

GST Revisionary Series

CA Intermediate

May, 2024

Lecture 7 – Input Tax Credit

CA Nishant Kumar

Income Tax Revision Schedule

| Date | Day | Topic |
|------------|----------|---|
| 01-02-2024 | Thursday | L1 - Basics of Taxation and General Tax Rates |
| 03-02-2024 | Saturday | L2 - Residence and Scope of Total Income |
| 06-02-2024 | Tuesday | L3 - Income from Salaries |
| 08-02-2024 | Thursday | L4 - Income from House Property |
| 10-02-2024 | Saturday | L5 - Profits and Gains from Business or Profession |
| 13-02-2024 | Tuesday | L6 - Capital Gains |
| 15-02-2024 | Thursday | L7 - Income from Other Sources |
| 17-02-2024 | Saturday | L8 - Clubbing of Income |
| 20-02-2024 | Tuesday | L9 - Set Off; Carry Forward of Losses |
| 22-02-2024 | Thursday | L10 - Deductions from Gross Total Income |
| 02-03-2024 | Saturday | L11 - Return Filing and Self Assessment |
| 03-03-2024 | Sunday | L12 - TDS, TCS, Advance Tax |
| 04-03-2024 | Monday | L13 - Income Tax Liability - Computation and Optimization |

GST Revision Schedule

| Date | Day | Topic |
|------------|-----------|--|
| 05-03-2024 | Tuesday | L1 - Supply Under GST |
| 07-03-2024 | Thursday | L2 - Charge Under GST; Composition Levy |
| 11-03-2024 | Monday | L3 - Place of Supply |
| 13-03-2024 | Wednesday | L4 - Exemptions from GST |
| 15-03-2024 | Friday | L5 - Time of Supply |
| 18-03-2024 | Monday | L6 - Value of Supply |
| 20-03-2024 | Wednesday | L7 - Input Tax Credit |
| 22-03-2024 | Friday | L8 - Registration Under GST |
| 25-03-2024 | Monday | L9 - Tax Invoice; Credit and Debit Notes; E-Way Bill |
| 27-03-2024 | Wednesday | L10 - Accounts and Records; TDS & TCS |
| 29-03-2024 | Friday | L11 - Payment of Tax |
| 30-03-2024 | Saturday | L12 - Returns Under GST |

Chapter 9 – Input Tax Credit

Basics – Process of Availment of ITC

| Form | Purpose | Key Points |
|---------|--|--|
| GSTR-1 | Filed by the supplier to detail outward supplies | <ul style="list-style-type: none"> Monthly filing Details outward supplies of the previous month Time limit: 11th of the next month |
| GSTR-2A | Allows recipient to see supplier's filings | <ul style="list-style-type: none"> Reflects details from GSTR-1 filed by the supplier Indicates eligibility for ITC claim on purchases Updated in real time |
| GSTR-2B | Provides a static view for the recipient | <ul style="list-style-type: none"> Reflects filings of GSTR-1 by supplier within prescribed time (by the 11th) Details only purchases eligible for ITC claim Static view, reflecting eligible ITC claims for the month Example: Purchases made in June, credited only if supplier filed on time by 11th July. Late filings are credited in the following month. |
| GSTR-3B | Monthly return for the registered person | <ul style="list-style-type: none"> Accounts for output liability and ITC Output liability from sales reduced by eligible ITC (from GSTR-2B) and difference paid to government Filed by the 20th of the next month Example: Invoice raised for services in June with GST of ₹18,000. ITC of ₹4,500 from timely-filed GSTR-1 reduces payment to ₹13,500, which is paid along with filing by 20th July. |

Basics – Process of Payment of Tax

| Ledger/Process | Description | Key Points |
|-------------------------------|---|---|
| Electronic Cash Ledger | Digital wallet on the GST Portal | <ul style="list-style-type: none"> Deposit amount to be paid from bank Used to pay balance output liability |
| Electronic Credit Ledger | Shows the amount of available ITC | <ul style="list-style-type: none"> Automatically credited with ITC amount upon GSTR-3B filing Used for payment of output tax liability Balance is NIL after payment |
| Electronic Liability Register | Reconciliation sheet showing output liability details | Shows total output liability, amount paid through ITC, and amount paid through cash |
| Process of Payment of Tax | Steps to pay tax via Electronic Ledgers | <ol style="list-style-type: none"> Identify eligible ITC from GSTR-2B Subtract ITC from output liability to find amount to pay Deposit payment in Electronic Cash Ledger File GSTR-3B, mentioning output liability, ITC availed, and cash payment |

