UDESH REGULAR

FOR GROUP-1, MAY 2024

- Subject- GST
- Chapter- ITC
- Lecture No.- 5

Recap of Previous Lecture

Topic

Input Tax Credit - 4

Topics to be Covered

Topic

ITC – Part 5

3. Specified Goods / Service

- Food & Beverage
  Outdoor Catering
- Beauty Treatment
  Health Services
  Cosmetic & Plastic Surgery
- Leasing / Renting of
  MV / Vessel / Aircraft
- Life Insurance
  Health Insurance

• No ITC Available

Exception

1. I/w supply for making further supply (either composite or mixed)
2. Such supplies provided to EE under statutory obligation

• Membership of Club / Health / Fitness Centre

• Travel Benefits extended to EEs

• No ITC

Exception

Provided by ER to EE under statutory obligation

4. **Works Contract Service** (Construction of Immovable property)

Satish (W. Contractor) —W. Contract Service→ Mr. J (Works Contractor) —Work Contract Service→ Mr. OM

W. Contract Service ⇓ **ITC Always Available** to Mr. J

I/w supply of w/c to provide O/w supply of w/c ⇓ ITC ✓

Mr. OM:

- "Construction" of Imm property (Office / Factory / Godown) ⇓ No ITC To OM
- Construction of P/M ⇓ **ITC Avail. to OM.**

Note:- **P/M doesn't Include**

- * Telecommunication Tower
- * Pipelines lay down o/s factory Premises.
- * land / Building

} HENCE NO ITC

Analysis.

1) I/P service for Construction of Office – ITC blocked S.17(5)
↳ Const of Imm. Property

2) I/P service for repair of office & Exp dr. to P/L
↳ Not A Construction of Imm. Property
} ITC Avail.

3) I/P service for repair of office & Dr. exp to Building A/c
↳ CAP. Nature Repair → Construction
} ITC block

4) I/P service availed for further supply of w/c service in relation to const of Imm. property = ITC Available
I/w w/c → O/w w/c

5) I/P service Avail for Construction of

a) Machinery → Yes ITC allowed
b) Tele. Comm. Tower – No ITC blocked.

5) Goods/services purchased for $\boxed{\text{Construction of Immovable property}}$ - ITC blocked

→ For construction of P/M — ITC Available

Office construct → RM — Cement/Sand/Iron/Paint/Putty
→ Int dec. service → Civil Engineer
→ Architect service

P/M ⇒ Design & develop. service — ITC ✓
RM ITC ✓
Engg. service ✓

6) Other cases where ITC is blocked

a) No ITC of Tax paid under C/S
b) No ITC available to G/S procured by NRTP in India
Except GST paid on import of Goods — ITC Available

USA —Goods Import→
$\boxed{\text{IGST}}$ → ITC Available

c) Goods/services purchase for personal consumption

d) Goods destroyed/disposed off/ Gift/sample/ Written off/lost/stolen

c) Tax paid As per S.74 129/130.

5000 Kg RM   1/1/23 – GST Paid = 50000 = ITC Avail.

4000 Kg used In Feb

1000 Kg destroyed/lost M/o July'23.

↓

Proportionate ITC – Reversed

⇓

ie added to output tax liability for M/o July'23

$$\frac{60000}{50000} \times 4800 = \underline{5760}.$$

Manuf. → Medicines. 50000 pckt → Distributor

4800 pckt sell

⇓

2000 Expired Medicine

Value	500000
+GST	60000
	560000

Return

1) Expired Med. Return → Manuf. Issue Credit Note

$\boxed{\text{CR. NOTE}}$

- Mf → O/P Tax liab. ↓
- Dist → ITC Reduce (Reverse) ↓

Fresh Supply

2) Distributor —2000 Pck Supply→ Manuf.

↓

2400

↓

Govt

Tax Inv

Value	20000
+ GST Charge	2400
	22400

└→ $\boxed{\text{ITC Claim} = 2400}$

Expired Medicine

⇓

Destroy

ITC block.

