

ITC



Faculty for

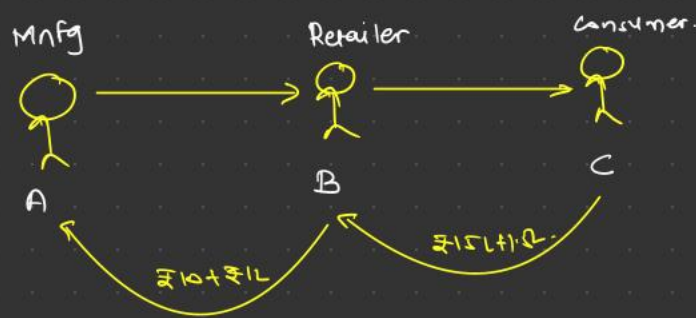
Inter - DT + IDT | Final - IDT

YouTube - CA Amit Mahajan

Telegram - Tax and Law Notes and Guidance



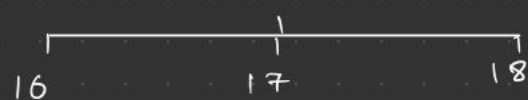
Basic Understanding of ITC.



Computation of Tax Uob

o/w tax.	1.5L
(-) ITC	(1L)
UST Liability	50K

Total sections.



Section 16

Conditions for availing ITC.

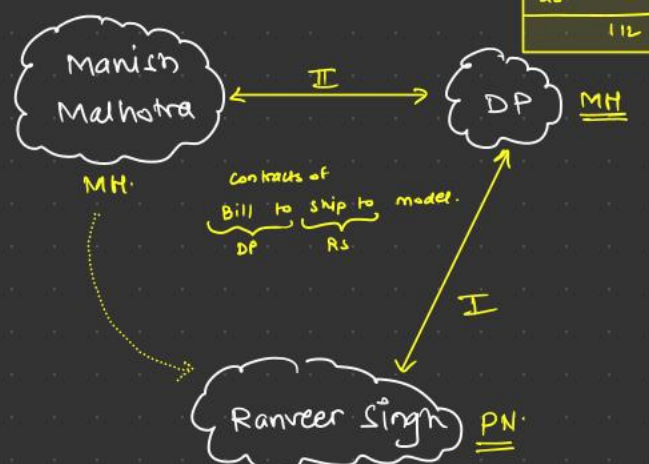
- 1] GST registration is mandatory.
- 2] Inward supplies should be used for Business Purpose.
- 3] Following documents should be maintained:
 - (i) Tax Invoice.
 - (ii) Debit Note
 - (iii) Bill of Entry.
 - (iv) Invoice prepared w.r.t RCM.

- 4] Goods should be actually received for availing the ITC.

Even though the recipient has paid the entire amount of GST, still he will get the ITC only for those goods (proportionately) which are received by the recipient.

Exception

Even though we have not received the goods but still, we will get the ITC ✓.



I → sale of goods.
II → Bill to ship to model.

In this case, even though DP did not receive the goods, but still she will be able to claim the ITC because the goods got delivered to someone else in the direction of DP.

Thus, it is deemed to be received by DP.

Bill to → DP

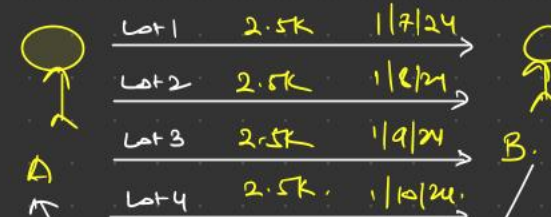
Ship to → RS.

- 5] Supplier should make a payment of GST collected from the recipient to the Govt. (also read Rule 37A)

- 6] The recipient should file form GSTR-3B.

