



**Sec 2(59) Input :** Means any goods used/ intended to be used by supplier, in the course / furtherance of business.(other than Capital Goods)

**Sec 2(60) Input Service :** Means any service used/ intended to be used by supplier, in the course / furtherance of business.

**Sec 2(19) Capital Goods :** Means goods, the value of which is capitalised in the book of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business

**Sec 2(62) "Input Tax":-** 1) CGST/SGST/UTGST/IGST charged on any supply of goods or services or both made to him (Inward Supply)  
2) the IGST charged on import of goods  
3) the tax payable under the RCM  
*but does not include the tax paid under the composition levy*

**Sec 2(82) "Output Tax":** "Output tax" in relation to a taxable person, means the tax chargeable under this Act on  
⇒ taxable supply ⇒ of goods or services or both  
⇒ made by him or by his agent  
*but excludes tax payable by him on reverse charge basis.*

## Sec 16 : Eligibility & Conditions for ITC

### 1) Eligibility criteria-

- ⇒ **Person**= Registered,
- ⇒ **Supply**= Used/Intended to be used in course / furtherance of his business

### 2) Conditions for availment of ITC:- (Overriding sec 16)

- |      |  |
|------|--|
| a)   | He is in possession of a Tax Invoice/debit note  |
| aa)  | the details of the invoice or debit note has been furnished by the supplier in GSTR -1 and such details have been updated in GSTR - 2B of recipient.   |
| b)   | He has received the Goods/Services/Both<br>(For Bill to Ship to- it shall be deemed to be received<br>⇒ Goods- When goods are delivered by supplier<br>⇒ Services- When services are provided  |
| (ba) | The details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted  |
| c)   | Tax charged on such supply= has been actually paid to Govt. by the supplier  |
| d)   | He has furnished return u/s 39<br><b>Proviso 1 :- ITC if Goods are received in Lot :-</b> Where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment<br><b>Proviso 2:- Payment for the invoice to be made within 180 days (Rule 37)</b><br><b>1. Default :-</b> Failure by Recipient to pay (wholly or partly) to the supplier the within 180 days from Invoice date.<br><b>2. Consequence :-</b> Amount equal to the ITC availed proportionate to amount not paid to supplier shall be paid by him along with interest payable u/s 50.<br><b>3. Details to be furnished :-</b> Details of defaulted supply, value not paid, ITC availed to be mentioned in FORM GSTR-3B for the month immediately after the expiry of 180 days from Invoice date.<br><b>4. Regain of Credit :-</b> Regain when payment is made to supplier (below time limit N.A. for regaining of ITC)<br><b>5. Non Applicability :-</b> This provision not applicable<br>a) Tax payable under RCM    b) Deemed supplies without consideration [Sch.1]<br>c) Value of supplies on account as per sec 15(2)(b) |

### Rule 36- Documents Requirement :-

- 1) ITC availed on the basis of following docs.- Invoice by supplier/ Invoice by recipient (RCM)/ Debit note/ Bill of entry/ Revised Invoice/ Docs. by ISD.
- 2) **Mandatory Requirement in Invoice** - Details of tax, descriptions of goods or service, value of supply, GSTIN & place of supply.
- 3) **No ITC**- if tax has been paid & demand is confirmed because of fraud etc.
- 4) **No input tax credit** shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under section 37(1) unless,-  
(a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the IFF; and  
(b) the details of **input tax credit in respect of** such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B.

### SEC 38 : FURNISHING DETAILS OF INWARD SUPPLIES & INPUT TAX CREDIT

- ⇒ ITC not available under section 38 as per GSTR - 2B if the supplier
  - Is having new registration (upto the prescribed time period)
  - has defaulted in tax payment and default has continued for the prescribed time period
  - has tax paid in GSTR-3B lower than output tax shown in GSTR-1 by the prescribed limit
  - has taken more ITC in GSTR -2B than in GSTR - 2B than in GSTR - 3B by the prescribed limit
  - has paid higher proportion of taxes from his credit than what is allowed as per law
  - other notified persons

### 3) When depreciation is claimed on tax component-

Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961,  
**the input tax credit on the said tax component shall not be allowed.**

### 4) Time limit of availing ITC-

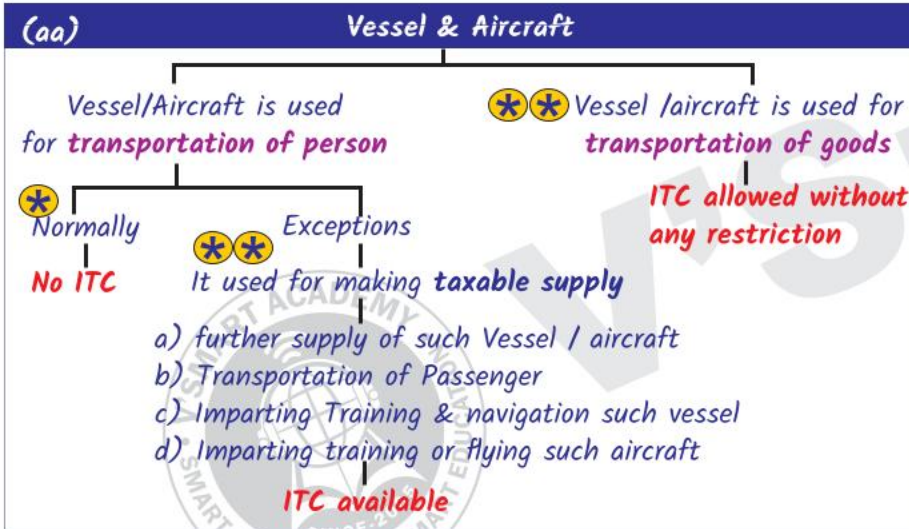
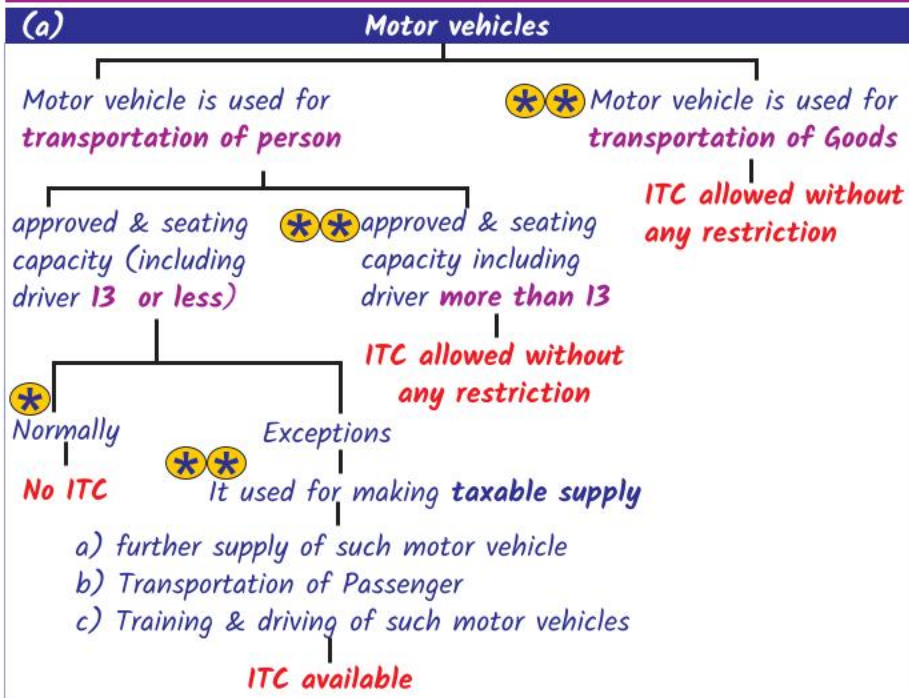
A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both  
⇒ after the **30th day of November** following the end of financial year to which such invoice or debit note pertains or  
⇒ **furnishing of the relevant annual return, whichever is earlier.**

