

Input Tax Credit

Old supply → Registered Person
GST supply

↳ Adjustment from GST collect from old supply

↓

$$\text{Net GST liability} = \text{O/P tax collect} - \text{Input tax paid}$$

I/w supply → inputs
 ↘ capital goods
 ↘ input services

Assume shirt Manufacturer

I/w supply → Input (RM) → cloth / thread / Buttons etc.

→ Cap Good (Assets like Machine / Furniture etc)

→ input service (eg: transportation of goods, internet)

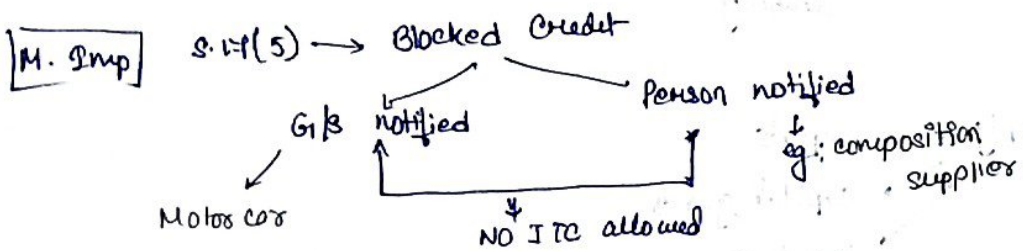
For purpose of ITC 1 to 1 correlation is not relevant -

	Purch: 1000 shirts @ ₹500 / shirt	500000
	+ GST paid @ 12%	60000
		560000
M/o July	sell 900 shirt sell @ ₹700 / shirt	630000
	+ GST collect @ 12%	75600
		705600

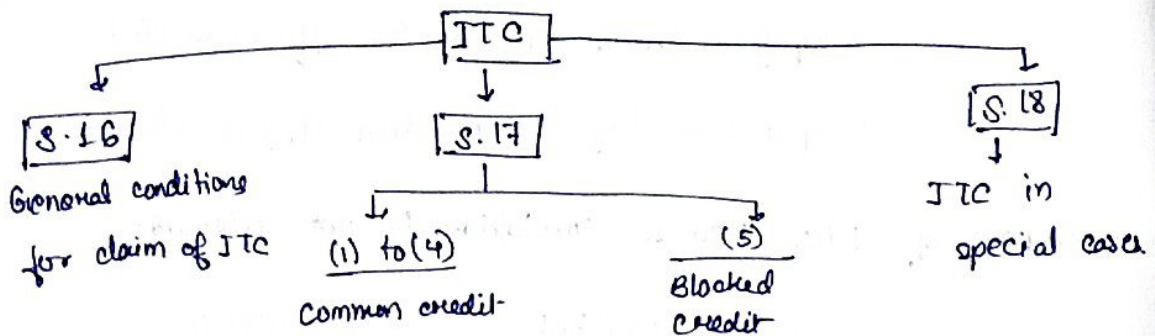
Net GST Liability

output tax	₹5600
- ITC	<u>60000</u>
Net GST liability	15600

Generally → ITC allowed on all GIs used in Business of RP



Cap. Goods → use for 5 yrs → before 5yr sell
 ↓
 ITC Reverse



S. 16

1. 2

6

6

2.

3.

S. 16 Conditions for Availing the ITC.

1. ITC allowed to Registered person of GST paid on Input/ Cap goods / Input services used or intended to use in the course of F.O.B

2. RP must have Documentary evidence of GST paid
Tax Invoice Debit Note

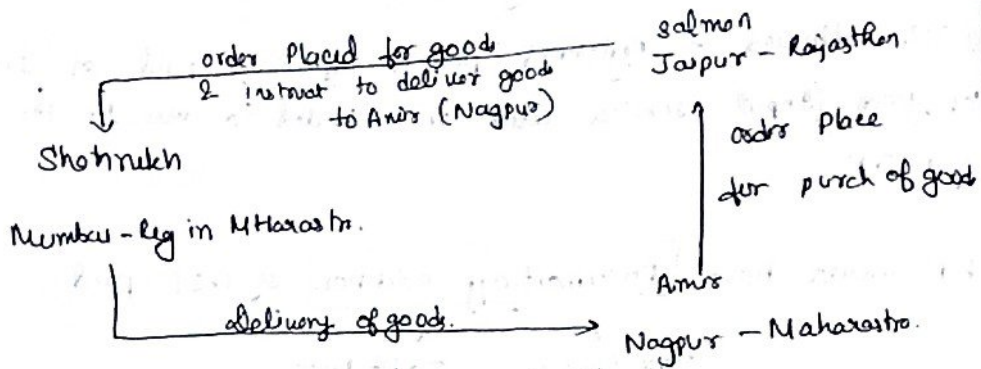
3. Goods or services for which RP is claiming ITC must have been received

29 June 1000 kg RM purchased & invoice issued on same date

Dt 29/6/24	Inv 302
V.O.S	100000
+GST	12000
	<hr/>
	112000

4 July 1000 kg RM received to Recipient.

Exception: In case of bill to ship to model it is deemed to goods have been received and ITC is available to Recipient.



Supply 1: Shahrukh to Salman

Tax Inv received to Salman

goods deemed to be received by Salman

Therefore Salman eligible to claim ITC.

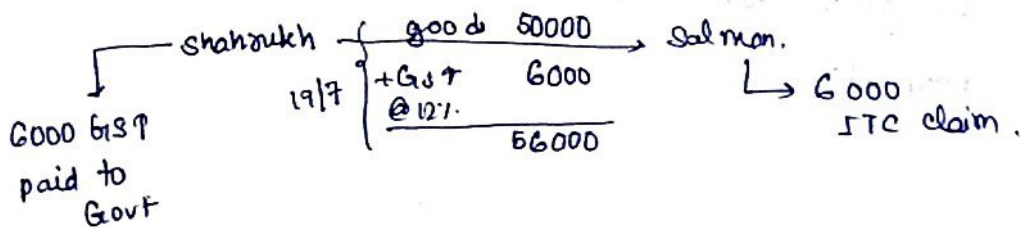
Supply 2: Salman to Amir

Tax Inv received to Amir from Salman

goods received to Amir from Shahrukh on direction of Salman.

Therefore, Amir eligible to claim ITC.

4. Supplier has paid tax amount to Govt



If shahrukh failed to pay GST to Govt then salmon is not eligible to claim ITC

5. GSTR-3B (Return u/s 31) has been filed by

(A) Supplier

(B) Recipient

Tax payment + GSTR-3B file

upto 20th of Next Month

20th July '24
Tax Payment } for M/O
GSTR-3B } June

GSTR-3B → summarized return

* Old supply detail → taxable
→ Exempt

* New supply detail → from URD
→ from RP → Taxable
→ Exempt

* Input Tax Credit Detail

* Output Tax Liability Detail

* Net Tax liability After ITC

25/7/24 Mr J $\xrightarrow{\text{Goods}}$ Mr S
 Value = 1L
 + GST = 12k
 1.12L } 2m credit Due to be received 25/9/24

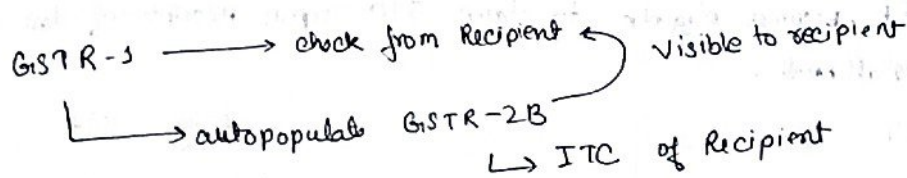
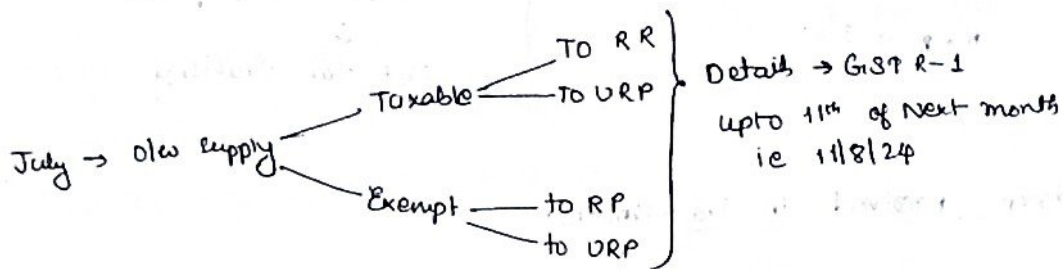
Time of supply for Mr J

S.12(2) DTD of IV = 25/7 } T.O.S = 25/7 = 12000
 A/D of IV = 25/7 } \downarrow
 GST liable Pay off
 upto 20/8 \leftarrow

• Assume all condⁿ of S.16 satisfied.
 \rightarrow ITC claim in m/o July for payment
 of GST liability of July on 20/8/24.