Some Important Definitions

| Term | Definition |
|----------------------|---|
| Capital Goods | Capital goods means goods, the value of which is capitalized in the books of account of the person claiming the ITC and which are used or intended to be used in the course or furtherance of business. |
| Input | Input means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business. |
| Input Service | Input service means any service used or intended to be used by a supplier in the course or furtherance of business. |

Important Questions: Questions 1, 5, 17, 24, 25, 26, 27, 35, 52, 53, 54

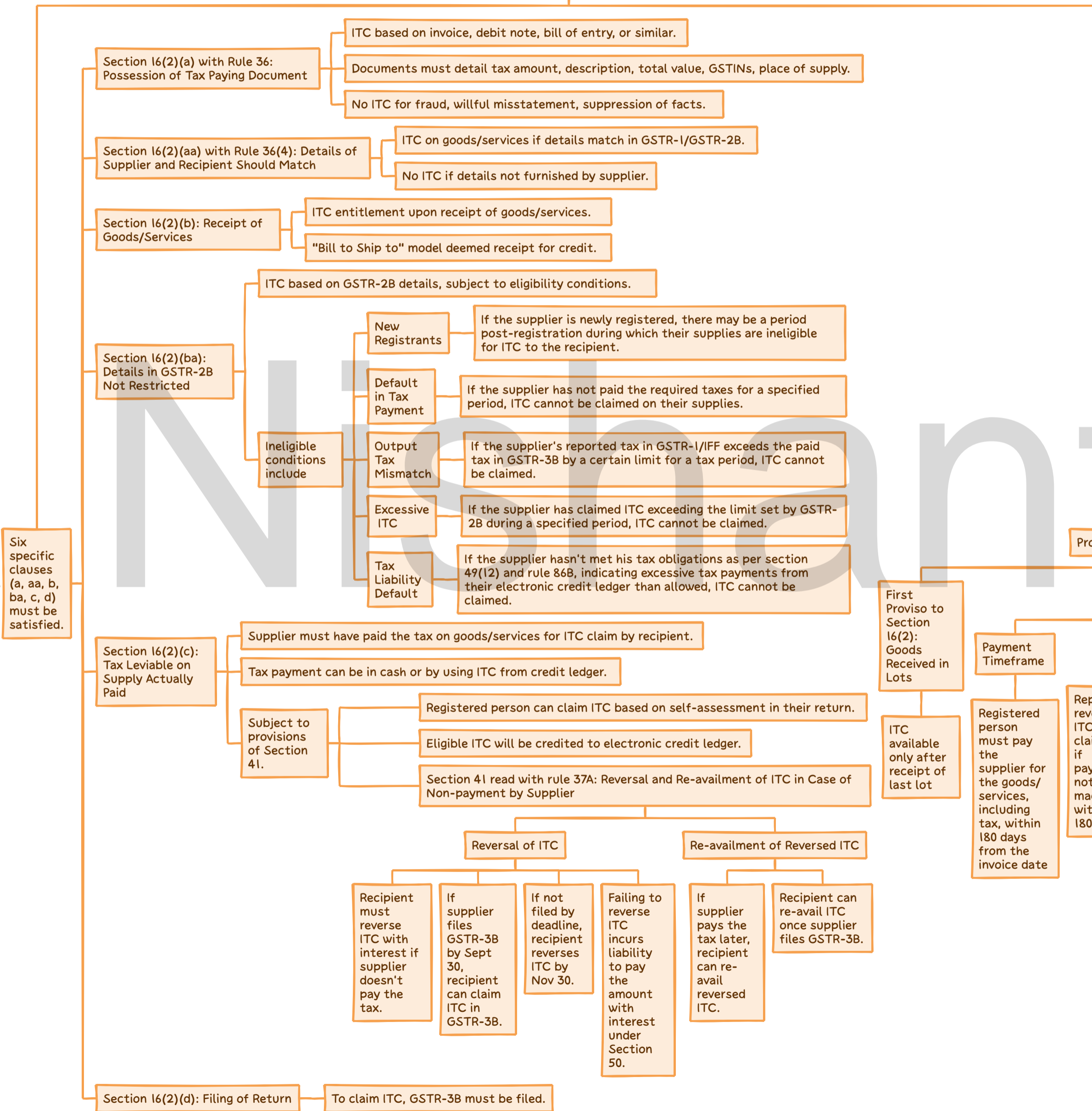
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Section 16: Eligibility for Taking Input Tax Credit (ITC)