⇓

2400 ITC Reverse

ITC = 60000

O/P = 2400

Net ITC 57600

Q4 $\boxed{\text{Avg ITC} = 90,000}$

Computation of Eligible ITC

		₹	ITC Allow
1)	Services from DP (100%)	18000	18000
2)	Outdoor Catering	blocked	—
3)	Goods w/o	blocked	—
4)	Auditing Services (50%)	22500	11250
5)	Goods personal use of KEs	blocked	—
6)	Balance ITC (90000 − 63900) (50%)	26100	13050
	Total Eligible ITC	66,600	42300

ITC Allowed to Yes Bank = Eligible ITC × 50%

= (66600 − 18000) × 50% + 18000

= 42300

S.18 → ITC Availability / Reversal In Special Cases.

(1) (a) liable to Register (As per S.22/24) [Compulsory Registration]

4/1/24 — 5/1/24 — 25/1 — 31/1

5/1/24: liable to Reg (Taxable Person)

Within 30d

25/1: Apply for Reg

31/1: Reg Grant

ITC Allow WEF 5/1/24 { * Inputs * Inputs-WIP * Inputs-FG

Cap. Goods — No ITC

O/W Supply = GST levy

EDOR I/IS/44

ITC - Allow

(b) Voluntarily Reg As per S.25(3)

5/1/24: Apply for V. Reg

11/1: Inputs, Inputs-WIP, Inputs-FG } ITC Avail.

Cap. Goods — No ITC

12/1/24: Reg. grant (EDOR)

O/W Supply GST levy

ITC Eligible

(c) C/S → M/S
(d) E/S → T/S

Person already Reg. under GST

4/11/24 — 5/11/24

Inputs
Inputs-WIP
Inputs-FG

ITC Available

+

Cap. Goods — Reduced ITC Available ✱

CS → MS
TO > 1.5Cr / 75L / 50L

E/S → TS
Exemp. withdraw

Chandu — Exclusively E/S → S.23 → Not liable to Reg.

⇓

Unreg.

ATO = 50L

5/1 ⇒ Ex. Notf. withdraw = T/S.

⇓

Now liable for Reg. 18(1)(a)

4/1 – I / I-WIP / I-FG = ITC avail. CG = NO ITC

* Reducing ITC of Cap. Goods for purpose of S.18(1)(c)/(d)

GST Paid on Purch. of Cap. Goods	XXX
(–) 5% per Qt or part thereof for each Qt	(XXX)
Reducing ITC	XXX

C/S
22-23

15/2
Mach. Purch
₹10L + GST Paid @18%

23-24

1/4
C/s opt

14/9.

15/9
TO > 1.5Cr
CS → NS

ITC Avail In Respect of Machine?

15/2 – 14/9 ⇒ C/s ⟶ ITC Not allowed
↳ Reduced.

JFM

AMJ

JAS

	₹
GST Paid	1,80,000
(–) 5%/Qt or part thereof ie 180000 × 5% per Qt × 3Qt	27000
ITC Avail	1,53,000

eg:

Mr. X Engaged In E/S

* Mach. purch on 16/1/23 for $\boxed{₹\ 5,90,000}$ (Including 18% GST)
* Exemption withdraw on 1/11/23.

* Calculate ITC Avail. As per S.18(1)(d)

16/1/23 - 31/10/23 ⇒ E/S

16/1/23		31/10/23
⇓	AMJ'23	⇓
JFM'23	JAS'23	OND'23

GST Paid $590000 \times \frac{18}{118}$ = 90,000

(-) Reduction 5%/Qt or part thereof

ie $90,000 \times 5\% \times 4Qt$ = 18,000

ITC Available → 72000

within
30 days

4/1 — 5/1/24 — 7d — File Intimation

I/I-WIP/I-FG
CG

ITC Available

C/S → NS
TO > 1.5cr/75L/50L
or
Withdraw @ own
will

CMP-04
↓
Intimation
CS → NS.

ITC-01 = ITC decl.
⇓
4/1
I/I-WIP/I-FG
CG
+
Verification of ITC-01
from CA/Cost A/c
if ITC > 2L

S.18(2) 4/1/23

5/1/24

4/1/24
↓

I/I-WIP/I-FG
or
CG (c/d)
⇓
ITC Avail.
S.18(1)

I/V.

