

Input Tax Credit

ch-5

Basic Of ITC.

eg. 1 AC for Home. 50,000
GST - 9,000 → No ITC.
59,000

Repairs 5000
GST 900
5900 No impact.

eg. 2 AC for Business. 50,000
GST 9,000 - claim ITC.
59,000

Repairs 5000
GST 900 - claim ITC.
5900

Input Tax

Tax on Inward
Supply Purchase.

within state - CGST + SGST ✓

outside state - IGST ✓

Imports of G. - BCD + IGST ✓

Tax Paid under
RCM. - eligible for ITC

→ Input tax does not include composition Tax.

Inputs - 3 types.

i) Inputs - RM.

ii) Cap. Goods

iii) Services.

Sec 16(1)

only a registered person can claim ITC.

Sec 16(2)

If following 6 conditions are satisfied then you can claim ITC.

- 1) Possession of Tax paying document
- 2) Receipt of G/S.
- 3) Supplier should pay tax to Govt.
- 4) Recipient should file GST Return.
- 5) Invoice should be reflected in GSTR-2B of Recipient.

Supplier $\xrightarrow[\text{IFF}]{\text{GSTR-1}}$ Portal $\xrightarrow[\text{Populated}]{\text{Auto}}$ Recipient

- 6) ITC is available Only if the details of ITC are not restricted u/s 38.

Sec 16(3)

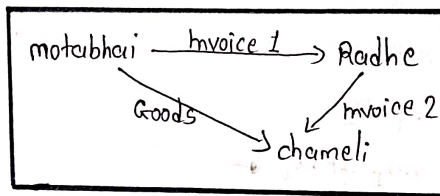
GST Amt can be capitalised
↓
claim dep.
↓
No ITC

GST Amt - not capitalised
- Claim ITC.

Rules for claiming ITC

Some Important Points

1. If goods are rec. in installment. ITC available on receipt of last installment.
2. Bill to X, ship to Y model. It is allowed for G and S.



Time limit to claim ITC

30th Nov of next FY

OR
Filing AR

Rule 86A

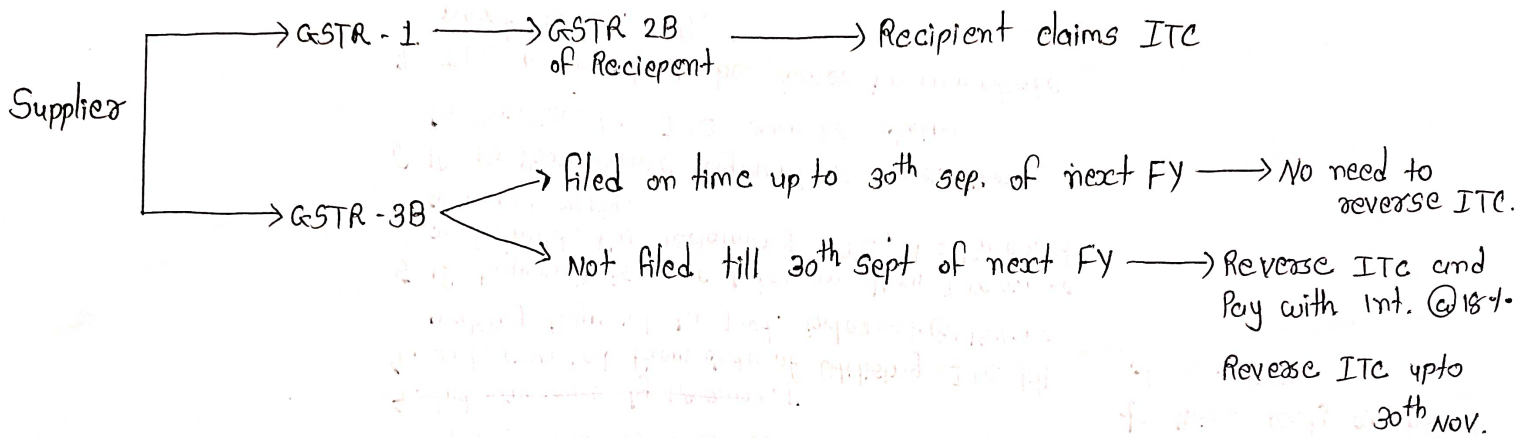
Commission can restrict use of e-credit ledger if he has reasons to believe that ITC has been claimed fraudulently.