### Sec 41 :- Claim of ITC and Provisional acceptance thereof

The taxpayer shall self-assess and claim ITC in GSTR 3B. It further provides that in case the taxpayer has claimed ITC of GST which is not paid/ deposited by the corresponding supplier, than the taxpayer / recipient shall reverse the ITC along with interest. The recipient shall be eligible to re-claim the ITC reversed, on payment of GST by the supplier.

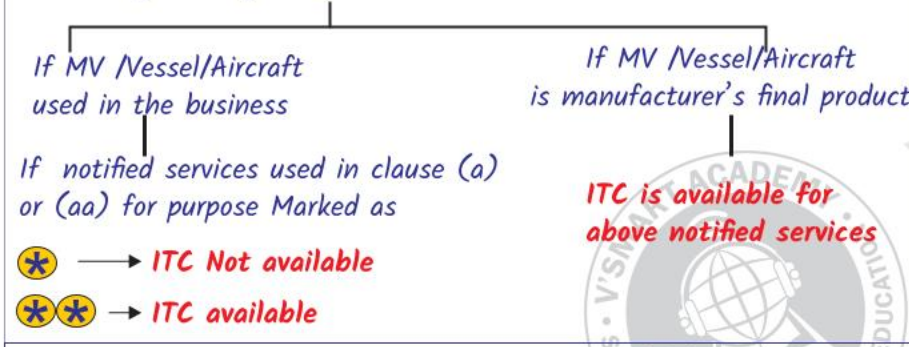
### Rule 37A: Reversal of ITC in the case of non-payment of tax by the supplier and reavailment thereof:-

- ⇒ If the registered person has availed ITC & supplier furnished his GSTR 1 & if supplier has not furnished outward supplies in GSTR 3B till the 30th Sep, then the registered person shall reverse ITC in form GSTR 3B on or before 30th Nov following the end of FY.
- ⇒ If ITC is not reversed by Registered person, then amount shall be payable with interest u/s 50
- ⇒ If supplier furnishes GSTR 3B subsequently, registered person may re avail the amount of ITC.

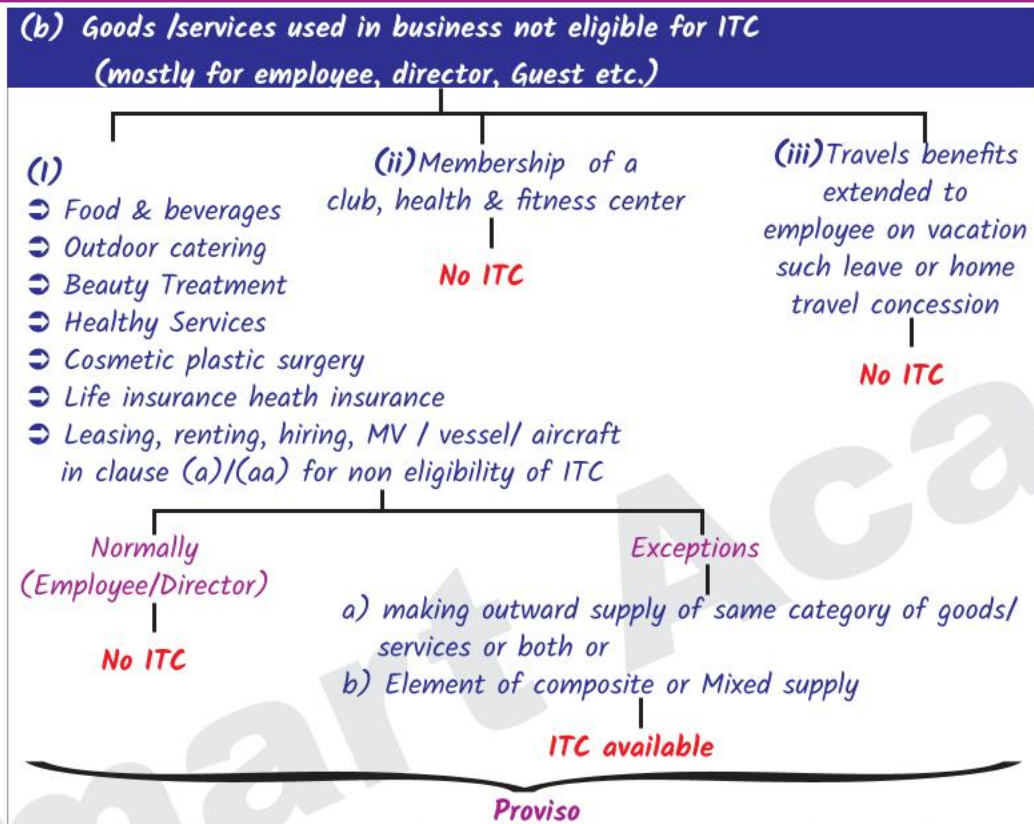


**Clause (ab) If notified services are used for such Motor Vehicle/ Vessels/Aircraft**

- following Notified service used for such motor vehicles/vessels/aircraft
- General insurance
  - Servicing
  - Repairs & Maintenance
  - Leasing/Renting/hiring (covered in clause (b))