Mandatory Requirements [Section 16(1)]

- Registration under GST is mandatory.
- ITC on inward supplies of goods/services is allowed.
- Subject to Section 49 provisions and rules conditions/restrictions.
 - Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts
- ITC available for business use or intended business use.
- ITC credited in Electronic credit ledger.

Conditions for ITC [Section 16(2)]



Six specific clauses (a, aa, b, ba, c, d) must be satisfied.

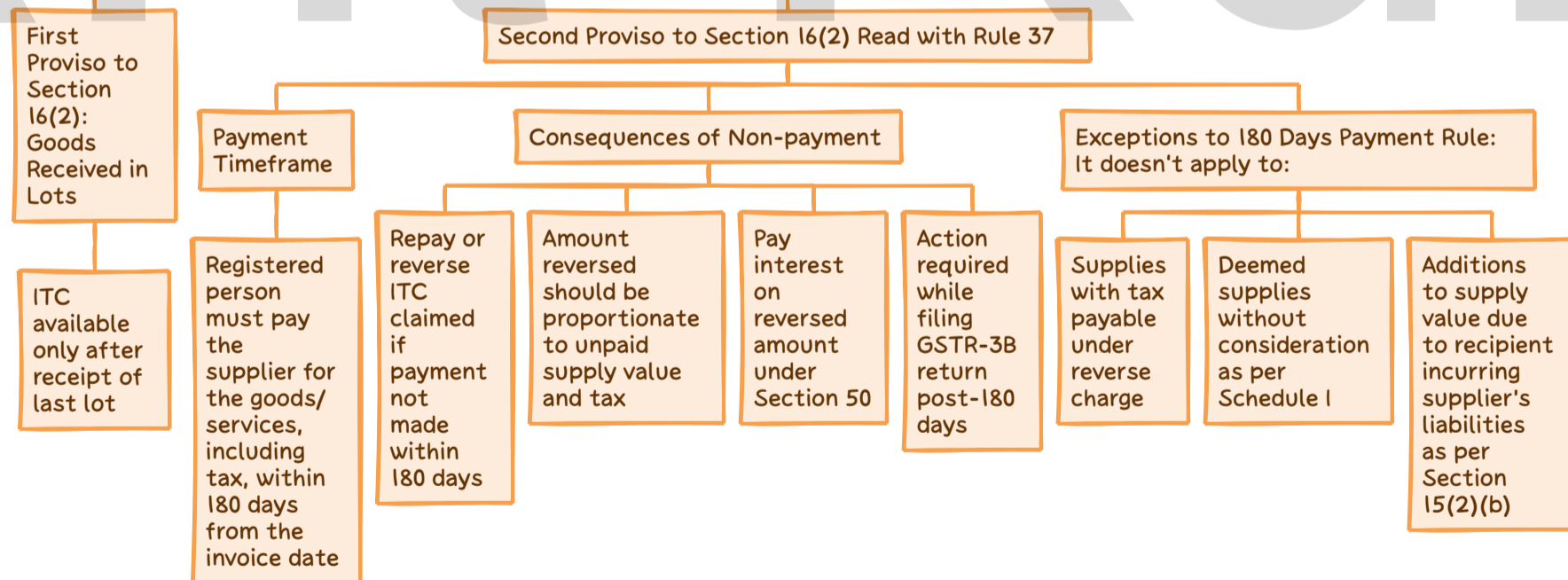
No ITC If Depreciation Claimed [Section 16(3)]

If the GST component is added to the cost of the asset and depreciation is claimed thereon, ITC would not be available