Eg. Mr J $\xrightarrow{\text{Goods}}$ Mr S
 value 100000
 GST 12000
 112000 } No ITC allowed.
 12000 not paid
 do govt till 20/8
 112000 paid 25/7

GST → Supplier → Sale → Correct Report



Supplier Mr J 7/6 July

5 sale A = 1L , B = 1.5DL , C = 70k , D = 90k , E = 1.30L

GSTR-1 Statement of Old supply		Auto populate	ITC
	VOG	GST	
A	100000	12000	→ GSTR-2B of A 12000
B	150000	18000	→ GSTR-2B of B 18000
D	90000	10800	→ GSTR-2B of D 10800
E	110000	13200	→ GSTR-2B of E 13200
Output tax		54000	

$R_1 \rightarrow$ Output Tax liability } GSTR 3B auto populate
 $R_{2B} \rightarrow$ ITC } \downarrow
 Net Tax liability.

② Goods received in installments

Single invoice is issued but goods received in installment then RP becomes eligible to claim ITC upon receipt of last installment.

1017	Inv. 205	} Goods received in installment	2500kg = 1017
RM	500000		2500kg = 1018
10000kg			3000kg = 1019
+ GST @ 12%	80000		2000kg = 1010
	<hr/> 560000		

RP eligible to claim ITC of ₹ 80000 in m/o October
 i.e. ITC can be utilised for payment of GST liability of m/o Oct

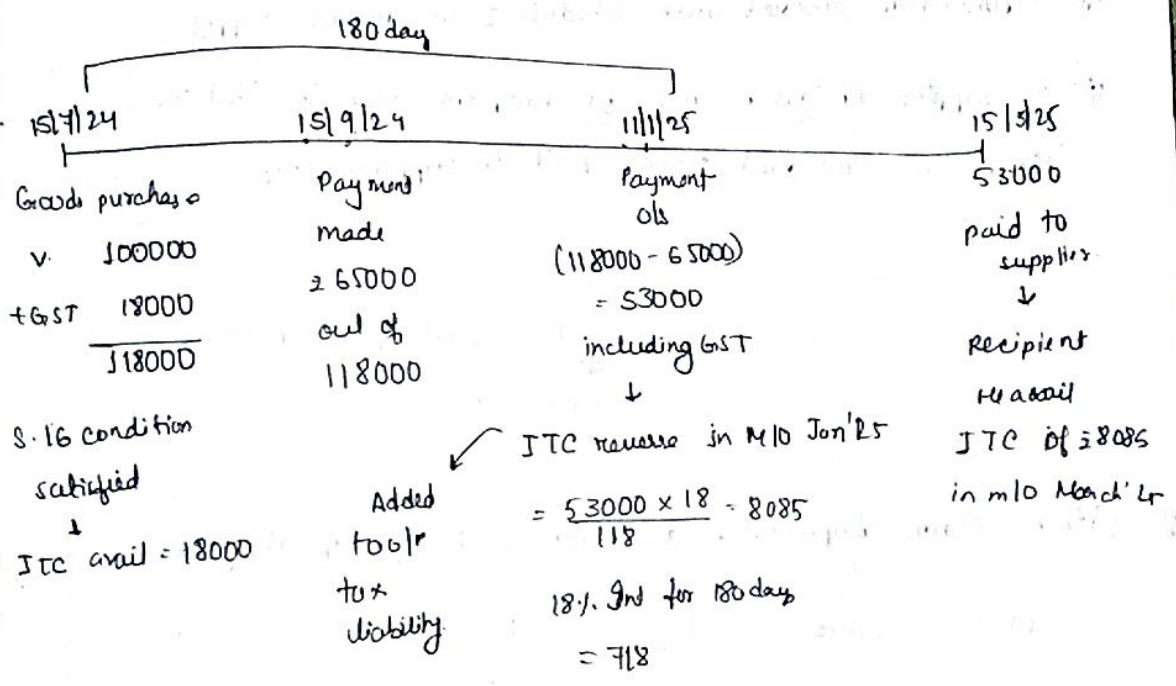
③ Recipient has to make payment to supplier within 180 days from the date of invoice

\downarrow
 otherwise ITC availed by recipient shall be added to output tax liability for the month in which period of 180 days gets expired. Also RP is liable

to pay Int on such ITC @ 18% p.a u/s 16

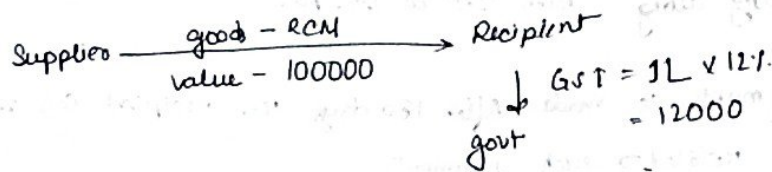
(Note: If part of payment is not made within 180 days then proportional ITC has to be returned i.e. added to I/P tax liability along with Int @ 18% p.a.

If payment is made After 180 days then recipient can re-avail ITC related to such payment



Exception in following cases restriction of Payment within 180 days shall not be applicable:-

(i) Where recipient is liable to pay GST under RCM.



(ii) Transaction covered under schedule 1 is deemed supply

(iii) If supplier obligation met by recipient then in that case this is considered to be paid to supplier only.



8. Either claim Depreciation or claim ITC of capital goods.

Machine value 10L @ GST @ 18%

option 1

Machine	Dr	10L	
ITC	Dr	1.8L	
			11.80L
		to Bank A/c	

option 2

Machine	Dr	11.80L
		to Bank A/c
		11.80L

Dep Dr 15L
 to Machine 1.5L
 (15% of 10L)

Dep Dr 1.77L
 to Machine (11.80 x 15%)

Dep \rightarrow I Tax save \rightarrow eligible Exp u/s PGBP

option 1: I tax save $\Rightarrow 1.50L \times 30\% = 45000$

option 2: I tax save $\Rightarrow 1.77L \times 30\% = 53100$

RP either claim $\left\{ \begin{array}{l} \text{JTC of ₹180000} \\ \text{claim Dep on GST paid of 180000} \end{array} \right.$

if JTC of Machine Available

YES \downarrow option 1 beneficial
 NO \downarrow option 2 (beneficial)

Q. Time limit for claiming the JTC

JTC can be claimed earlier of following two dates

(a) upto 30th Nov of next financial year

(b) upto the date of filing of Annual return of relevant FY

Note: Monthly return \rightarrow GSTR-1 = upto 15th of next month.
GSTR-3B \rightarrow upto 20th of next month.

Annual return \rightarrow upto 31st Dec of Next FY
ie Annual return for FY 23-24 is to be filed upto 31/12
of Next FY 2024-25 i.e. 31/12/24.

Note: where Recipient didn't make payment within 180 days & ITC
ITC has been reversed upon payment restriction. Recipient can avail ITC
w/o any time limit.
eg + goods Purchased in m/o March '24 \rightarrow value = 100000
 $+ GST = 12000$
 $\underline{\hspace{1cm}} = 112000$

last date of claiming ITC for Inv issued in m/o
March '24 (FY 23-24) shall be earlier of

- ① 30/11 of Next FY i.e. 30/11/24
 - ② Annual return filing date for FY 23-24
- Assume Annual return file on 15/12/24
- } ITC claim last date shall be 30/11/24

eg: In above case, Annual return of relevant FY i.e. 23-24 filed on
15/12/24

- ① 30/11 of Next FY i.e. 30/11/24
 - ② AR filing date for next FY i.e. 15/12/24
- } earlier of last date i.e. 15/12/24.