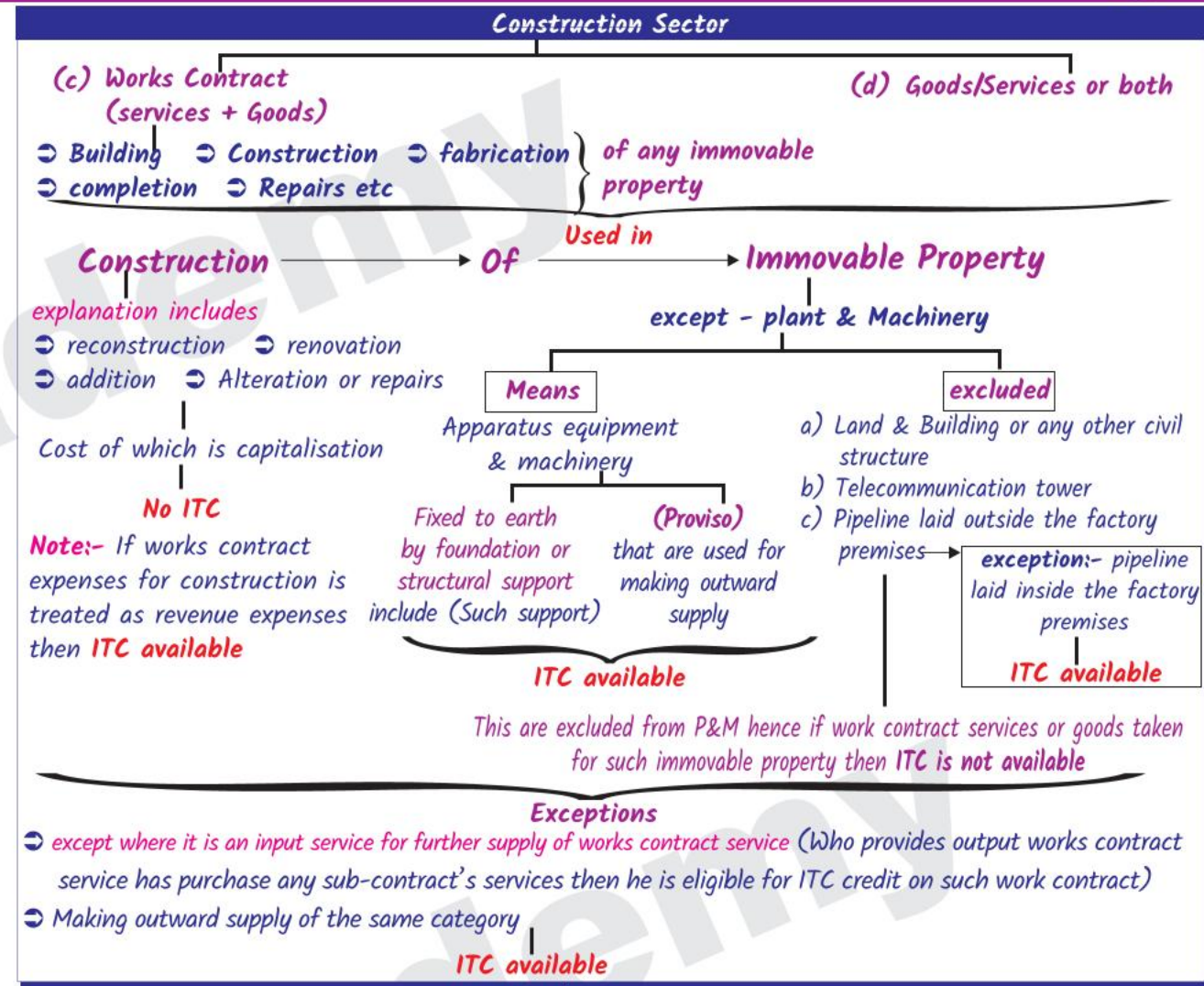
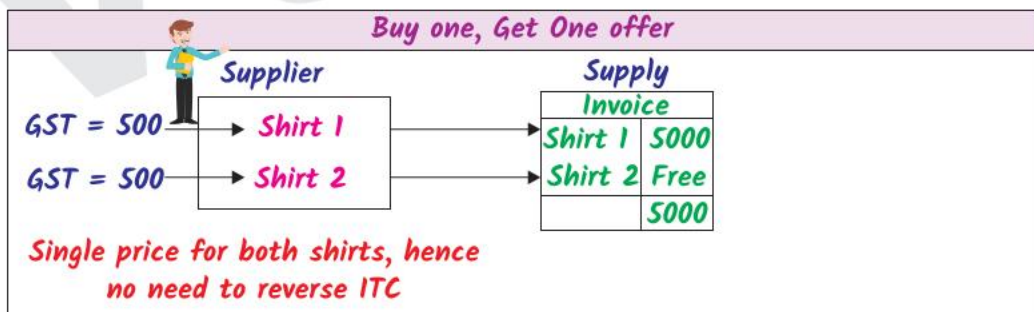


It is clarified that "leasing" referred in Sec 17(5)(b)(i) refers to leasing of motor vehicles, vessels & aircrafts only and not to leasing of any other items. Accordingly, availment of ITC is not barred.



Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

- Circular no. 172/04/2022 : Proviso after Sec 17(5)(b)(iii) ie ITC of goods or services shall be available, which are obligatory for an employer to provide to its employees is applicable to the whole of Sec 17(5) (b).
- Circular No. 206/18/2023 : Input services in same line of business include transport of passengers or renting of motor vehicle with operator & not leasing of motor vehicles without operator which attracts GST for sale of motor vehicle



**Other Points**

	Non eligibility of ITC	Explanation
e)	Goods or services or both on which tax has been paid under sec 10	अगर composition supplier के composition tax, invoice में लगाकर दे रहा है, जो नहीं देना चाहिये था. So, recipient को उस Tax का credit नहीं मिलेगा
f)	Goods or services or both received by NRTP	No ITC (Remark :- ITC available on imported goods by NRTP)
fa)	Goods &/or services received by taxable person, which are used/intended to be used for activities relating to his obligations under CSR referred to in section 135 of Companies Act, 2013	No ITC
g)	Goods or services or both used for personal consumption	No ITC
h)	Goods	<ul style="list-style-type: none"> <li>Lost, destroyed, stolen, written off                             <ul style="list-style-type: none"> <li>Transit Loss</li> <li>Store Loss</li> <li>Processed Loss (Sec 17(5)(h))</li> </ul> </li> <li>Distributed by way of Gift / Free Sample                             <ul style="list-style-type: none"> <li>If ITC taken: Supply -Sche I-Para 1 Value - Rule 30 ITC - available</li> <li>If ITC Not taken: don't take it u/s 17(5)(h)</li> </ul> </li> </ul>
1)	Tax paid accordance with the provisions of sec 74, 129, 130	Sec 74-Misstatement or suppression of fact Sec 129-detention, seizure goods in transit removed leg of provision Sec 130-Confiscation of goods