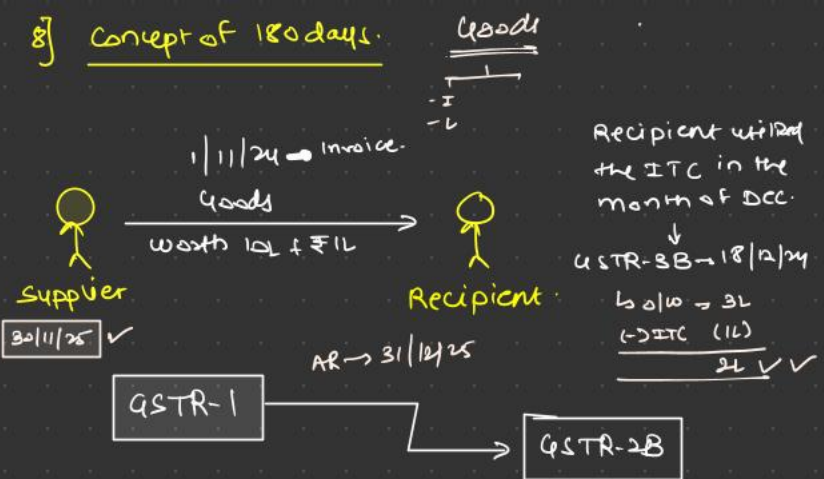
- 7] Goods received in lots

ITC can be availed when the last lot is recd.



Payt is made in the first month fully with GST. i.e. in July.

Still B will get the ITC when the 4th lot is received → i.e. in the month of Oct 24.



Even though Recipient does not make a part, still he can claim the ITC.

Condition that → He should pay the value & GST to the supplier ≤ 180 days from the date of issue of invoice.

If Recipient fails to pay the V+UST, the wrongly availed ITC needs to be reversed along with Int.

* completion of 180 days → 30/4/25

* Actual Payment made → 12/12/24 [11L + 5L]

* At the end of 180 days, since part did not happen, Rec. will have to reverse i.e. add to o/w tax liab. → the amt of which ITC is taken wrongly, i.e. of ₹1L. 18/12/24 - 7/7/25

If Rec. pays this amt on 7/7/25 → he will have to pay this along with Int @ 18% p.a.

∴ Interest will be from 18/12/24 till 7/7/25

∴ Int = ₹1L × 18% p.a. × [12/12/24 - 7/7/25] / 365

* Q1 will the recipient get the ITC once he actually makes the part of 11L to the supplier i.e. on 12/12/24

30/11/25 Yes Re-availment of ITC



7] ITC on depreciable assets.

Actual machinery cost = 10L+1L

(i) If we consider actual cost for depⁿ purpose under Income Tax as ₹ 11L



Then ITC of ₹ 1L → NOT available.

(ii) If we consider ₹ 10L as our actual cost → which means we never claimed depⁿ on the GST component
↓
Thus, ITC of ₹ 1L → Allowed ✓

* Time limit of availing the ITC *

- 1) 30 Nov of the subsequent FY
- OR
- 2) Actual date of filing Annual Return ↓
whichever is earlier.

Example
Supply made on 1/2/24
S → 10L+1L → R
Actual date of filing Annual Return → 3/11/24.

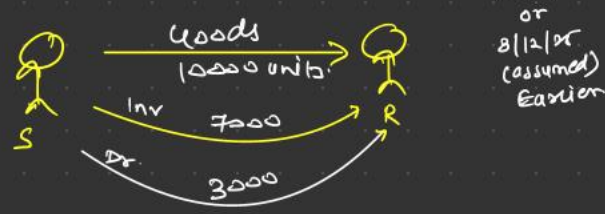
Time limit for availing the ITC → 30/11/24 OR 3/11/24 → 3/11/24

very very imp. point



This time limit will not be applicable for re-availing of ITC.
(Check example of 180 days above where we have made a payment on 12/2/25 which is actually beyond the last date still → Recipient will get the ITC ✓ at the time of actual payment.