Time Limit for Availing ITC [Section 16(4)]

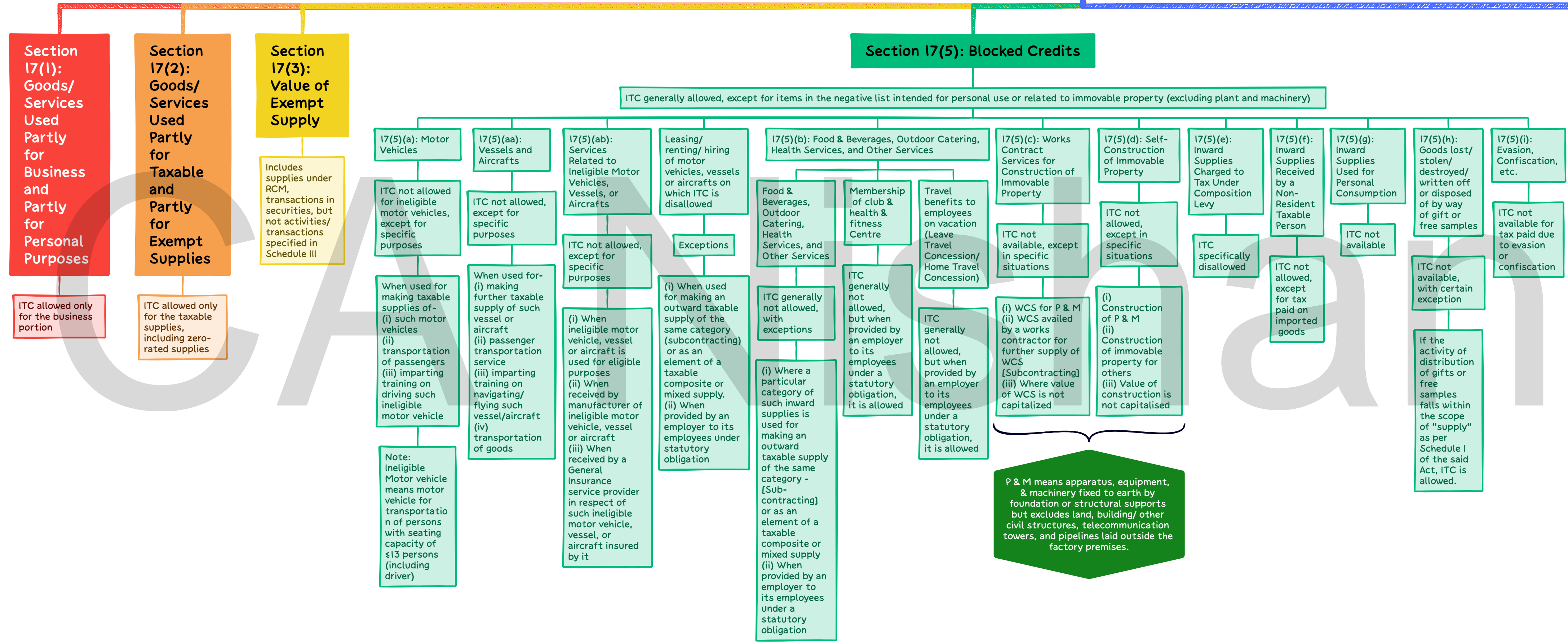
- ITC for a financial year's invoices can be claimed until Nov 30th of the succeeding financial year or the date of filing the relevant annual return
- For debit notes, the financial year for ITC claim is based on the debit note's issuance date
- Exception: Time limit does not apply when re-claiming credit previously reversed
- Re-claiming reversed ITC due to dispute resolution is not bound by the time limit

Provisos



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Section 17: Apportionment of credits and blocked credits