Sec 17(1) & (2) Goods or Services or both used by RP

17(1) Partly For Business purpose & Partly Non Business purpose

Credit available of Input tax exclusively used for business purpose

17(2) Partly For effecting taxable supplies (including zero rated supply) partly Exempt supplies

Credit available of Input tax exclusively used for taxable supplies (including ZRS)

Method of apportionment incase of I, CG & IS commonly used

17(3): Value of Exempt Supply

2(47) :-

- 1) Nil rated supply
- 2) Wholly exempt supply
- 3) Non-taxable supply
- Additional by 17(3) :-
- 4) Supply under RCM
- 5) Transaction in Securities (1 % of sale value)

- 6) Sale of land & Building (Stamp duty Value)
- 7) Supply of warehoused goods to any person before clearance for home consumption (Value of SOG from Duty Free Shops at arrival terminal in international airports to incoming passengers) (Do not consider other Schedule III activities in ES)

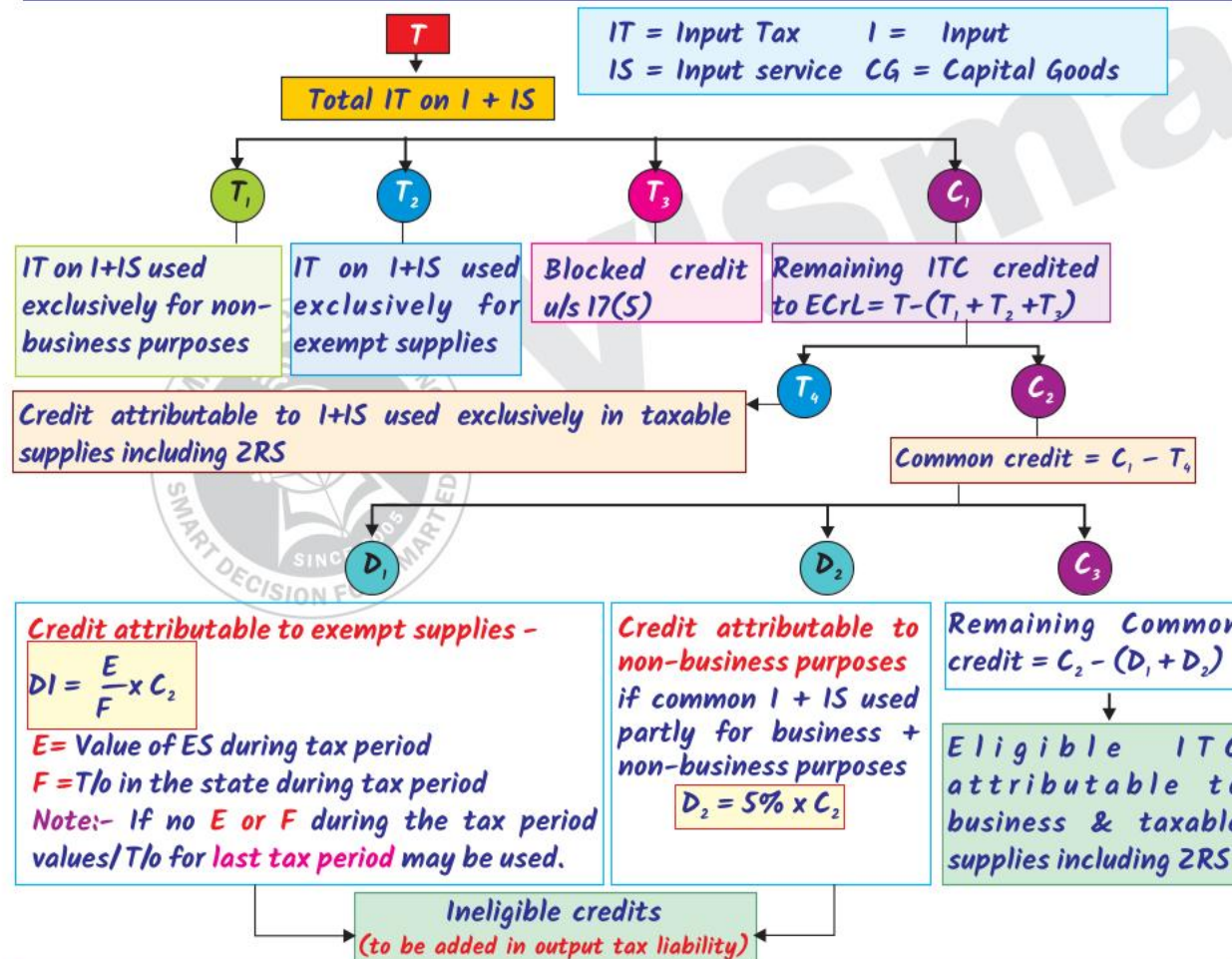
ES shall not include: -

- Interest / Discount income except in case of bank /FI
- Value of Supply of duty scrips

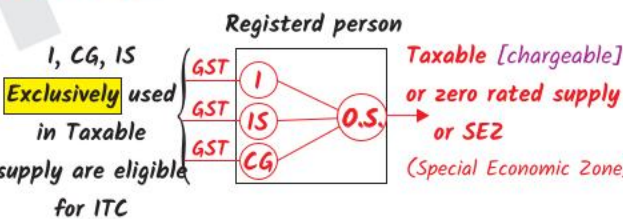
Sec 17(4) : Special option of ITC to banking and F.I.

1. Availment of Tax Credit : Banking Company/FI including NBFC's have the following options -
  - (a) Option 1 : To comply with the provisions u/s 17(2) (read with rule 42 & 43), or
  - (b) Option 2 : To avail of, every month, an amount equal to 50% of the eligible ITC in that month and the balance 50% shall lapse.
2. Conditions on choosing option of 50% availment :
  - (a) The said Company or Institutions shall not avail the credit of -
    - (i) Inputs and Input Services that are used for non-business purposes, and
    - (ii) the credit attributable to blocked Credits
3. Withdrawal : Option once exercised, shall not be withdrawn during the remaining part of F.Y.
4. No Restriction : 50% of ITC Restriction shall not apply when supplies are made between branches

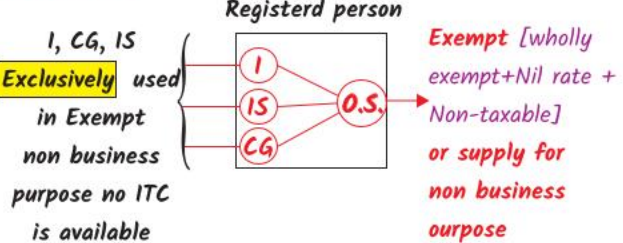
Rule 42 :- Manner of distribution of ITC w.r.t. I/IS