* Invoice is issued = 14/2/24 for 7000 units
Debit note is raised = 7/7/24 for 3000 units



I] Time limit of availing the ITC on the invoice raised on 14/2/24

- 1] 30/11/24 OR
- 2] Actual → Annual Return ✓
date

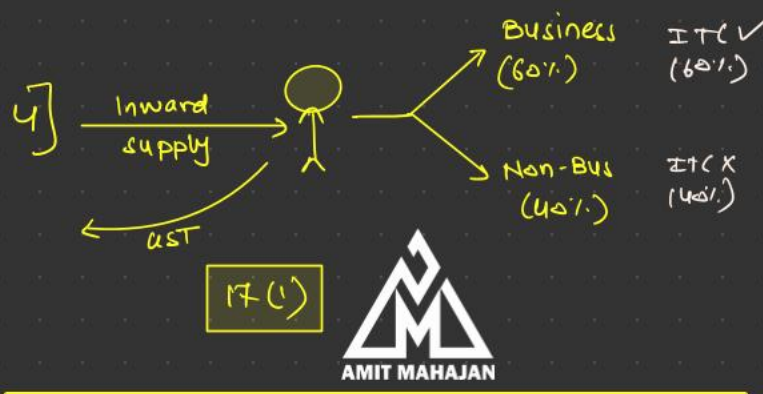
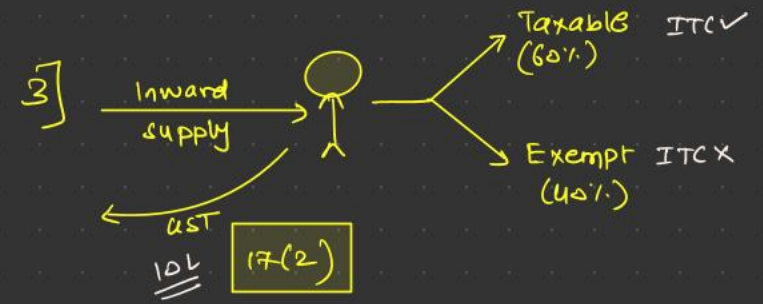
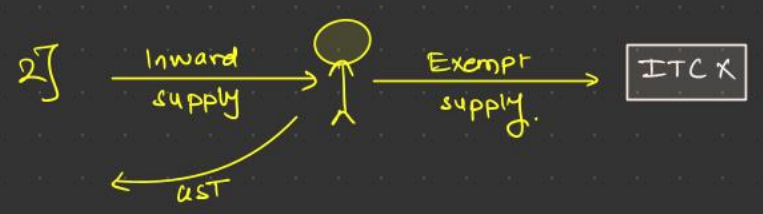
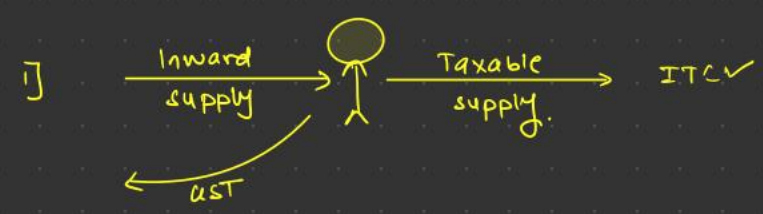
II] Time limit of availing the ITC on the Dr. Note raised on 7/7/24.

- 1] 30/11/25 OR
- 2] Actual → Annual Return.
date

Always remember, time limit of availing the ITC is different for original inv & Dr. Note if issued in different FYs.



* Section 17 *



* Section 17(4) *

- * Banks / NBFCs / FIs provide exempt as well as taxable supplies.
- * Option has been given to such banks to avail the ITC
- Option 1 → Identify the propⁿ of T & E supplies & avail ITC accordingly ✓ → Sec 17(2)
- Option 2 → Avail 50% of eligible ITC on IP/CA/Ins & rest shall lapse.

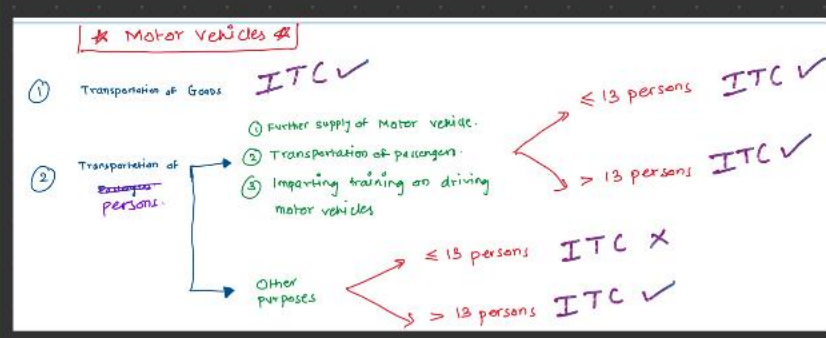
1st proviso to Sec 17(4) → once the option is exercised → cannot be withdrawn during remaining part of the FY.

