

Input Tax Credit

All Last Day Questions – Sept 25 / Dec 25 / Jan 26

Super Revision Series -

<https://www.youtube.com/playlist?list=PLpJVh7Fa6YKb0ZYpfyLallggsTTzJN5Am>

Question 1

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P., for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros. Note: All the parties are registered under GST and rate of GST is 18%.

Answer

One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose direction the goods are delivered to a third person even though the registered person does not receive the goods by itself.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person). Therefore, in view of the above



provisions, ITC of ₹ 2,250 ($₹50 \times 250 \times 18\%$) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of ₹ 2,700 ($₹ 60 \times 250 \times 18\%$) on the purchase of 250 kg of plastic granules @ 60 per kg.

Question 2

XYZ Ltd., registered under GST, is engaged in manufacture of taxable goods. Compute the ITC that can be availed by XYZ Ltd. for the month of October from the following particulars:-

S. No.	Inward supplies	GST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20th January on which GST payable was ₹ 50,000 was missing and has been found in October



Answer

Note:

- (i) *Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.*
- (ii) *The annual return for the previous financial year was filed on 15th September.*

Solution:

Computation of ITC that can be availed by XYZ Ltd. for the month of October

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
(ii)	Inputs 'B' [When inputs are received in lots, ITC can be availed only on receipt of last lot-First proviso to section 16(2)]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component - Section 16(3)]	Nil
(iv)	Input services [As per section 16(4), ITC on an invoice cannot be availed after 30th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15th September (prior to 30th November), ITC on the invoice pertaining to previous financial year cannot be availed after 15th September]	1,75,000
	Total ITC	2,65,000



Question 3

Granites Textiles Ltd. purchased a needle detecting machine on 8th July, 2023 from Makhija Engineering Works Ltd. for Rs 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2024 for Rs 7,50,000 (excluding GST), as second hand machine to LT. Pvt. Ltd. The GST rate on supply of machine is 18%.

State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine.

Answer

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:

- (a) input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or
- (b) tax on transaction value.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

Particulars	Rs	Rs
Input tax credit taken on the machine (Rs 10,00,000 X 18%)		1,80,000



Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	27,000	54,000
(i) For the year 2023-24 = (Rs 1,80,000 X 5%) X 3 quarters	27,000	
(ii) For the year 2024-25 = (Rs 1,80,000 X 5%) X 3 quarters		
Amount required to be paid (A)		1,26,000
Duty leviable on transaction value (Rs 7,50,000 X 18%) (B)		1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)		1,35,000

Question 4

M/s X Ltd. delivered a machine to M/s Y Ltd. in January 2018 under Invoice No. 180 dated 21st January for Rs 5,00,000 plus GST, and undertook trial runs and calibration of the same machine as per the requirements of M/s Y Ltd. The amount chargeable for the past delivery activities were covered in a debit note raised in May 2018 for Rs1,25,000 plus GST. M/s Y Ltd did not file its annual return till October 2018. Find the time limit u/s 16(4) of the CGST Act, 2017 within which input tax credit can be availed by M/s Y Ltd.

Answer

<p>1] As per section 16(4) of the CGST Act, 2017, a RP can avail the ITC on (before the earlier of the following):</p> <ol style="list-style-type: none"> 1) 30 Nov of the subsequent FY. 2) Actual date of filing Annual Return. <p>2] As per the provisions, the due date of claiming ITC would be considered independently for the invoice & for the debit note.</p> <p><u>Facts & Analysis</u></p> <p>i) In the present case, a RP [i.e. M/s X Ltd] purchased a machine having an invoice in the month of Jan 2018.</p> <p>Also, such RP has not filed the Annual Return & thus, the time limit for</p>	<p>availing the ITC would be 30 Nov 2018.</p> <p>2) Further, debit note was raised in the month of May 2018 i.e. in FY 18-19.</p> <p>Thus, the time limit to avail the ITC would be 30 Nov 2019</p> <p><u>Conclusion</u></p> <p>The time limit to avail the ITC in case of</p> <ul style="list-style-type: none"> • Invoice → 30 Nov 2018 • Debit Note → 30 Nov 2019. <p>_____ X _____</p>
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Question 5

DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2025. The turnover of DEF Pvt. Ltd. was 3.2 crores in last financial year.

S. No.	Particulars	Amount (₹)
1.	Intra State supply of taxable goods	5,20,000
2.	F Ltd. of Mumbai (unregistered) had promised to DEF Pvt. Ltd. in Oct 23 to complete contract within 3 months, but they were not able to complete committed contract, so DEF Pvt. Ltd. received consideration for non-performance of contract on time as decided by pre written agreement.	2,00,000
3.	DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (registered in Delhi) in the economy class from Bagdogra (West Bengal) to Pune Maharashtra.	20,000
4.	DEF Pvt. had purchased goods worth 5,00,000 from R Ltd. (registered in Gujarat) on 15.03.2024. Now R Ltd. issued debit note on 15.01.2025 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales.	25,000
5.	DEF Pvt. Ltd. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (registered in New Delhi)	10,00,000
6.	DEF Pvt. Ltd. had provided service to Mr. Y (registered in Punjab) to organise business exhibition in Dubai.	5,00,000
7.	Inter-State supply of service	10,00,000
8.	Amount towards receipt of intra State services	6,00,000
9.	Purchase of confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt. Ltd.	1,00,000



Opening balance of Input Tax credit at the beginning of Jan 2024,

CGST ₹25,000

SGST ₹25,000

IGST ₹30,000

Additional Information:

(1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.

(2) Both inward and outward supplies are exclusive of taxes, wherever applicable.

[3] All the conditions necessary for availing the ITC have been fulfilled. From the information given above, compute the output tax liability and input tax credit available to DEF Pvt, for the month of January, 2025. Make suitable assumptions wherever required. (PYP 10 Marks Sep 24)



Answer**Computation of output tax liability of DEF Pvt. Ltd. for January, 2025**

Particulars	Value (₹)	CGST @9% (₹)	SGST @9% (₹)	IGST @ 18% (₹)
<i>Output tax payable</i>				
<i>Intra-State supply of taxable goods¹</i>	5,00,000	45,000	45,000	
<i>Consideration for non-performance of contract [Being 'liquidated damages', they are not the consideration for Tolerating the non-performance of the contract. Hence, not a supply]</i>	2,00,000	-	-	
<i>Service of booking of flight tickets² [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt.]</i>	20,000			3,600



Further, the place of supply of services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter-State supply.]				
Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.]	10,00,000	-	-	
Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.]	5,00,000	-	-	
Inter-State supply of service ²	10,00,000	-	-	1,80,000
Total output tax liability		45,000	45,000	1,83,600

**(ii) Computation of input tax credit available to DEF Pvt. Ltd.
for January, 2025**

Particulars	Value (₹)	CGST @9% (₹)	SGST @9% (₹)	IGST @ 18% (₹)
Opening balance		25,000	25,000	30,000



Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.]	25,000			4,500
Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.]	6,00,000	54,000	54,000	
Purchase of confectionery items [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply.]	1,00,000	-	-	
Total		79,000	79,000	34,500



- ¹ Intra-State supply of taxable goods has been logically considered as outward supply in the above solution.
- ² It has been assumed that entire 20,000 represents the service fee/ convenience fee charged by DEF Pvt. Ltd.
- ³ Inter-State supply of service has been logically considered as outward supply in the above solution.