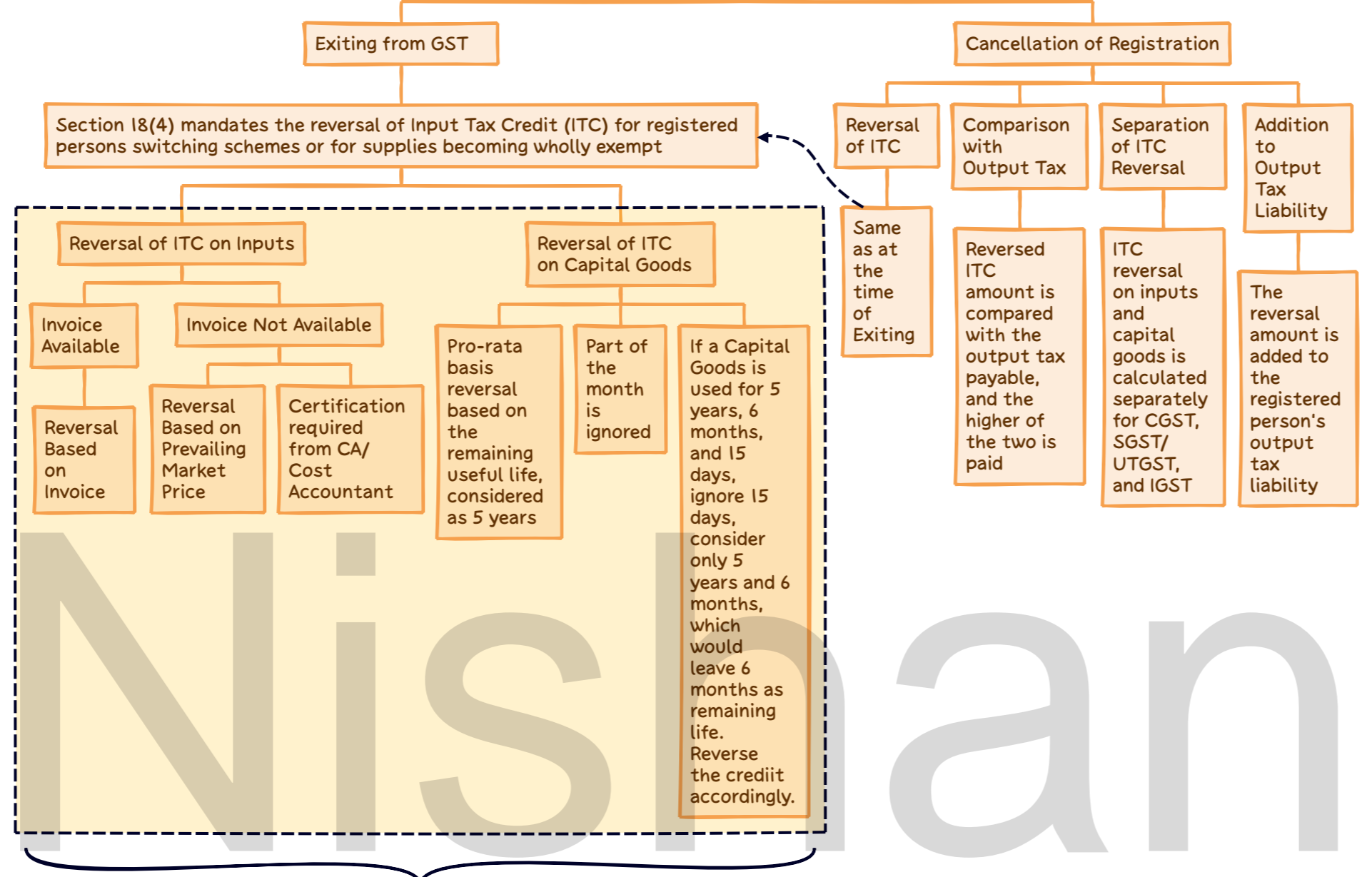


Section 18: Credit in Special Circumstances

Section 18(1)/(2) read with Rule 40: ITC Availment for Newly Registered Persons and Time Limit