2nd proviso to Sec 17(4) → Restriction of 50% will not be applicable where supply made by 1 AP to another AP regd under the same PAN.
Balek Chandra Suresh
B.C. Bank Mumbai

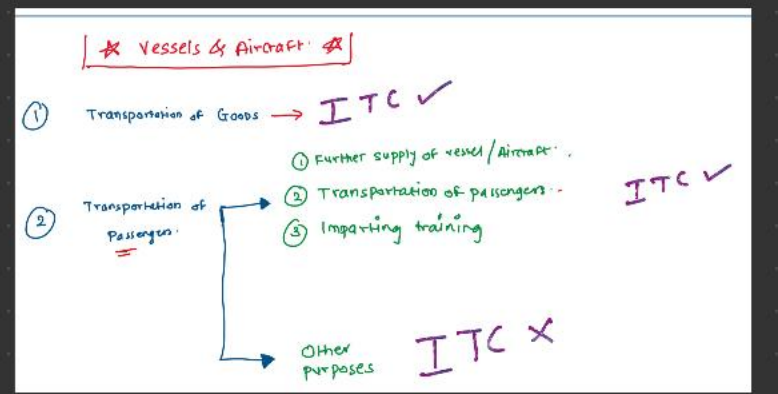
* Section 17(5) *

✓ Blocked ITC ✓

1] Purchase of Motor vehicle.



2] Purchase of vessels / Aircraft.



3] Repair / servicing / maintenance of motor vehicle / veh / Aircraft.

- MV/V/A → Purchase → ITC ✓
Then
MV/V/A → Expenditures → ITC ✓
- MV/V/A → Purchase → ITC X
Then
MV/V/A → Expenditures → ITC X

4) Membership of Club, health & fitness centre.

Sometimes Employers take a gym memb. for their employees.

Usually ITC → blocked ✓
Exception → ITC → allowed if
↓
It is a statutory obligation.

5] Travel benefits

Sometimes employer spends on the travel of the employee ✓

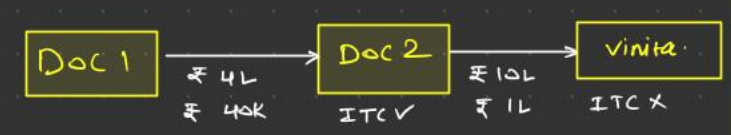
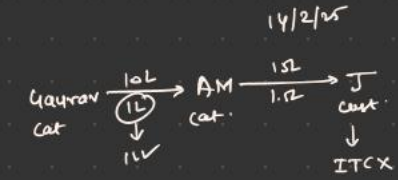
Usually → ITC → blocked ✓
Exception → ITC → allowed if
↓
It is a statutory obligation.

6] Others

- a. Food.
- b. Beverages.
- c. outdoor catering.
- d. Cosmetic surgery
- e. Health service.
- f. Life Insurance & Health insurance.
- g. leasing, renting, hiring of mv/ v/ Aircraft on which ITC is blocked.