JTC claim on basis of $\left. \begin{array}{l} \text{tax invoice} \\ \text{Dr Note} \end{array} \right\}$ last date for claiming JTC is reckoned separately.

Dr note: use to rectify the tax invoice
 increase of tax liability of supplier & provide JTC to recipient

25/3/24 J/V issue RM 1000kg @ 100/kg + GST

100000
12000
<u>112000</u>

5/4/24 → goods dispatch 1200kg

6/4/24 → Dr note issue for 200kg
 Gov inv - 25/3/24

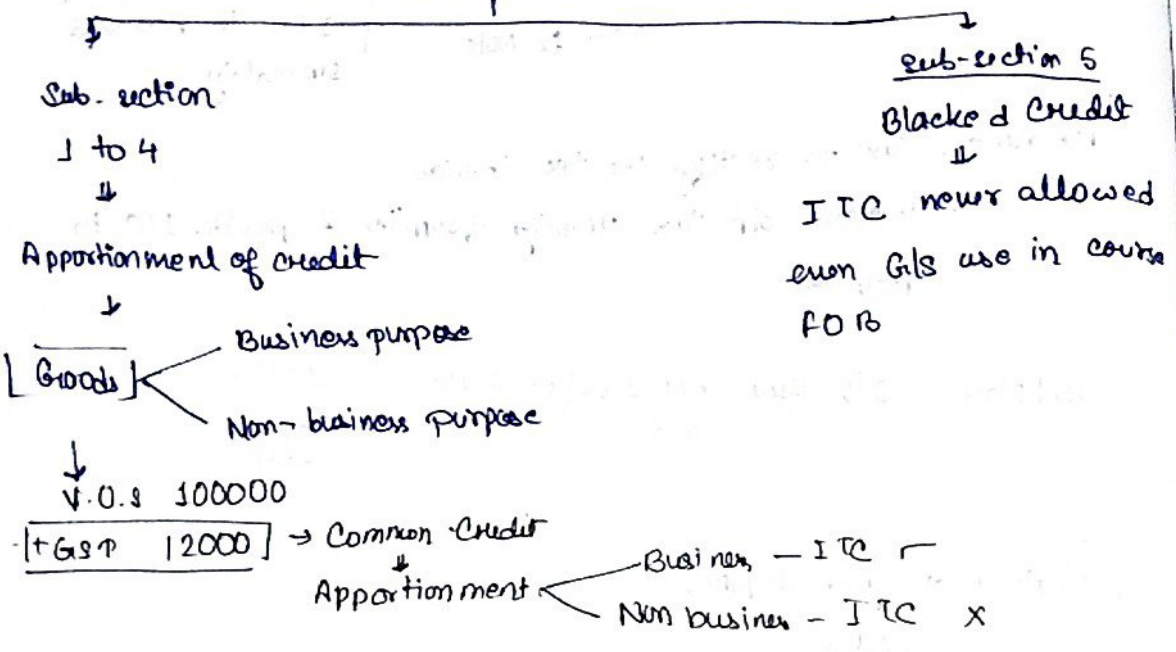
value 200kg	20000
+ GST	<u>2400</u>
	22400

Gov inv issue = 26/3/24 (FY 23-24) → 30/11 of next FY i.e. 30/11/24
 ↳ JTC last date → AR of FY 23-24

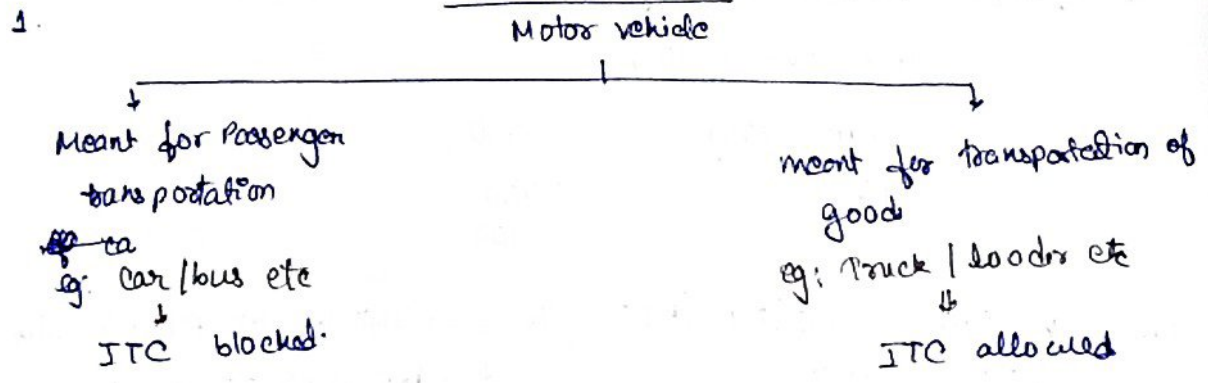
Dr note issue = 6/4/24 (FY 24-25)

↳ JTC last date → 30/11 of next FY i.e. 30/11/25
 ↳ AR of FY 24-25

Section 17



Blocked Credit
Motor vehicle



except:

- MV selling capacity more than 13 person including driver.
- MV purchase for moving further supply
eg: car dealer.

- MV purchase for driving school.
- MV purchase for providing passenger transportation service
eg: Taxi business.

eg: Reliance Ltd purch. following MV for EEs & CFO transp.

1. Car - seating capacity 5 person } NO ITC.
2. Car - seating capacity 2 person. }
3. Mini Bus → seating capacity = 13 person - NO ITC
4. → seating capacity = 15 person. - ITC

eg: Mukesh purch 15 cars for purchase of selling.
seating capacity = 5 person → ITC allowed

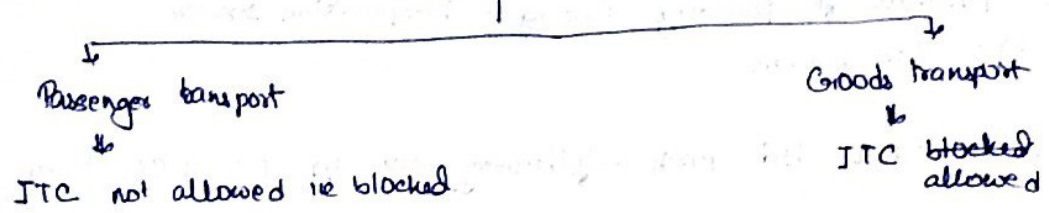
eg: Mukesh car for running it on hire (ie Taxi) - ITC allowed.

Following are [Not considered as MV] & hence ITC allow.

1. Train.
2. 2 or 3 wheeler vehicle with less than 25cc engine.
3. Special purpose vehicle which is used within the premises eg: Fork lift.

2.

Vessel / Aircraft



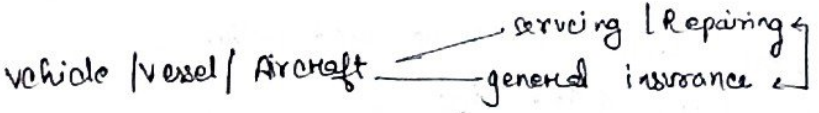
except in following cases ITC allowed

1. Purchased for further supply.
2. purchased for providing passenger transportation service.
eg: Aircraft purchase by Air India → ITC allowed.
3. Vessel purchase for providing Navigation Training.
4. Aircraft purchased for providing flying training.