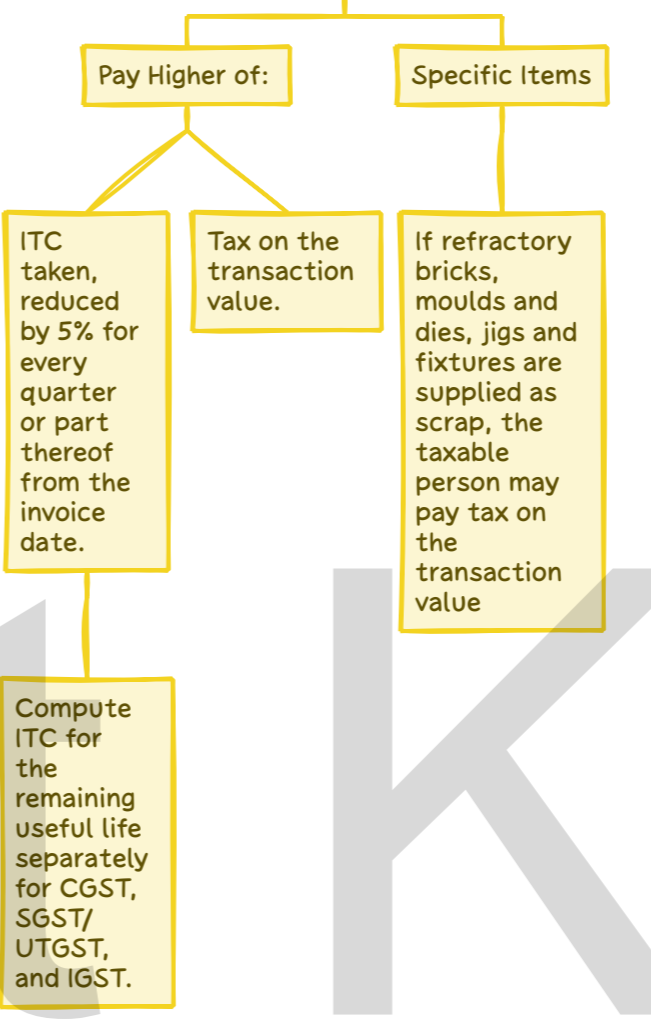
| S. No. | Persons eligible to take credit | Goods entitled to ITC | Restrictions/ Conditions |
|--------|--|--|---|
| (1) | (2) | (3) | (4) |
| 1. | Person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration | Inputs held in stock Inputs contained in semi-finished goods Inputs contained in finished goods held in stock | The day immediately preceding the date from which he becomes liable to pay tax |
| 2. | Person who is not required to register, but obtains voluntary registration | Inputs held in stock Inputs contained in semi-finished goods Inputs contained in finished goods held in stock | The day immediately preceding the date of registration |
| 3. | Registered person who ceases to pay composition tax and switches to regular scheme | Inputs held in stock Inputs contained in semi-finished goods Inputs contained in finished goods held in stock Capital goods | The day immediately preceding the date from which he becomes liable to pay tax under regular scheme |
| 4. | Registered person whose exempt supplies become taxable supplies | Inputs held in stock Inputs contained in semi-finished goods Inputs contained in finished goods held in stock Capital goods exclusively used for such exempt supply | The day immediately preceding the date from which such supply becomes taxable |

Section 18(4) Read with Rule 44: Switching from Normal Scheme to Composition Scheme or Exiting from GST