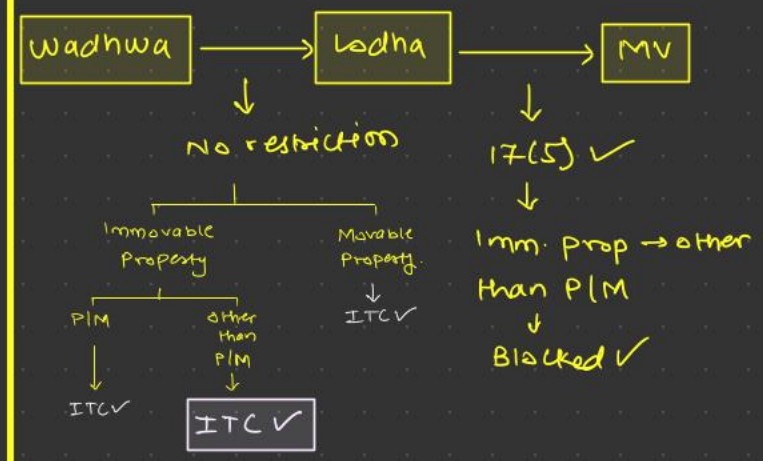
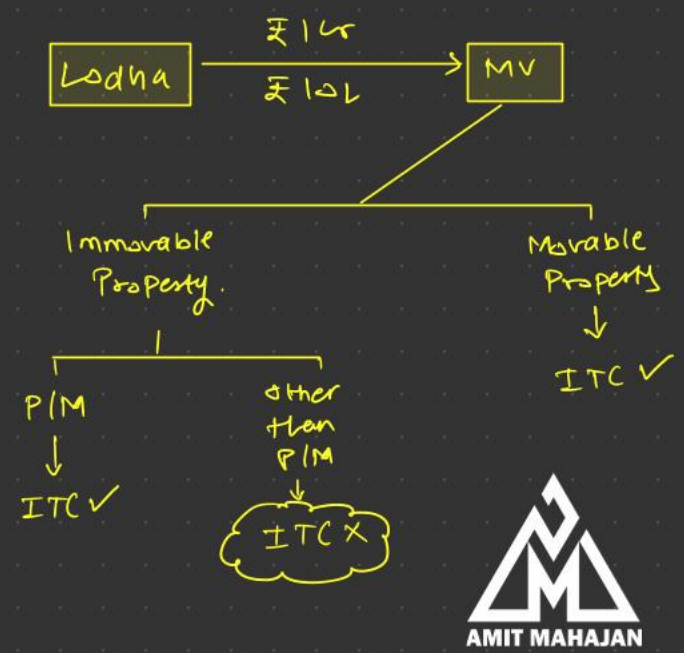
Exceptions

1] ITC is allowed if these services which are availed used in the same line of business.



2] These services are availed under statutory obligation.

7] Works contract [example → construction]



Exception:

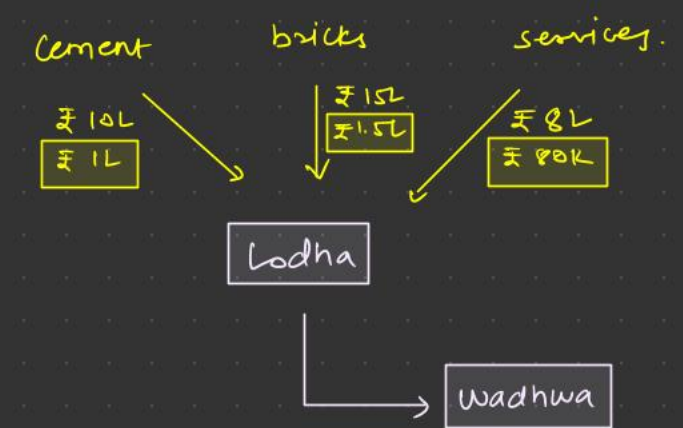
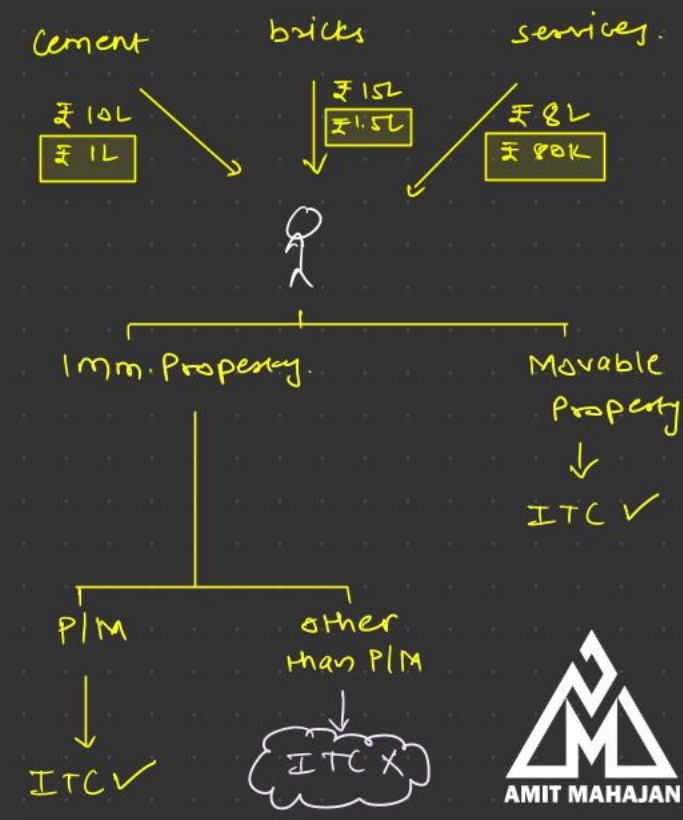
ITC is allowed if these services which are availed used in the same line of business.