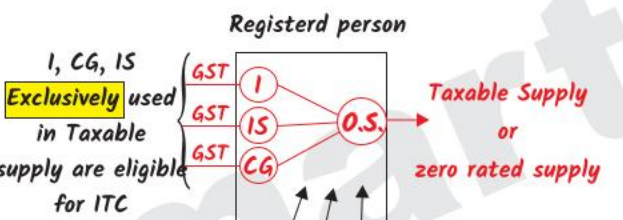
Case 1



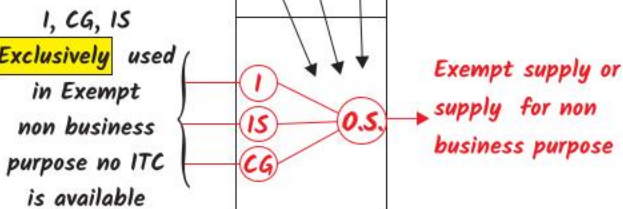
Case 2



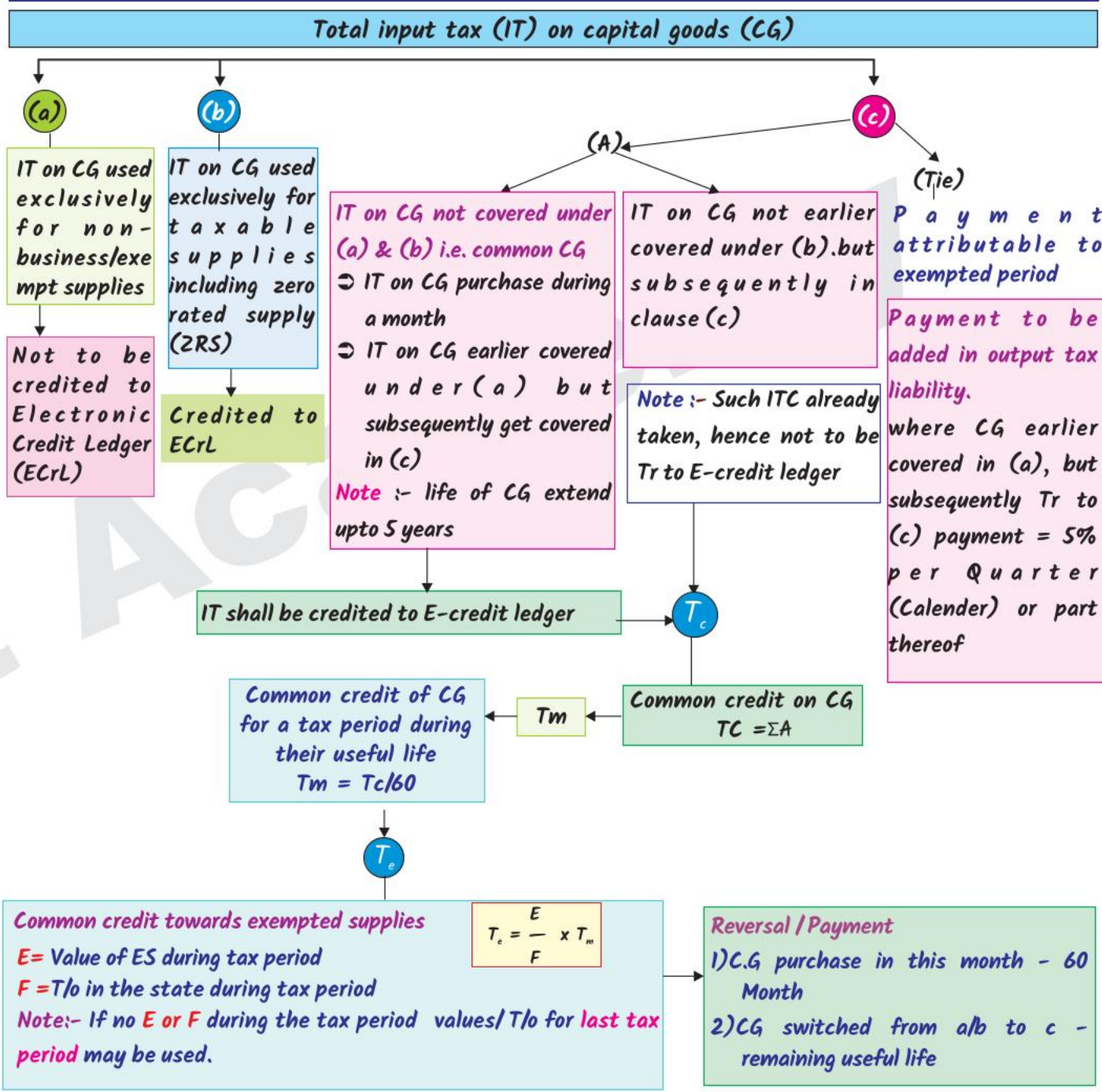
Case 3



13/153/CG3 commonly used for taxable & exempt apportion the ITC as per rule 42 & 43



Rule 43:- Manner of distribution of ITC w.r.t CGs



Reversed by the register person in GSTR 3B or in prescribed form

- C<sub>3</sub> will be computed separately for ITC of CGST, SGST/UTGST and IGST.
- Σ(D<sub>1</sub> + D<sub>2</sub>) will be computed for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year. If this amount is more than the amount already added to output tax liability every month, the differential amount will be added to the output tax liability in any of the month till September of succeeding year along with interest @ 18% from 1st April of succeeding year till the date of payment.
- If this amount is less than the amount added to output tax liability every month, the additional amount paid has to be claimed back as credit in GSTR 3B or any month till September of the succeeding year.

**Example :- Apportionment of ITC under rule 43**

Timeline: April (Date=10-4-20), May (Date=20-5-20), June, July, August (T/O E.S. = 30L, T.S. = 80L, I10L), September, October, November.