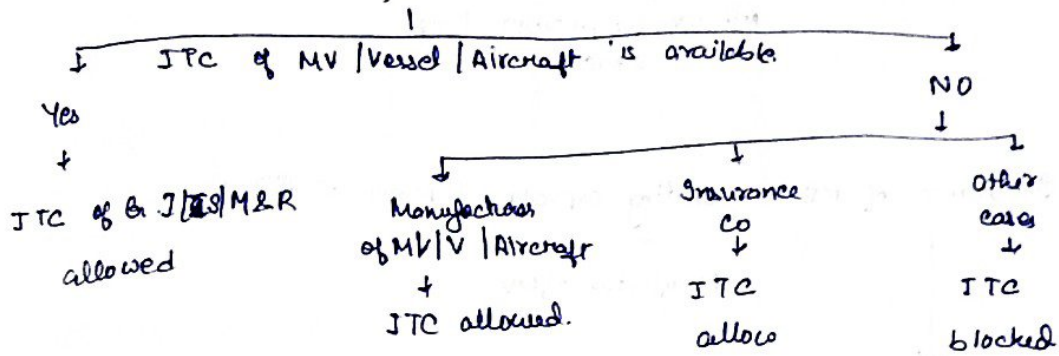
eg: Mukesh Ambani purchase yacht for Nita Ambani — No ITC
 ↳ vessel for exporting his goods to Sri Lanka → ITC allowed.

Reliance — jet purchase for transportation of Mukesh Ambani
 for various Business meetings in Abroad

↓
 No ITC allowed



3. General Insurance
 Service And Repair / Maintenance
 of Motor vehicle / vessel / Aircraft



eg:

Analysis

JTC of MV / vessel / Aircraft is allowed

Manufacturer of MV / vessel / Aircraft

Insurance Available for further supply of Insurance

ed.

✓

JTC

x

✓

JTC

x

x

✓

JTC

x

x

x

No JTC

Insurance MV — seating capacity = 5 person — blocked
+ seating capacity = 5 person — ITC allowed
+
MV use for passenger transport service.

Insurance of MV → seating capacity = 5 person → Allowed.
+
Manufacturer of MV

↓
Seating capacity = 5 person.
+
Insurance service avail for further supply of Insurance } ITC allowed

4. No ITC is allowed for following goods & services.

Khana - khazana.

- food & beverage
- outdoor catering

Sundarita

- Beauty treatment
- health services
- Cosmetic & plastic surgery

AB
at:

Ghumna Jina

Renting / leasing of MV / Vessel / Aircraft

Sukaksha.

Life insurance

Health insurance

Normally ITC is not allowed However ITC is allowed in following 2 cases

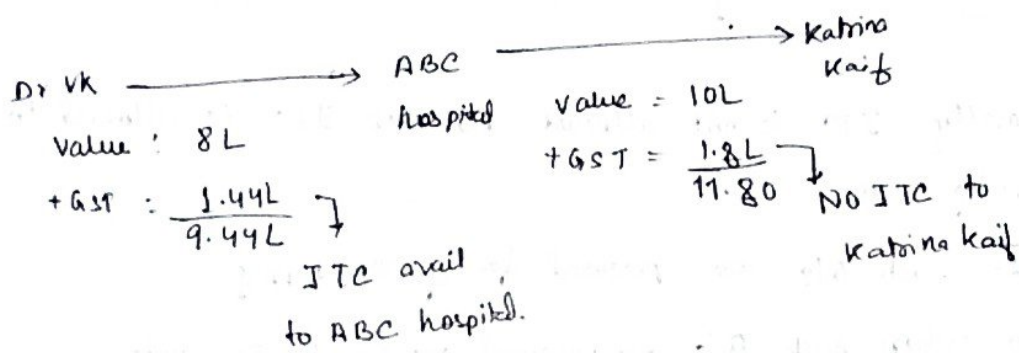
1. Such B/s are procured for further supply
2. When such B/s are procured by Es for Ec under statutory obligation.

eg: Pw avail outdoor catering services from XYZ caterer on the occasion.

XYZ caterer avail the service of ABC caterer in order to provide service to Pw determine eligibility of ITC.

ABC caterer	XYZ caterer	outdoor catering	Pw
value = 400000		value 500000	
GST = 48000		+ GST 60000	
448000		560000	
	ITC available to XYZ caterer		no ITC allowed to Pw

eg Katrina Kaif avail cosmetic surgery services from ABC hospital for which, hospital charged ₹ 10L + GST @ 18%. On order to provide services to Katrina ABC hospital appointed Dr VK. Dr VK charged ₹ 8L + GST @ 18% from ABC hospital.

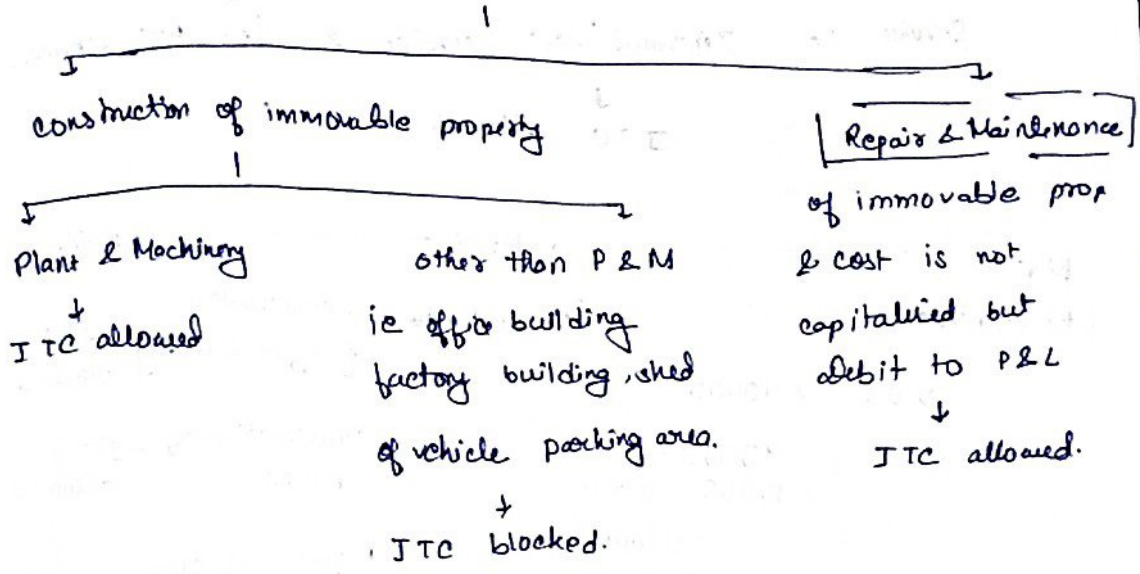


5. Membership of Club/Health/Fitness Centre (GYM/Yoga).

6. Direct Travel benefit to Ees on vacation.

On point 5 & 6, ITC shall be allowed if provided by Ex to Ec under statutory obligation.

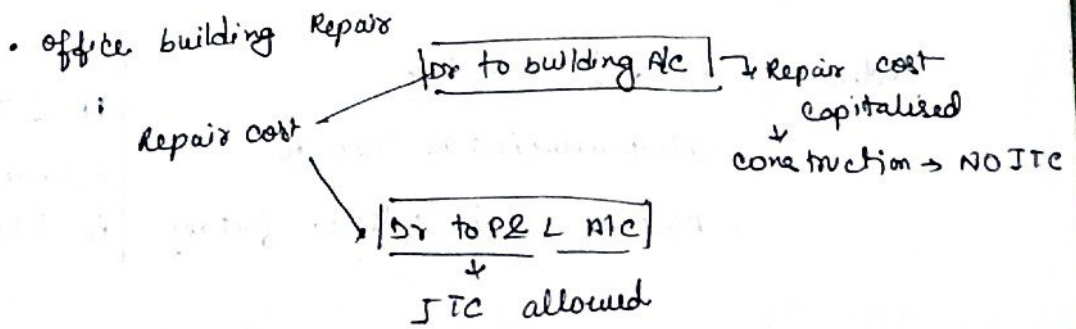
7 Work contract related to immovable property