Important Points

- 1) works contract services availed for constructing a cement foundation for placing a PIM → ITC ✓
↓
Treated as PIM ✓

2. Construction of Telecom Tower will not be treated as Plant & Machinery.

8] Self construction

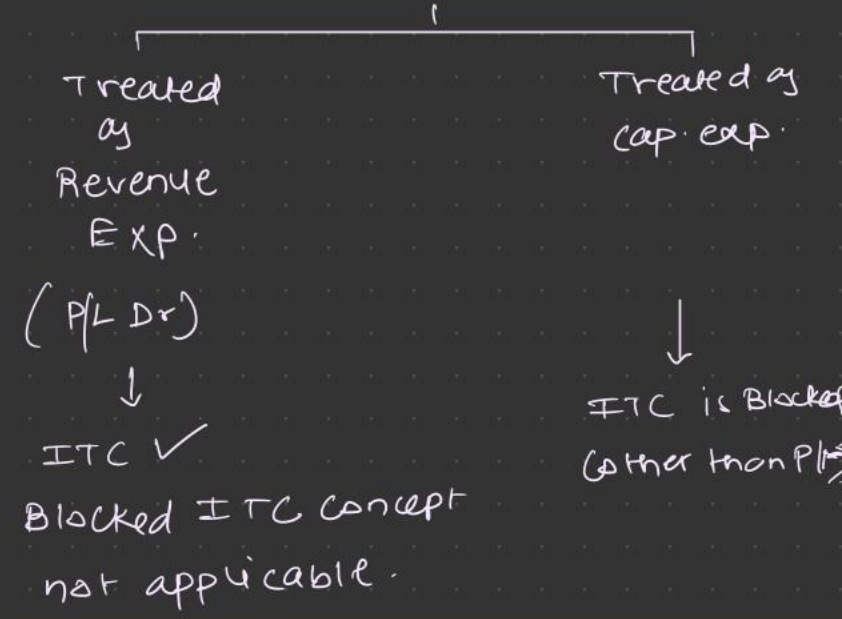


There will not be any restriction of ITC for Lodha ✓ because Lodha did not use these materials for himself.

- In point 7 & point 8, ITC will be blocked in case Imm. property being other than PIM
↓
only if such expenses are CAPITALIZED.

* Example → Repairs service taken from Lodha of Building.
Paid → 10L
GST → 1L

Will we get the ITC of 1L?



9] other Points → No ITC

- 1) If person opted for composition scheme
- 2) Any goods/services received by N RTP

Exception: only 1 ITC is allowed when the goods are brought in India he pays Customs Duty in which one of the parts is GST.



That ITC is allowed ✓

Remember this exception is only in case of goods & not for services.

- 3) Goods used for personal purpose.
- 4) Goods lost/destroyed/stolen/w/ off/ disposed off.
- 5) No ITC in case of fraud/detained goods/confiscated goods.

* Section 18 *

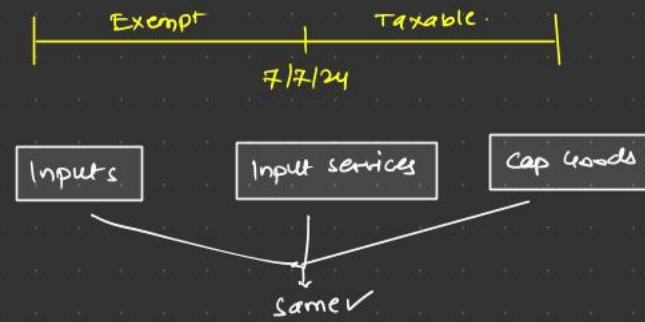
1 hour

- Part I → Zero to Hero.
Part II → Δ in Constitution.
Part III → Hero to Zero.