**Cases (Eligibility of ITC under rule 43)**

- Cases -1**

1) Common Cg1 purchased in the month of August  
ITC shown in Invoice = 6,00,000  
[A] = 6,00,000

2) Tr. to E-credit ledger [avail ITC ₹ 6,00,000] & useful life of C.G.1 is 5 years

3) Tc = 6,00,000

4) Tm = 6,00,000 / 60 = 10,000

5) Te = Tm x E/F = 10,000 x 30L / 110L = 2727

**Reversal = Show above Amt. ₹ 2727 as Reversal from ITC in GSTR - 3B**
- Cases -2**

C.G.1 [common] purchased in August & CG2 now used for common supply in the month of August

1) ITC of C.G.1 [A] = 6,00,000  
ITC of C.G.2 [A] = 4,00,000  
Tr. E-credit ledger 10,00,000 (i.e. avail full ITC)

2) Tc (CG1) = 6,00,000  
Tc (CG2) = 4,00,000

3) Tm (CG1) = 6,00,000/60 = 10,000  
Tm (CG2) = 4,00,000/60 = 6667

4) Te (CG1) = 10,000 x 30L / 110L = 2727  
Te (CG2) = 6667 x 30L / 110L = 1818

**Reversal for next 60 months from the date of Invoice according to E/F of respective month**

Reversal for next 56 month from the month August according to E/F of respective month
- Cases -3**

C.G.1 [common] purchased in August & CG3 now used for common supply in the month of August

1) ITC of C.G.1 [A] = 6,00,000  
Tr. E-credit ledger 6,00,000 (i.e. avail ITC)

Note: Don't avail ITC of CG3 because it was already taken in the month of May.

2) Tc (CG1) = 6,00,000, Tc (CG2) = 3,00,000

3) Tm (CG1) = 6,00,000/60 = 10,000  
Tm (CG3) = 3,00,000/60 = 5,000

4) Te (CG1) = 10,000 x 30L / 110L = 2727  
Te (CG3) = 5000 x 30L / 110L = 1363

**Reversal for next 57 month from the month August according to E/F of respective month**

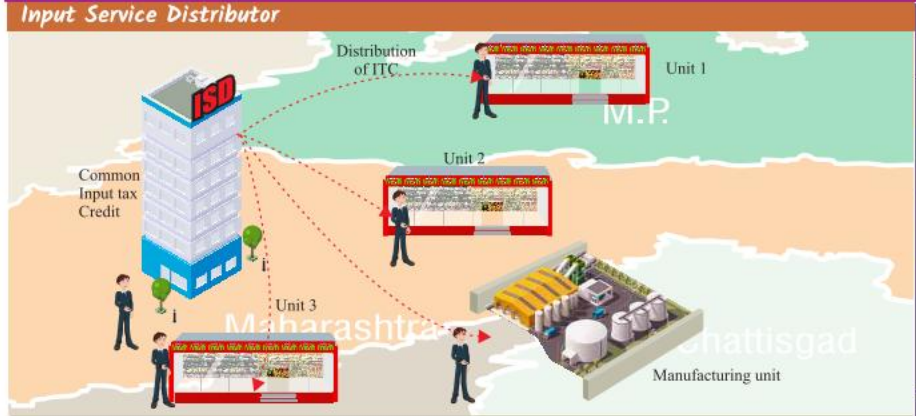
**Sec 19- Goods sent by principal for Job Work**

The principal shall be allowed input tax credit on inputs sent to a job-worker for job-work.

**Inputs sent for Job work** vs **Capital Goods sent for Job work**

Where inputs sent for job work -	Where capital goods sent for job work											
<ul style="list-style-type: none"> <li>Are not received back by the principal after completion of job-work or otherwise or</li> <li>Are not supplied from the place of business of the job worker as per sec 143</li> </ul> <p><b>Within 1 year of being sent, it shall be treated as deemed supply and ITC if availed shall be reversed</b></p>	<ul style="list-style-type: none"> <li>are not received back by principal</li> <li>Within a period of 3 years of being sent, it shall be treated as deemed supply by principal to job worker</li> </ul>											
<p><b>Note:-</b> 1) If goods directly sent to Jobworker :- For inputs - The period of 1 year from the date of receipt of inputs by the job worker For Capital goods - The period of 3 years from the date of receipt of capital goods by the job worker 2) Extension:- Period can be extended for further 1 Year for inputs &amp; 2 years for capital goods</p>												
<p><b>Rule 45(3) Details of Challan to be included in Returns :</b> The details of challans in respect of goods dispatched to a job worker or received from a job worker -</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Period</th> <th>Due Date</th> <th>Form</th> </tr> </thead> <tbody> <tr> <td>If Aggregate Turnover exceed ₹5 Cr</td> <td>The period of 6 Consecutive Months from 1st Apr to 30th Sep and 1st Oct to 31st Mar</td> <td>25th Day of succeeding month</td> <td rowspan="2">ITC - 04</td> </tr> <tr> <td>If Agg T/o &lt;= ₹ 5 Crore</td> <td>Annual Basis</td> <td>25th April</td> </tr> </tbody> </table>		Particulars	Period	Due Date	Form	If Aggregate Turnover exceed ₹5 Cr	The period of 6 Consecutive Months from 1st Apr to 30th Sep and 1st Oct to 31st Mar	25th Day of succeeding month	ITC - 04	If Agg T/o <= ₹ 5 Crore	Annual Basis	25th April
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If Agg T/o <= ₹ 5 Crore	Annual Basis	25th April										

**Sec 20 - Distribution of credit by Input Service Distributor (ISD)**



**Services by an office of an organisation in one State to branch office in another State, both being distinct persons. [Circular No. 199/11/2023]**

1) Can HO avail ITC for common services from 3rd party for HO & BOs, & issue tax invoices to BOs, or muse ISD mechanism?

- Flexible ITC Distribution: HO can distribute ITC either by ISD mechanism or directly issue tax invoices to Bos.
- Mandatory ISD Registration: If HO opts for ISD mechanism, it must register as ISD u/s 24(viii)
- Specific Attributability/Provision: Distribution or invoice issuance only if services are specifically for or actually provided to BOs.

2) Is it mandatory for HO to issue invoices for internal services provided to BOs, especially when full ITC is available to BOs?

- Valuation as per Rule 28: Value in invoice from HO to BOs is considered as OMV (i.e. value declared in invoice as per proviso 2 of rule 28) if BOs are eligible for full ITC.
- Uninvoiced Services Deemed as Nil Value: When full ITC is available and HO doesn't issue an invoice, the value of such services is deemed Nil and treated as OMV.

3) Is salary costs to be included by HO?

No Mandatory Inclusion of Salary Costs: It's not required for HO to include employee salary costs in taxable value, even when BOs can't avail full ITC.

**Example 3 :** VSmart Ltd. a registered supplier of goods having Head Office at pune, also registered as ISD, furnishes the following information for month of July, 20XX and asks you to distribute the credit to various units :

Input Service	Particulars	CGST	SGST	IGST	Total
"Training"	Used exclusively in Unit-III	29,000	29,000	-	58,000
"Advertisement"	Used in Unit-I, II and III	-	-	48,000	48,000
"Auditing"	Used in Unit-I, II, III and IV	14,600	14,600	-	29,200
"Tour Operator"	Used in Unit-I (Input service is availed for employee on vacation during the month to its Unit I)	1,280	1,280	-	2,560
<b>Total Amount of Credit</b>		<b>44,880</b>	<b>73,880</b>	<b>48,000</b>	

**Sec 2(61)- ISD :** Means an office of supplier of goods &/or services which receives tax invoices issued u/s 31 towards receipt of input services & issues a prescribed document to distribute credit of CGST, SGST/UTGST, IGST paid on said services to a supplier of taxable goods &/or services having same PAN as that of said office.