I/V
⇓
No ITC

liable to Reg (a)
or
V. Reg. Grant (b)
or
C/S → NS (c)
or
E/S → TS (d)

4/1/24 – Stock = 15000 Kg

- 13000 Kg I/V dt = 15/9/23 — ITC Avail As per S.18(1) & 18(2)
- 2000 Kg I/V dt = 30/9/22 — No ITC Available As I/V is Issued before 1yr prec. date As per S.18(1)

18(2) No ITC Shall be allowed u/s 18(1) if 1 year has been expired After Issue of Invoice

18(3) Mr.X —Business Transfer As Going Concern→ Mr.Y

Unutilized ITC in El. Cr. ledger —Transfer→ Mr.Y

Condition :- Bus. liab. of Mr.X also transfer to Mr.Y

Process of Transfer

X (Transferor) – Intimation file ITC-02 => (Unutilized ITC details)

Y (Transferee) – Accept Intimation => ITC credit Transfer to Y

18(4)/(5)

M/s → C/s

T/s → E/s

31/3/24 — 1/4/24 → Not Eligible for ITC

I / I-WIP / I-FG → ITC Reverse

\+

CG → Reducing ITC – Reverse.

MS → CS → Comp. GST Rate (23-24 To upto 1.5%)

T/s → E/s → No GST levy (Notif. Issue)

* Reversal of Reducing ITC of CG for purpose of S.18(4)/(5)

* Consider life of Capital Goods = 5 yrs ie 60 Months

(−) Used life of CG (fraction of Month ⇒ Complete Month)

Remaining life of Asset → ITC → Reverse

1/1/22 Mach. Purch of ₹10L (GST Paid = 1,80,000)

15/2/24 T/S ⟶ E/S

1/1/22 - 14/2/24

T/S

= 12M + 12M + 1M + 14d

= 25m + 14d

= 26M.

Calculate ITC Reverse.?

Life	60M
(-) Used life	26M
Remaining life	34M

$$\text{ITC Reverse} = \frac{1,80,000}{60M} \times 34M = \underline{1,02,000}.$$

M/S ⇒ $\boxed{38m + 10d}$ ⇒ 39M

Life	60M
(-) Used life	39M
Remaining life	21M

GST = 60L × 20% = 12L

ITC Reversed u/s 18(4)

12L × 21/60 = 4,20,000

60M

ITC = 60M.

S.18(6) Sale of Capital Goods After Use

ITC Reversal Higher of Option 1 or Option 2

Option 1

Reducing ITC

ITC Availed on CG	xxx
(−) 5% per Qtr or part thereof for used life	(xxx)
	xxx

Option 2

GST on Transaction Value

GST = Transaction Value x GST Rate

> **Note:-** In case of Moulds dies Jigs fixtures & refractories. only option 2 is applicable ie Reversal = TV x GST Rate

eg. * Mach. Purch = 20L on $\boxed{15/11/23}$ (GST Paid = 2,40,000)

* on $\boxed{11/5/24}$ Mach. sold for ₹15L (GST Applicable = 12%)

Calculate ITC reversal.

ITC Reversal u/s 18(6) → shall be higher of following.

(a) <u>Reduced ITC</u>

	₹
ITC Availed	2,40,000
(-) 5% per Qt or part thereof for used life Used life = $\boxed{15/11/23}$ – $\boxed{10/5/24}$ ↓ JFM'23 to ↓ AMJ'24 ie 240000 × 5% × 6Qt	(72000)
	168000
(b) GST on TV ie 15L × 12%	180000
ITC Reversal	1,80,000

$\boxed{\text{Fabric}}$ for $\boxed{\text{uniform}}$ → E/s

↓ No ITC

Thread/ lining Comm. Input

↓ Uniform ↓ <u>17(2) N.A</u>

↓ Other cloth ↓ ITC <u>Avail</u>.

TO - Other Cloth 4cr | Comm. ITC = 5000 + 15000
Uniform 1cr | = 20000.
5cr

ITC Avail = Comm. ITC X $\frac{\text{Taxable TO}}{\text{Total TO}}$

= 20,000 X $\frac{4cr}{5cr}$ = 16,000.

Q13 As per 18(6) ITC Reversal, higher of following

(a) Reducing ITC 8/7/17 - 22/10/18
JAS'17 OND'18
2017- 2Qr 2018 - 4Qr = 6Qr
ITC Avail - Reduction 5% per Qr for 6Qr
1,80,000 - (5% X 6Qr) = 1,26,000

(b) GST on TV = 7,50,000 X 18% = 1,35,000
Reversal 1,35,000

2 mins Summary

Topic

Summary of chapter

Topic

Thank You