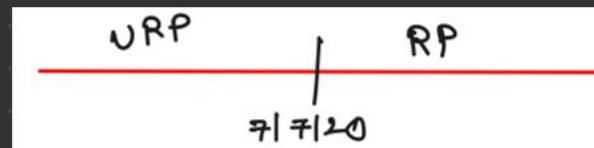
Part I (a) Composition scheme - Regular



(b) Exempt supply → Taxable supply



(c) URP → RP



- Inputs in stock → ✓
- Input services → ✗
- Capital Goods → ✗

→ Declaration → Form GST ITC-01
≤ 30 days from receipt of Reg. certificate ✓
→ IF value of ITC [IUST/COST/SUST] > 2,00,000
↓
certification from CA/CMA.

Part II

Change in the constitution due to sale / merger / Amalgamation etc.



- 1) Transferor has to file GST ITC-02
- 2) Transferor to file the request to transfer the credit
- 3) TEE to accept the details on common portal.
- 4) Also submit declaration certificate by CA/CMA.

Part III

- (a) Regular scheme to Composition scheme.
- (b) Taxable supply to exempt supply.
- (c) Regd Person to URP.



Inputs

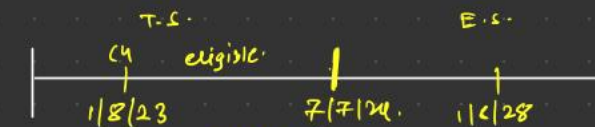
Inputs in stock → Reverse ✓

Input service

→ Presumption → Ins is utilized on the same day.

∴ I will get the ITC for the services availed prior to 7/7/24.

Capital goods



Eligible Pd = 12 months.

∴ Ineligible Pd = 60m - 12m = 48m.

Total ITC availed = ₹10,00,000

∴ ITC to be reversed = 10L × $\frac{48}{60}$

= ₹8,00,000

1] 18(6) → Read Rapider ✓

2] 37A → Read Rapider

3] 86B → Check Rapider ✓

1] Free samples & gifts

• ITC not allowed.

• If ITC is availed - it will be considered as deemed supply u/s 7(1)(c) read with schedule I.

2] Buy 1 Get 1 offer.

If we purchase 2 products by paying GST and offered them to sale as Buy 1 Get 1 free, the Qs is will I get the ITC for the products which is supplied free of cost?

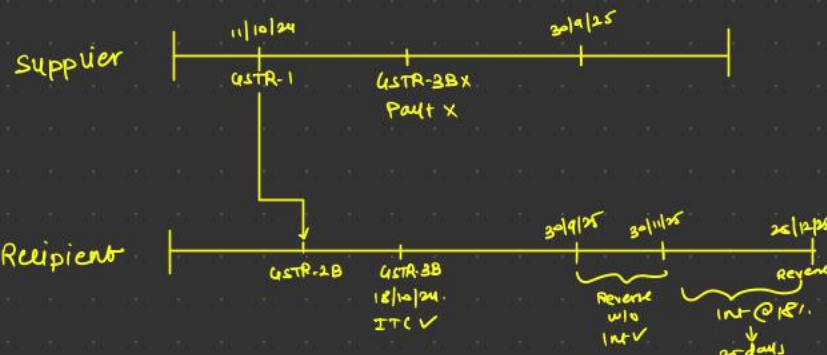
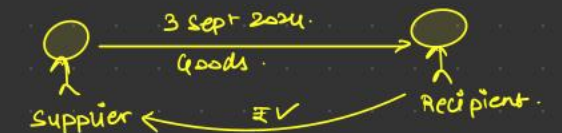
Yes, we will get the ITC for both the products because as per the provisions it is assumed that both the products are provided / sold for a single price and thus, both will be considered as Taxable Supply

3. Discount including buy more save more offer

If we buy 5 products by paying GST and offered to sell under Buy More Save More offers by giving a discount - ITC?

Yes - value is irrelevant.

Rule 37A



check Rapider for detailed expln