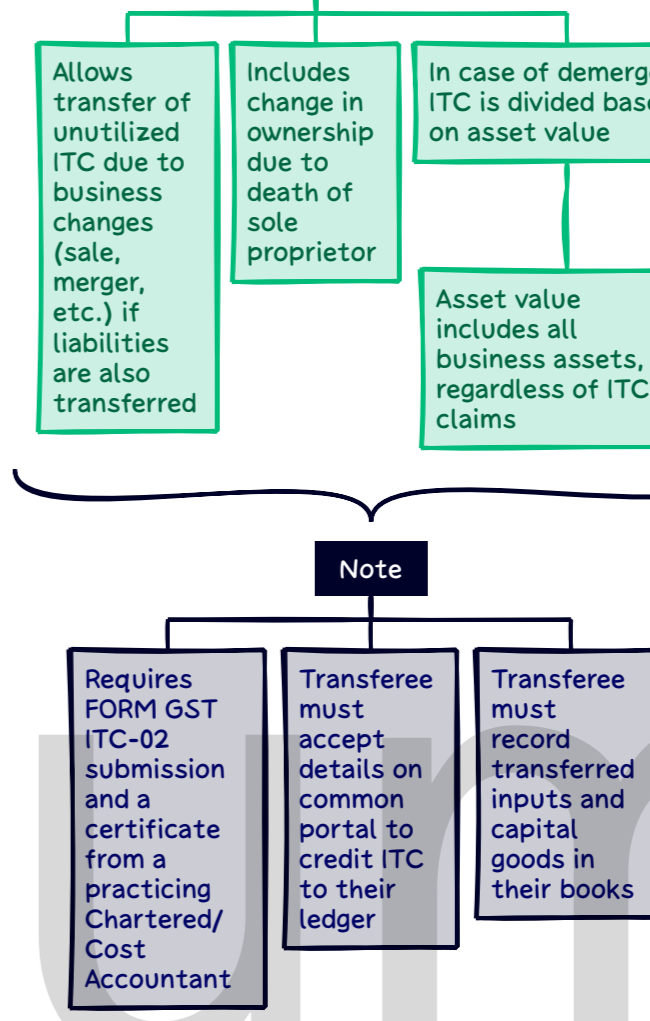


Electronic credit or cash ledger must be debited with reversal amount for stock and capital goods on the day before switching or exemption. Any remaining ITC in the electronic credit ledger will lapse.

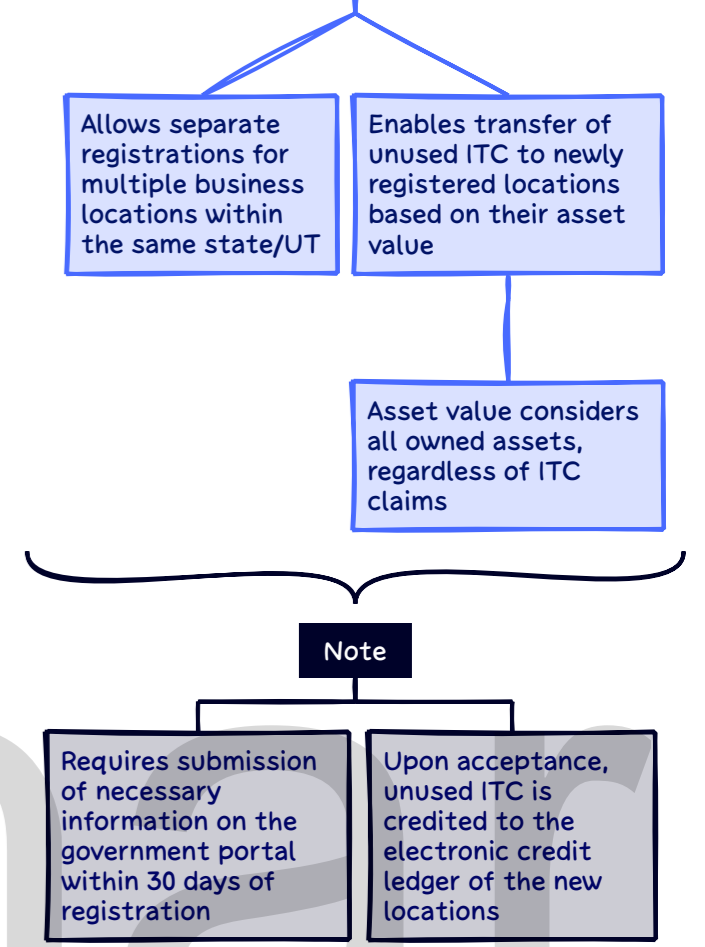
Section 18(6) read with Rule 40(2) and Rule 44(6): Amount Payable on Supply of Capital Goods or Plant and Machinery on Which ITC Has Been Taken



Section 18(3) read with Rule 41: Transfer of ITC on Account of Change in Constitution of Registered Person



Rule 41A: Transfer of ITC on Obtaining Separate Registrations for Multiple Places of Business Within a State/Union Territory



Note

- When a registered individual becomes eligible to claim Input Tax Credit (ITC), they must submit an electronic declaration in FORM GST ITC-01 via the common portal
- This declaration should include details of inputs, semi-finished or finished goods in stock, and capital goods as specified
- It must be filed within 30 days from eligibility, a period extendable by relevant tax authorities.
- Additionally, if the total ITC claim across CGST, SGST/UTGST, and IGST exceeds ₹2,00,000, the declaration needs certification from a practicing Chartered Accountant or Cost Accountant.