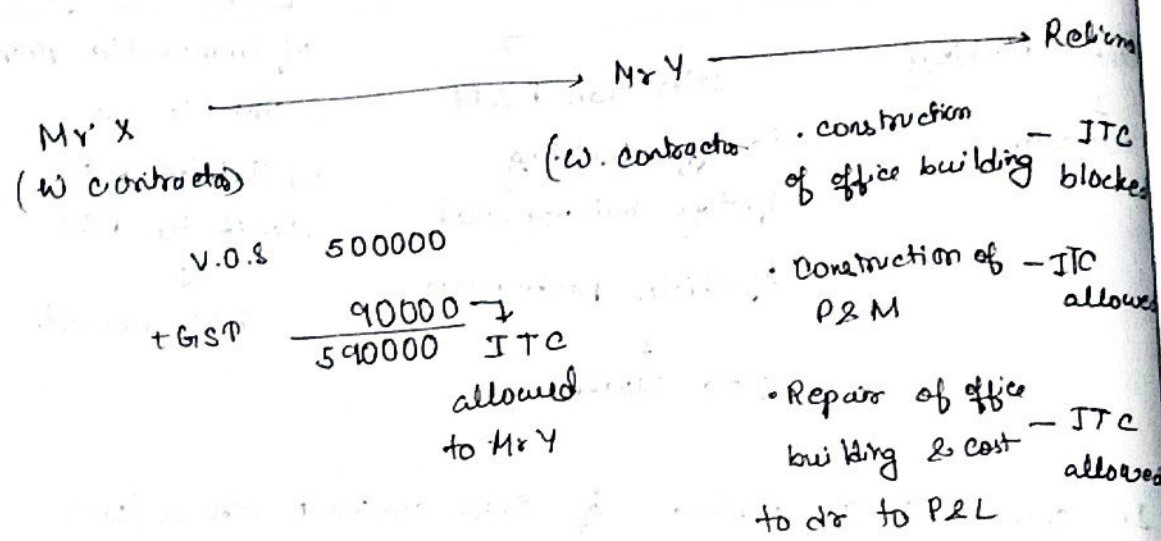
In short ITC blocked if work contract service (wc) relate to construction of Imm. property other than P&M.

w/c service

eg: office building construction ITC blocked



Note: WC service avail for further providing WC service i.e. Instead of WC service & o/w WC service
 ↓
 ITC allowed



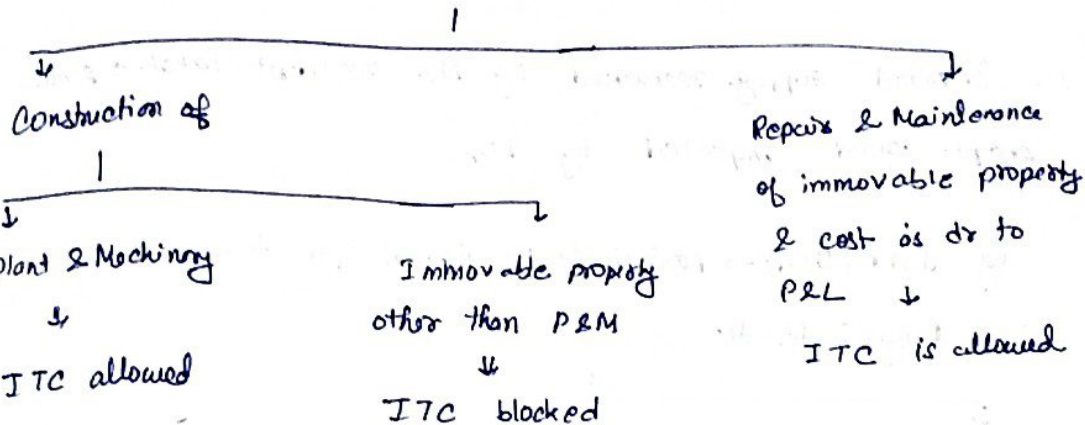
Meaning of P&M

Includes - Apparatus | equipment | Machines fixed to earth by laying above foundation. & cost of P&M includes cost of such foundation.

- exclude :
- Land & building
 - Telecommunication towers
 - Pipelines laid outside factory
- No ITC allowed i.e. blocked

8. GI
 ↓
 Constr
 ↓
 Plant &
 ↓
 ITC
 eg:-

8. Goods & services used for



eg: Cement purchase — for construction of office build — ITC blocked
— for construction of foundation — ITC allowed.
on which P&M is installed.

Architect service — for construction of office — ITC not allowed.
building

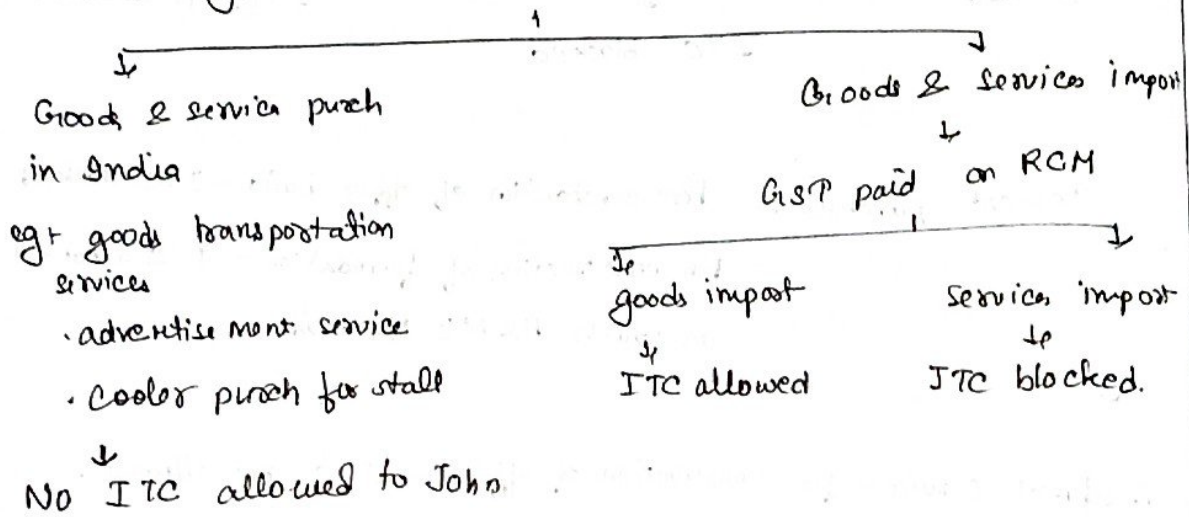
Mechanical Engineer service for design of — ITC allowed.

P&M & its installation

9. Tax paid by composition supplier on inward supply

10. Inward supply recovered by Non-resident taxable person except goods imported by him.

eg John (USA) → participate in Trade fair to be held in Pragati Maidan



11. Goods & service used for personal purpose.

12. G&S procure, which are used for or intended to use for activities relating to obligation under corporate social responsibilities

eg 100 smart phone purch & donate to orphanage
house to fulfill CSR → ITC blocked.

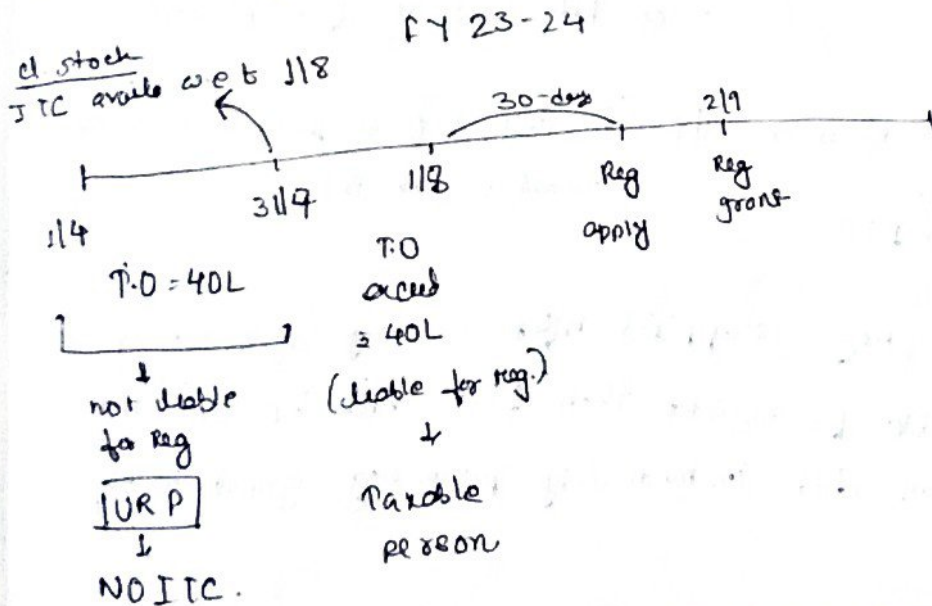
13. Goods lost | theft | damage | stolen | destroyed | written off |
distributed as sample / gift.

