revenue exp.
ITC ✓

Plant & Machinery
↓
ITC ✓
↓
Cap exp = ITC ✓
Rev exp = ITC ✓

*
1]

8.31

8] Composition Scheme → ITC ✗
→ Refer pg no. 43.

9] Goods or services both received by NRTP except
↓
Goods import by him

$\xrightarrow{I/W}$ NRTP
↓
① Import of Goods → ITC ✓
② Otherwise → ITC ✗

10] Goods or services both for personal consumption → ~~ITC~~

11] Goods lost, stolen, destroyed, written off, (disposed by way of gift or samples) → ~~ITC~~.

$\xrightarrow{\text{ITC ✓}}$ $\boxed{\text{June}}$

$\boxed{\text{July}}$ $\xrightarrow{\text{gift}}$ (practically)

option - ① ITC reversal.
② Supply u/s 7(1)(c)
+ Sch I (Para 1)
→ without consideration.

* S.17(1) Apportionment

Q.28 S.17(2)

RM A (18%) → Goods A (18%)

Apportionment u/s 17(1) → RM X (common inputs) →

* non-exempt + zero rated supply → Goods A 18%

→ Goods B or exempt

RM B (18%) → Goods B (10%)

*. non-exempt + zero rated supply
(5/12/18/28) [export / supply to SEZ)
→ ITC will be availed in proportion of non-exempt & zero rated supply.

exempt.

17(1). common input → o/w Buisness / o/w Non-Buisness.
↓
apportionment u/s 17(1).

S.17(3) Definition of exempt.

exempt supply
↓
entire GST
↓
S.2(47)

exempt supply
↓
Apportionment
↓
S.17(3) + S.2(47) + (①, ②, ③)

* S.18 Availability of credit in special circumstances

S.18(1)(a)

8.53

ET10
> 40L
↓
11.7.23
↓
TP — supply → RP — supply.

Appl^{n}
↓
10.8.23

RC
↓
17.8.23.

10.7.23

Input ✓
CG ✗

S.18(1)(b)

→ Refer pg no. 18

Appl^{n}
↓
10.8.23

RC
↓
17.8.23.
↓
RP

16.8.23

Input ✓
CG ✗

S.18(1)(c)

anytime.

$\boxed{CS} \longrightarrow \boxed{NS}$

1000 units → CS → 700 sold → own pocket

~~ITC~~

300 → NS → o/w → 18% → collect.

opⁿ stock 15.7.23

14.7.23

ITC

Input ITC = ✓ Full ITC.

Capital Goods = ITC
(-) 5% Per quarter/ Part of the quarter
(-) ITC availed

*

CS | NS

Asset
100000
+ 18000
118000

1 yr. 5 m
→ 4Q
3m = 1Q
2m = 1Q
6Q

agar ek bhi din hota hai toh it will be considered as 1 quarter.

CG = ITC
(-) 5% PQ / Part

= 18000
(-) 5% x 6Q
12600 = ITC to be availed

Q.1

9m 10 days

P&M = 30L.

30L
(-) CGST (9%) 2,70,000
(-) SGST (9%) 2,70,000
24,60,000

Capital Goods.

CGST = 2,70,000
(-) 5% × 4Q = (20%)
216000

SGST = 216000

* Life of Capital Goods/ Asset in GST is 5 years.

S.18(4) Opposite of S.18(1)(c) & S.18(1)(d).

(i) NS $\xrightarrow{\text{1st day of FY}}$ CS

↓

ITC reversal

- Input = Full ITC reversal
- CG = ITC × remaining life / 60 m.

NS | CS | 60m.

17m, 10 days.

↓ 18 m

100000
+ 18000
118000

↓

ITC availed = 18000

ITC reversed = 18000 × 42m / 60m (60 − 18 m)

Reversal = 12600.

(ii) O/W Non-exempt → O/W exempt
↓
ITC reversal
① Input
② CG = ITC × Rev / 60m

* S.18(1) d

O/W exempt → O/W = 5/12/18/28
↓
ITC ✓
Input = Full ITC
Capital goods = ITC
(-) 5% PQ / part
ITC avail

* S.18(3) Sec. Amalgamation & Demerger

Mehta Jewellery → Son A

Mehta Jewellery: Deregn u/s 29.
↓
e-Cr.
↓
ITC

Son A: Fresh regn. u/s 22(3).
↓
e-Cr.
↓
ITC

ITC (Mehta Jewellery) → ITC (Son A): transfer.