The Input Service Distributor shall distribute the credit of

- Central tax as Central Tax or integrate Tax and State tax
- integrated tax as integrated tax or central tax
- State tax as State tax or integrated tax

by issuing a document containing the amount of ITC being distributed in prescribed manner.

The Input Service Distributor may distribute the credit of CGST, SGST & IGST subject to the following conditions namely:-

- ISD Challan :-** The credit can be distributed to the recipients of credit against a document containing such details as may be prescribed
- Restriction on credit distribution:-** the amount of the credit distributed shall not exceed the amount of credit available for distribution
- One-to-One Basis:-** the credit of tax paid on IS attributable to a recipient of credit, shall be distributed only to that recipient

**Prorata Distribution :-**

- ITC of IS attributable to more than one recipient -** Distribution on pro rata basis of the T/o in state / UT of such recipient during the relevant period to the aggregate of the turnover of all such operational recipients
- ITC of IS attributable to all recipients -** Distribution on pro rata basis of the T/o in state / UT of such all recipient during the relevant period to the aggregate of the turnover of all such operational recipients

**Relevant Period**

- If T/o of P.F.Y. is available - Take such T/o
- If T/o of P.F.Y. is not available - take T/o of last Quarter of month in which credit to be distributed

**Total Turnover of the units for year ending 31st March, 20XX are as under:**

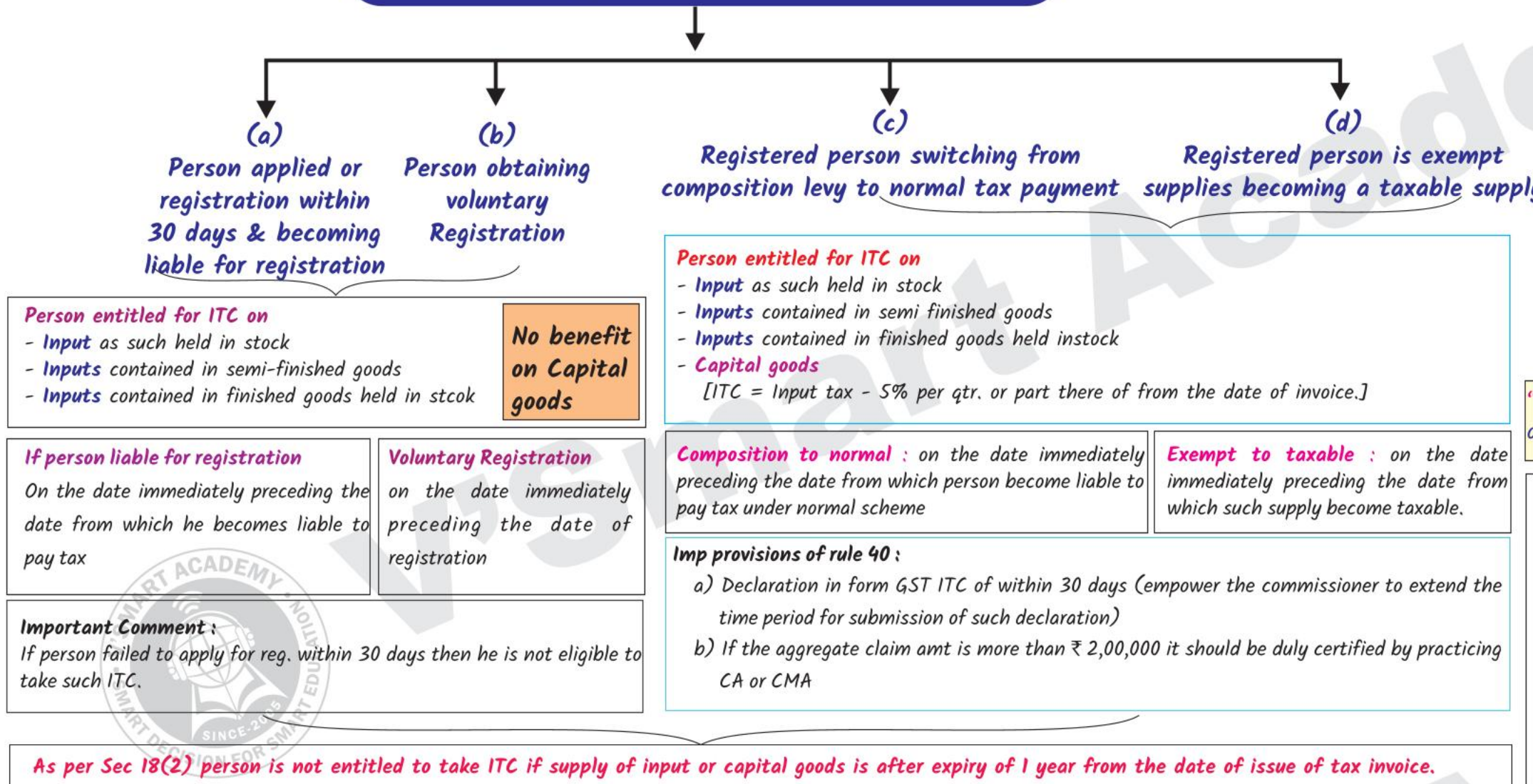
Unit	Turnover
Unit-I	30,00,000
Unit -II	20,00,000
Unit - III	Not registered as exclusively engaged in supply of exempt goods
Unit- IV	75,00,000
<b>Total Turnover of Vsmart Ltd.</b>	<b>1,85,00,000</b>

All units are operational during the current year. Unit I is located in Pune whereas units II, III and IV are located in Mumbai, Delhi and Gujarat respectively