14. NO ITC for tax paid u/s 74/129/130
↓
Tax recovery → GST evasion.

Section 18 Special Circumstances for claiming ITC.

8.18(1)

(a) Compulsory Registration



s/8 → Taxable person but we don't have GST reg. number
ie unable to issue Tax invoice.

↓
ie unable to collect GST from customer.

[Bill of supply]
V.O.S 118000 → 100000

+ GST 18000

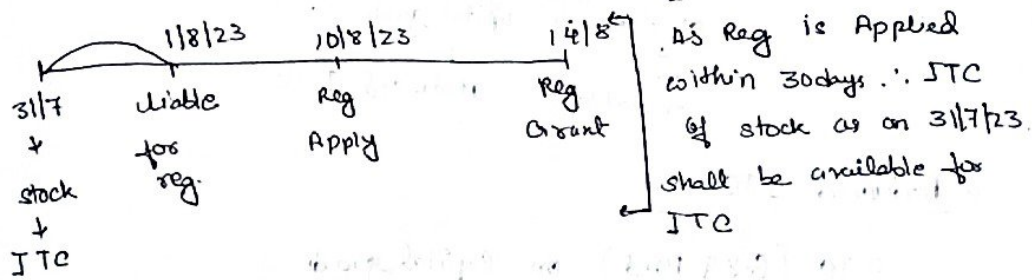
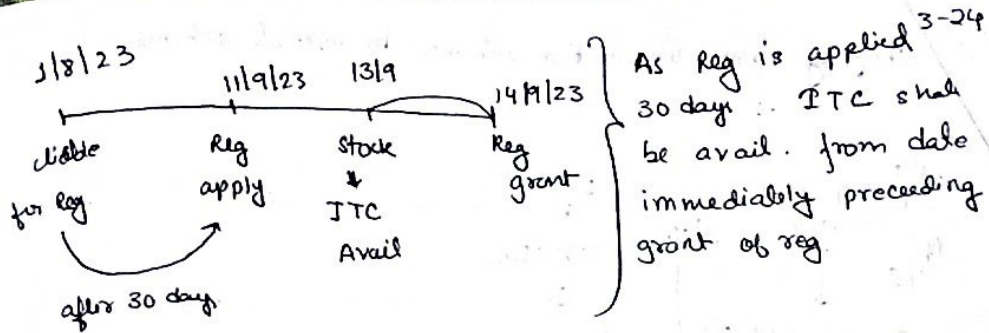
→ revised → Issue tax invoice → Reg. granted.

Stock includes • Raw material (Inputs)
• Raw material in WIP
• Raw material in FG stock

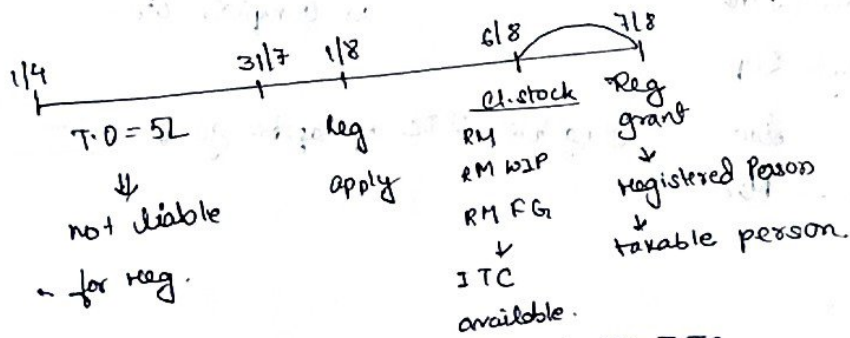
eg: shirt Mfg • 500 Mtr cloth
• 600 Mtr 70% completed shirt
• 700 Mtr in 1000 finished shirt

Capital goods as on 31/7 (ie day before person become taxable person)
↓
NO ITC

Note: If reg. is applied after 30 days of becoming liable for register then ITC shall be available from date immediately preceding grant of Reg

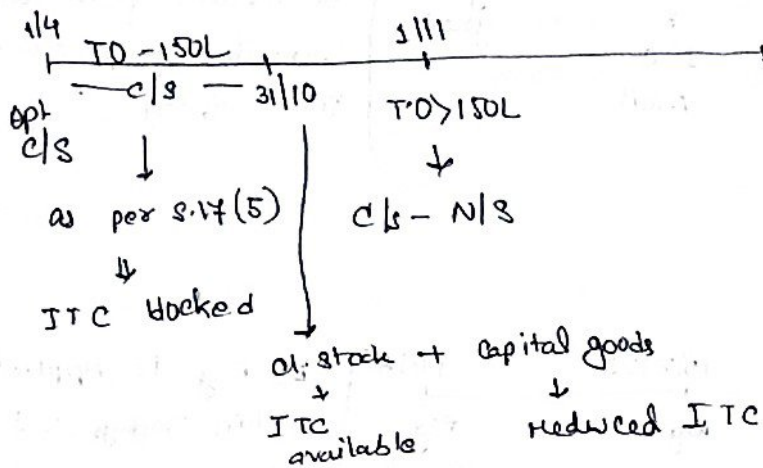


(b) Voluntary Reg. → Aap liable Nahi tha for Reg. lekin, apni marzi se apne Reg. le diya. Under GST



Note:- Capital goods as on 6/8 → NO ITC

(c) Shifting from composition scheme to normal scheme



* Reduced ITC

ITC (GSTR Paid) on Capital goods
 ↳ Reduction of 5% per ~~Qtr~~ ^{Qtr} or part thereof (→)
 ↓
 Any part of Qtr shall be considered as complete Qtr.

Qtr

April - June

July - Sep

Oct - Dec

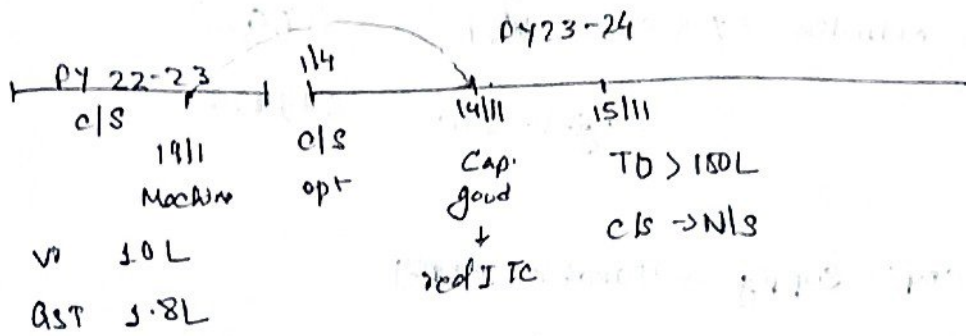
Jan - Mar.

eligible ITC of Capital good

==

eg. Mr X opted C/S in FY 22-23. As well as in 23-24
 P.O. exceed 150L as on 15/11/23.

As on 11/11/23 there was one machine which is
 purchased on 19/11/23 for 20L. 2% GST paid @ 18%.
 Calculate JTC available to Mr X in regard to that
 Machine if any



$$19/11/23 - 14/11/23 = 4 \text{ Qtrs}$$

GST paid	₹ 80000
(→) Reduction 5% x 4 Qtrs x 180000	(36000)
eligible JTC	₹ 44000

eg:-

24/7/23
Mach
↓
purchase 10/11/22
value 700000
GST 12%

25/7/23
cls - N/S
TO > 150L
ITC = 2

Solⁿ
GST paid 84000
- Reduction $5\% \times 84000 \times \frac{4}{100}$ (16800)
eligible ITC 67200

(d) Exempt supply \Rightarrow Taxable supply.
* If Reg. person engaged in making wholly exempt supply is not collecting any output tax
NO ITC available

14/12/23
↓
Cl-stock
↓
ITC available

15/12/23
↓
Exemption withdrawn
↓
New supply becomes taxable

Capital goods
↓
Reduced ITC
same as 18(1)(c)

Input / Input service / Cap. goods → exclusively use → exempt supply
 } non business } NO ITC
 } taxable person } - ITC

eg. Mr J → good X supplier = exempt = 15L
 → good Y supplier = taxable = 75L
 Agg. T.O = 90L

As T.O of Mr J exceeds 40L → takes taxable GST registration.