* S·18(2)

ITC availment

S·18(1)(a)
(1)(b)
(1)(c)
(1)(d)
↓
S·18(2)
↓
avail = within
1 yr from DOI.

Otherwise
↓
S·16(4)
↓
avail = ① 30th Nov
② AR
earlier.

* SUMMARY *

S·18(1)(a)	liable for regn & Appln within 30 days	ITC to be availed. Input = ✓ CG = ✗	Preceding day liable for regn.
S·18(1)(b)	Voluntary regn	I = ✓ CG = ✗	RC
S·18(1)(c)	CS → NS	I = full ITC CG = ITC (-) 5% PQ1 part ITC avail	NS.
S·18(1)(d)	O/W exm → O/W non-exmp	I = full ITC CG = ITC (-) 5% PQ1 part ITC avail)	O/W = non-exempt

S.18(6)

Supply of Capital goods
[Sale of Asset]

Tax payable = (1) Transaction value / SP × GST rate.

(2) ITC
(−) 5% PQ / Part
whichever is higher

31m, 10 days.

use of asset

sale = 2L

11Q.

10L
+1.8L
11.80L

(1) 2L × 18% = 36000

(2) ITC = 1,80,000
(−) 5% × 11Q
81000
= 81000

Tax payable = 81000

* Rule 86A

Commissioner / Any officier (not below the rank of an Assistant commissioner) authorised by Commissioner.

↓

reason to believe.

↓

ITC is availed fradulently / ineligible.

↓

utilization = block [e-cr ledger = block] for max 1 yr.

↓

Circumstances

(1)

ITC availed → R

* Tax invoice / Dr. Note issued by

* (i) S = non-existent
S = does not conduct buis from declared POB (Place of buisness).

* (ii) G/Sr are not recd.

* (iii) Tax not paid to govt:

2] → R

R = non-existent
R = does not conduct buis from declared POB.

3] Receipent is not in possesion of Supporting Document.

* Rule 86 B

→ value of supply (i.e taxable supply) other than
- exempt
- Zero rated.

→ > 50 L ← (Non exempt supply)
→ During a month.

↓

Rule 86 B applicable

eg:- i] o/w 80L (GST 18%)
ITC = 1500000

	O/w Tax	14,40,000	
(-)	I/w	(14 25 600)	[99% of o/w tax]
	GST payable.	14,400	[1% of o/w tax]

ITC c/f = 15L - 1425600
= 74400.

2] R 86B

	I	II
• exempt supply	30L	60L
• zero rated supply	30L	60L
• non-exempt supply (5/12/18/28)	40L	80L
	100L	200L
	≤50L	>50L
	R 86B	R 86B
		e-cash ledger = 1% of O/w tax

explanation :-

Taxable supply = Leviable < 0% / exempt ; 5/12/18/28.

(-) exempt

(-) zero rated.

3] Exceptions to rule 86B

* R86B is not applicable

(i) Govt. / local Authority / Public Sector undertaking / Statutory body.

(ii) Income tax paid in each of last 2 F.Y. for which time limit u/s 139(1) is expired. is more than 1 lakh (>1L)

e.g:-

① DD = 31·7·23
PY 22-23
1·4·22 — 31·3·23.
IT >1L

Today
26·11·23

DD = 31·7·22
PY 21-22.
1·4·21 — 31·3·22
IT >1L
⇓
R ~~86B~~

② DD = ~~31·7·23~~ abhi expire nhi hua.
PY ~~22-23~~ ← Today 25·6·23

DP = 31·7·22
PY 21-22

PY 20-21
DD = 31·7·21

(iii)

Refund > 1L (recd in last F.Y)

↓

related to IIC

⇓

① zero rated

② inverted tax.

(iv)

₹40L → e cash 1% = 40,000 ⇓ deposited (e-cash) = 1L

A M J J A | Sept

⇓

O/W tax = 30L.

↓

e-cash payt = 1L

O/W tax = 10L

↓

~~e-cash payt should be = 10L × 1%. = 1L.~~

R ~~86~~B

we have to consider the amount by considering cumulative basis.