Rule 36(4)

Supplier $\xrightarrow[\text{Invoice details}]{\text{GSTR-1 sale}}$ Portal $\xrightarrow[\text{Populated}]{\text{Auto}}$ Recipient

Radhe can claim ITC only if invoices are reflected in GSTR-2B u/s 16(2).

AS Per SEC 16(2)(c) tax should actually be Paid to govt.



⇒ In future whenever Supplier pays the tax i.e. GSTR-3B. Recipient can reclaim ITC.

amt assume. not fix

Payment of Invoice done within 180 days.

1. Invoice recd. + G. Recd. Claim ITC of 1,80,000.
2. Payment within 180 days
3. No further action.

Harshad Mehta story / 180 days

Payment of I is not done within 180 days.

1. Invoice 10,00,000 Recd. + G. Recd. claim ITC 1,80,000.
2. Payment not done within 180 days
3. ITC of 1,80,000 will be reversed i.e. liability will increase by 1,80,000. Pay to Govt. = 1,80,000 + Int @ 18%.
- ~~4. Int. increase by 1,80,000. P~~
4. Int. counted from date of Utilising ITC till making Payment to govt. interest @ 18% p.a.
5. If Payment is done later on, then ITC can be reclaimed. For reclaiming ITC, the timelimit will not apply.
6. If Proportionate Payment is done then Proportionate ITC can be claim.
7. ITC Reversed to be done in immediate next GSTR-3B.
8. 8th May Invoice $\xrightarrow{180 \text{ days}}$ 4th Nov $\xrightarrow{\text{GSTR 3B}}$ 20th Nov.

Some exceptions to this rule.

- a. Supplies on which tax is Payable under reverse charge.
- b. Deemed Supplies without Consideration.
- c. Recipient Makes Payment to third Party on behalf of Supplier.

Rule 86B

When does it apply

Taxpayer who's monthly taxable supply exceeds 50 Lakh.

eg. Ramen (Feb. month)

Inter-taxable Supply = 100 Lakh (Sale)
(Sale) (18%)

Bal. credit ledger = 20,00,000

if there was
no 86B

if there was
86B

Inter-state Supply	18,00,000
↳ ITC	18,00,000
	0

	18,00,000	
	17,82,000	- 99% ITC
	18,000	- 1% cash.

What does it say

99% of GST liability discharged by (i) using e. credit ledger - ITC - bucket and balance 1% by paying in cash.

86B - Not Applicable when: (exceptions)

1. If in last 2 FY, Income tax Paid in each Year exceeds 1,00,000.
2. Rule 86B NA to Govt.
3. Already GST refund is received in exceeds of 1,00,000.
4. If during the FY, cumulative 1% of liability already paid in cash in earlier month.

ITC Utilisation Rule

1. IGST - IGST, CGST, SGST in any order and any proportion.
2. CGST - CGST and then IGST Liability.
3. SGST - SGST and then IGST Liability.
4. UTGST - UTGST and then IGST Liability.

Also, 1st finish IGST Input Tax and then CGST/SGST.

ITC in Special Case

Situation-1

Non tax paying mode to tax paying mode.

Eg. Unregistered → Registered.

Composition → Regular scheme

Exempt → Taxable G

Stock → ~~Further~~ future sale pay tax to Govt.

- can claim ITC stock
- If already registered can claim reduced ITC on capital goods (Reduction 5% per quarterly)
- Conditions invoice should not older than 1 Year.

Situation-2

Tax Paying mode to non tax paying mode.

Eg. Regular scheme → Composition

Taxable G → exempt

Registered → unregistered.

- stock
- Future sale no tax
 - ITC to be reversed
If no invoice take it market value.
 - CG/PM assume useful life 60m.
(Fixed by Act).
 - Remaining life ITC to be reversed.

Situation - 3

CG/PM sold

CG/PM

Pay tax = ITC Reversal
(reduced ITC) 5% per quarter

or tax on
Transaction
Value



Moulds/dies/jigs/fixture sold as scrap

Pay tax = tax on transaction value.

Situation - 4

Sale/merger/amalgamation

The zero entity can take bucket.

1. change in Constitution.
2. There is transfer asset/liability.
3. Unutilised balance in e credit ledger can be transfer.

Situation - 5

Single reg.
└─ multiple registration
└─ Multiple registration.

Unutilised ITC can be split between separate registration on the basis of asset held.