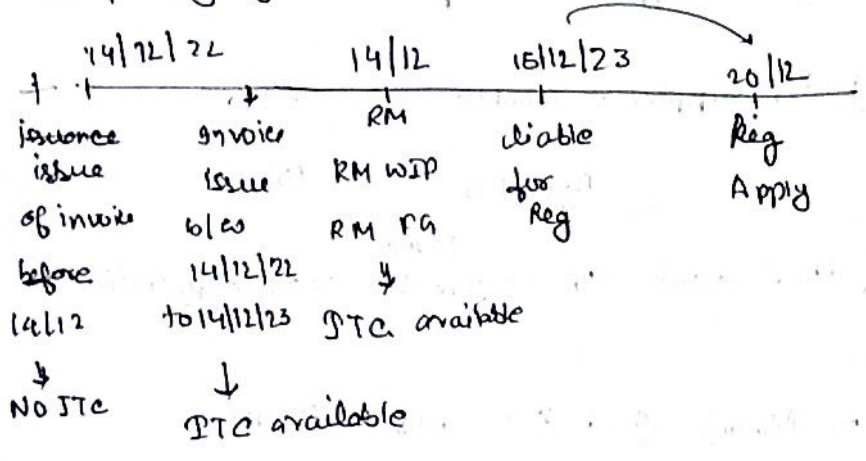
RM - P acquired to Manuf. good X → sold 700000
 ↳ value = 500000 + GST exempt 700000
 GST = $\frac{60000}{560000}$ → NO ITC

S. 18(2) Restrict the ITC of S. 18(1)

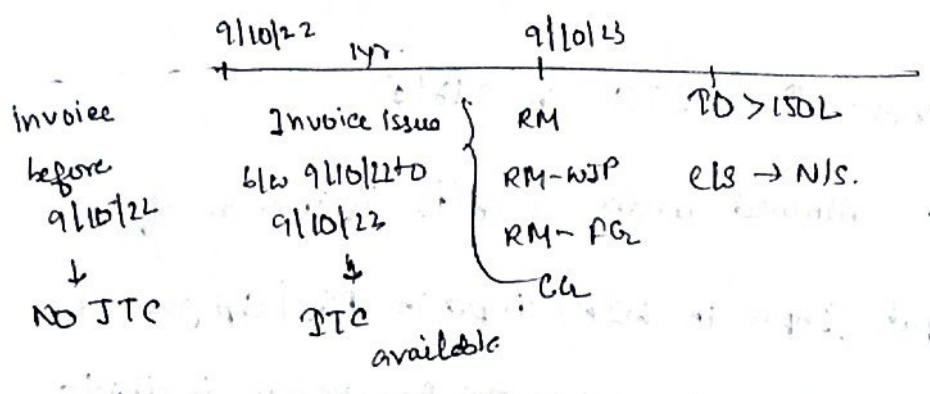
NO ITC allowed under S. 18(1) if invoice of such Input / Input in WIP / Input in FG / Cap. good is issued before 1yr from date RA Reg. person is eligible for ITC

In short → Agar Invoice ek saal se zyada purani hai to uska ITC U/s 18(2) me allow nahi hogi

Compulsory reg.



Capex



9 18(3) - Noting - There is change in constitution of business due to sale / merger / demerger / Amalgamation.

ITC unutilised with transferor shall be transferred to transferee.

ZAYKA → Restaurant

↓
owned by Town

↳ sold ZAYKA to Sameer

→ Town - Reg. cancel

→ Sameer Reg. Apply

Town - unutilised ITC = 3L

↓

Transfer to Sameer

↓

provided Town transferring all Assets as well as liabilities of business ↓

for this purpose Transferor (Town) - submit ITC-02 on

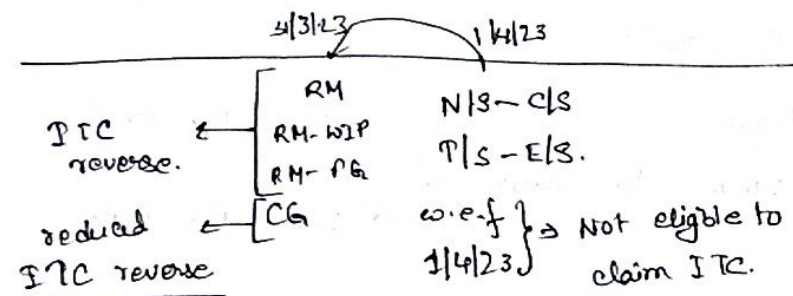
GST posted → And transferee (Sameer) - accept ITC-02

filed by Town

On Acceptance by sameer ITC of Town shall be transferred to Sameer.

S 18(4) : Shifting to Composition scheme from Normal scheme.

S 18(5) : Taxable supply now becomes exempted supply



↓
life of CG = 60m

↓
ITC pertaining to remaining life → Revenue.

↓
 $\boxed{\text{Remaining life} = 60m - \text{used life}}$

↳ part of month ignored

Asset used in N/S = 15m 25 days

remaining life = 60m - used life

= 60m - 15m 25 days

= 44m 5 days → ignored

= 44m

eg. MxX purch. mac. on 15/1/2022 for 10L & paid 18% GST
on it

on 1/4/24 MxX opted c/s

Calculate ITC to be reversed as per s. 18(4)

$$\text{used life} = 15/1/22 - 31/3/24 = 2022 = 11m \ 16d$$

$$2023 = 12m$$

$$2024 = \frac{3m}{26m + 16d}$$

option 1

$$\text{Remaining life} = 60m - 26m + 16 \text{ day} = 33m + 16d \rightarrow \text{ignore}$$

$$\therefore \text{remaining life} = 33m$$

$$\text{ITC} = 10L \times 18\% = 180000 \rightarrow 60m$$

$$\text{ITC to be reversed} = \frac{180000}{60} \times 33 = 99000$$

eg. Machine purchase \equiv GL on 15/8/2021 & GST paid 12%.

w.e. of 1/10/24 supply is wholly exempted from GST

Calculate ITC to be recovered as per s 18(5)

$$\text{used life} = 15/8/2021 - 1/10/2024 = 2021 = 4m \ 17d$$

$$2022 = 12m$$

$$2023 = 12m$$

$$2024 = 9m$$

$$\underline{\hspace{1cm}} \\ 37m \ 17 \text{ days}$$

$$\text{Remaining life} = 60m - 37m \text{ 13d}$$

$$= 22m \text{ 13d}$$

↳ ignore

$$= 22m.$$

$$\text{reversal} = \frac{6L \times 12\%}{60} \times 22 = 248 + 26400$$

Note. Restriction of s. 18(2) is not applicable u/s 18(4) & 18(5)

18(1) → ITC grant = CG reduced credit allowed
+
5% per dt & part thereof

cls = Jan'24 - Oct'24 & with Nov'24 - Nls.

GSP on Machine 180000

$$\text{ITC grant} = 180000 \times (5\% \times 40\%)$$

$$= 144000$$

~~2023 = 40%~~ 12%
2024 = 40%
↓
7% ITC
not allowed

Not
imp

Nls = Jan'24 - Oct'24 & w/e Nov'24 - cls

GSP on machine 180000

used life = 10m ⇒ Nls - ITC grant

$$\text{Remaining life} = 50m.$$

9.18 (G): Sale of Capital goods

Highest of following - Added to output tax liability

[A]
 ITC on Cap. good -
 (-) 5% profit/part thereof

[B]
 GST on transaction value
 i.e. sale value x GST rate

eg:- Machine purch ₹10L & GST paid @ 12% on 15/7/23
 & on 10/12/24 Machine sold for ₹6.50L (GST rate 12%)
 Calculate Amt payable as per sec 18(G)

Amount to be payable shall be higher of following:

(A) ITC avail (10L x 12%) 1200000
 (-) Reduction 5% profit or part thereof
 (15/7/23 to 10/12/24)

2023 = 20% 2024 = 40%

120000 x 5% x 60%	84000
	36000
	84000

(B) GST on Transaction value i.e. 650000 x 12%
 = 78000

Amt to be paid = 84000

Note: In case of Refractory bricks, mould, dies, Jigs & fixtures → Amount to be paid shall be GST on Transaction value:

ie only Option B is Applicable

Machine purchase 10L & GST @ 12% on 1/8/2018.

on 1/11/24 Machine sold 1L GST rate (12%)

used defo - 1/8/18 - 31/10/24 = 75m

remaining defo as per GST = 0.