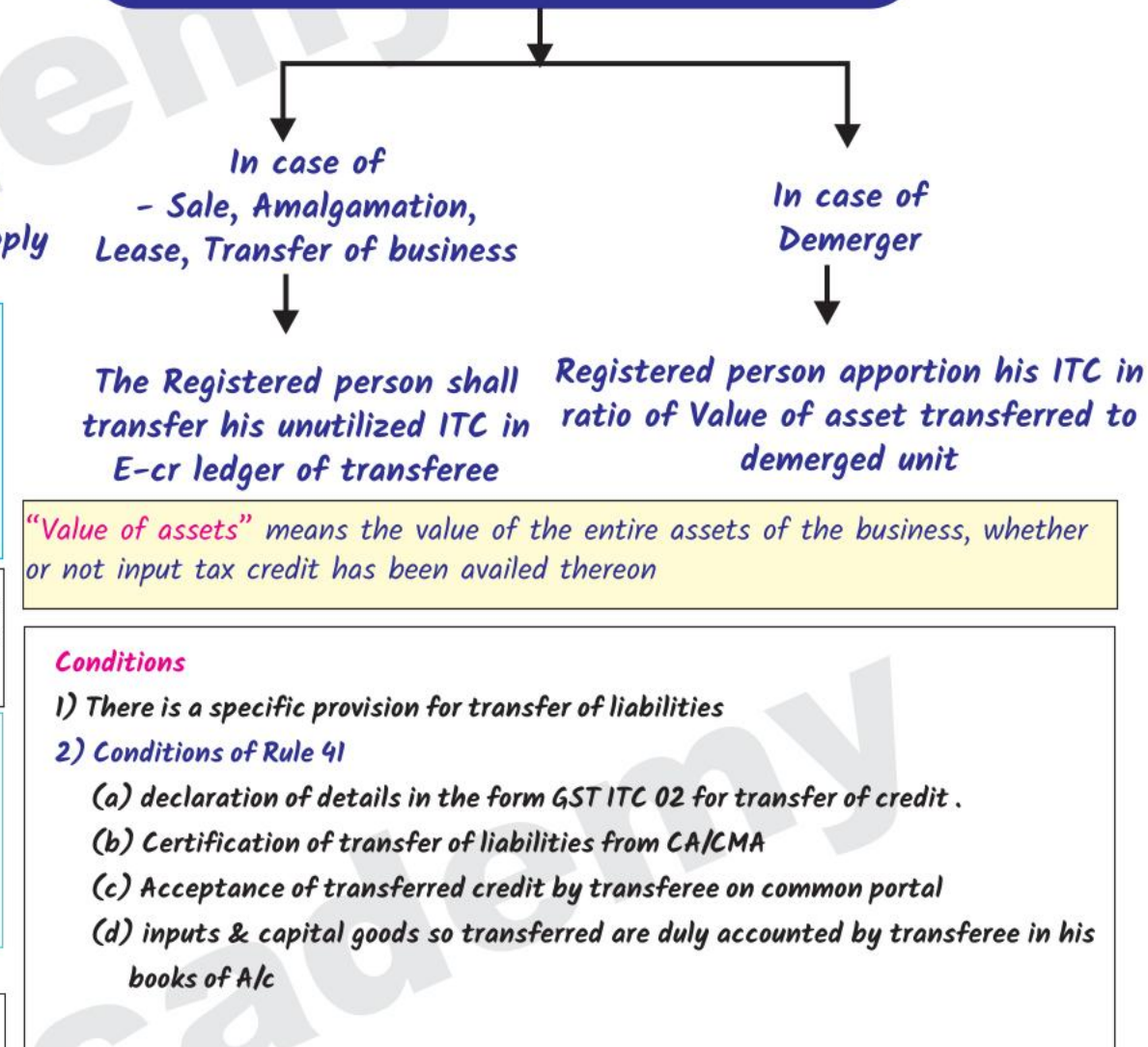
**Solution: - 1) Distribution of ITC by Input service Distributor for the month of July 20XX:**

Particulars	Total Credit Avail			Unit 1		Unit 2		Unit 3	Unit 4	
	CGST	SGST	IGST	CGST	SGST	IGST	CGST	SGST	IGST	
1) Training	29,000	29,000	-	-	-	-	-	-	58,000	
2) Advertisement	-	-	48,000	-	-	11,520	-	-	7680	
3) Auditing	14,600	14,600	-	2367	2367	-	1578	1578	-	
4) Tour Operator (Ineligible Credit)	1280	1280	-	1280	1280	-	-	-	-	
<b>Total</b>				<b>3647</b>	<b>3647</b>	<b>11,520</b>	<b>1578</b>	<b>1578</b>	<b>7680</b>	<b>98638</b>

## Sec 18(1) Availment of Credit

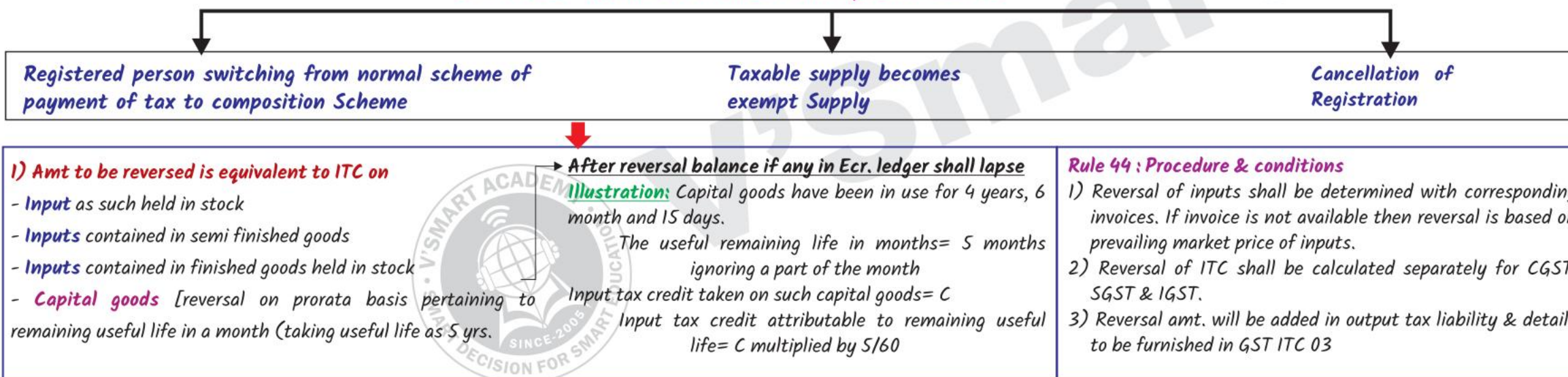


## Sec 18 (3) Transfer of ITC



## Reversal of Credit

### Sec 18(4) Reversal of credit in Special Cases



**Sec 18 (6) : Reversal of credit on supply of Capital Goods/ Plant & Machinery on which ITC has been taken**

- If capital goods or plant & machinery on which ITC has been taken are supplied [Removed as such by way of sale transfer barter etc.] then registered person shall pay higher of the following
  - Payment = ITC - 5% per Qtr. or part thereof
  - GST on transaction value
 OR
- In case of refractory bricks, moulds & dies, jigs & fixtures supplied as a scrap then person may pay tax on transaction value instead of above 2 options.