On sale of BG, Amount to be paid by RP is as follows

(a) ITC claim

520000

(-) reduction 5% / Qtr or part thereof.

520000

Nil

(b) GST on transaction value

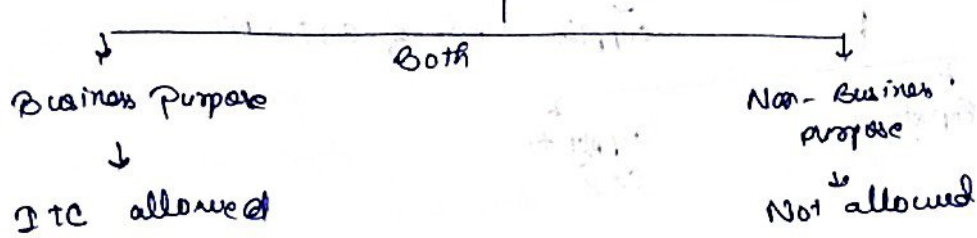
ie 1L x 12%

12000

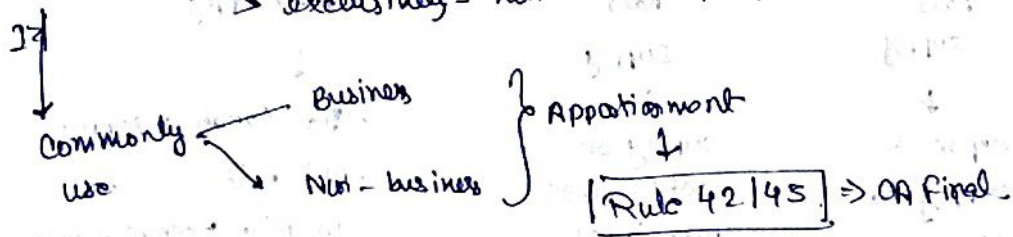
12000

GST payable = 12000

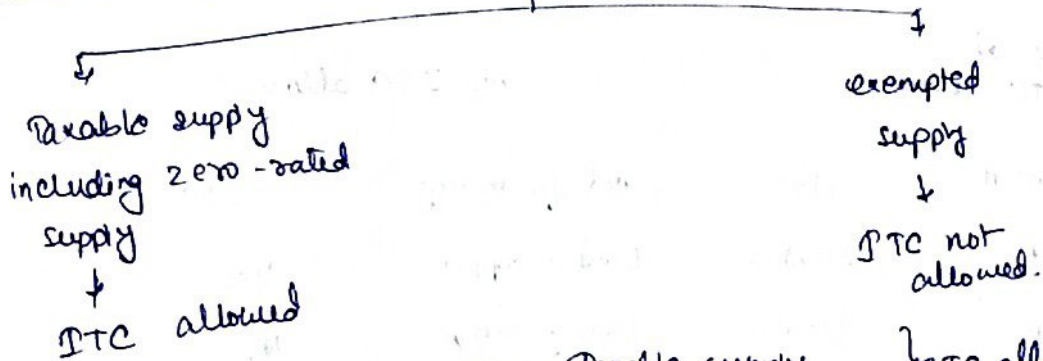
Sec 17(1) Input / Input services (CGT) → use for commonly



I / IS / CGT → exclusively - Business purpose = ITC allow
 → exclusively - non-business purpose = ITC x



Sec 17(2): I / IS / CGT → commonly use for making



I / IS / CGT → exclusively use → Taxable supply / zero-rated supply } ITC allow

I / IS / CGT → exclusively use → Exempted supply - ITC x
 + commonly use → Apportionment [R-42/43] → CA final.

zero-rated ≠ Nil rated
 ↓
 supplies - rate of GST → Nil

↓
 Export Supply to SEZ

zero rate supply
 ↓
 export & supply to SEZ
 ↓
 O/P Tax = 0

Nil rate supply
 ↓
 supply on which GST rate is Nil

Exempted rate supply
 ↓
 • Non taxable supply
 • Nil rate
 • wholly exempt supply

↓
 O/P Tax = 0

~~If~~ ITC allow

NO ITC allow.

Input	GST	used for making	ITC
A	100000	taxable supply	Yes
B	50000	wholly exempt supply	NO
C	70000	Export supply	Yes
D	55000	Nil rate supply	NO
E	120000	Both taxable & non taxable supply	Proportional ITC allow relate to H.S. Taxable supply

Sec 17(3) defines Exempt supply for purpose of 17(2)

* Non-taxable supply

* Nil rated supply

* wholly exempt supply

* out of scope supply covered under RCM

* Transaction of securities

* Sale of land & Building

↳ forcefully included so that exempt supply's turnover increase and ITC of RP will restrict.

Imp
Rule 86(B) : Restriction on Availment of ITC (Imp-)

The R.P whose taxable supply excluding exempt supply & zero rated supply in a month exceeds ₹ 50L then such

RR RP shall be allowed ITC as follows:-

- (a) ITC As per Electronic credit ledger } whichever is lower.
(b) 99% of o/p Tax liability

Mr J → Taxable T/O for m/o July = 62L → GST July @ 18%.

↳ Exempt T/O for m/o July = 10L

↳ ITC bal as per El. Credit ledger = 13L

$$\begin{aligned} \text{o/p tax on taxable supply} &= 62L \times 18\% \\ &= 1116000 \end{aligned}$$

Q/O A-86B:

o/p tax 1116000

ITC 1116000
Nil

$$\text{ITC w/d C/F} = 132 - 11.16L \\ = 1.84L \quad X$$

R-86B:

ITC = lowest of:

(a) ITC - el. cr. dedg^s = 132.

(b) 99% of o/p tax = 99% x 1116000 = 1104840.

ITC allowed = 1104840

Net Tax liability

o/p tax 1116000

- ITC 1104840

Tax payable 11160

$$\text{ITC C/F} = 1300000 - 1104840 = 195160.$$

In short - Taxable supply in a month > 50L

Max ITC = 99% of o/p tax liability

↓
ie minimum GST payable 1% of o/p Tax.

Exceptions : Cases where rule 86B shall not be applicable

1. In last 2 years income tax paid > 100000 in each yr
2. GST refund last year > 100000, due to
 - ⊕ zero-rated supply



Domestic sales = 30L
 Output GST collected = 5.40L

Net GST liability = 5.40L - 5.40L = 0

ITC refund = 9L - 5.40L = 3.60L

⊕ Imputed duty structure

- ↳ RM → GST rate = higher
- ↳ FG → GST rate = lower

⊕ If in the current financial year more than 1% of output tax liability is paid through cash ledger cumulatively upto the month in which taxable P.O exceed 50L

	April	May	June	July
Output Tax	600000	700000	900000	Taxable supply
ITC	400000	680000	810000	P.O = 70L
Cash	200000	20000	90000	

Cumulative April - June o/p Tax $\Rightarrow 6L + 7L + 9L = 22L$

o/p Tax pay in cash $\Rightarrow 2L + 0.20L + 0.90L = 3.10L$

o/p Tax in cash % = $\frac{3.10L}{22L} \times 100 = 14.09\%$

Rule 86B shall not be applicable in M10 July even though taxable P.O exceed 50L because till June RP has discharged more than 1% o/p tax liability in cash.

④ Rule 86(B) is not applicable on following person.

- ① Govt department
- ② Public sector undertakings
- ③ local authority
- ④ statutory body.

Rule practical \Rightarrow Max DTC = 99% of o/p Tax
If tax TO > 50L in month.

Rule 86(A) - covered along with payment of tax