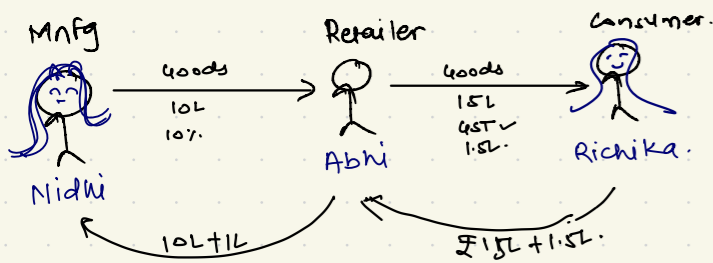


ITC



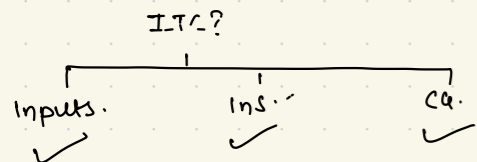
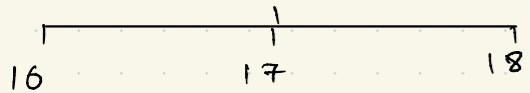
Basic Understanding of ITC.



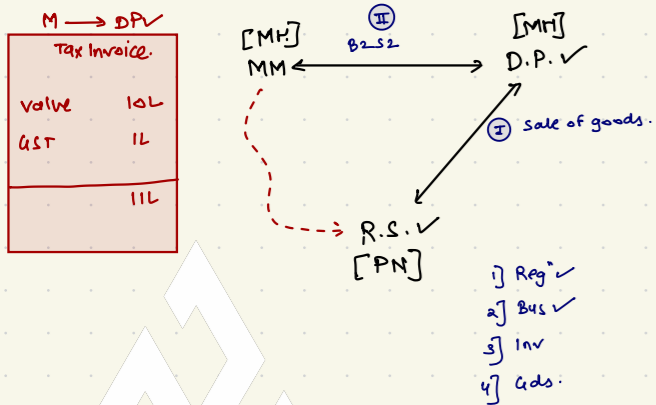
Computation of Tax Uob

o/w tax.	1.5L
(-) ITC	(1L)
GST Liability	50,000

Total sections.



Bill to ship to model.



- 1) Reg ✓
- 2) Bus ✓
- 3) Inv ✓
- 4) Gds ✓

Section 16

Conditions for availing ITC.

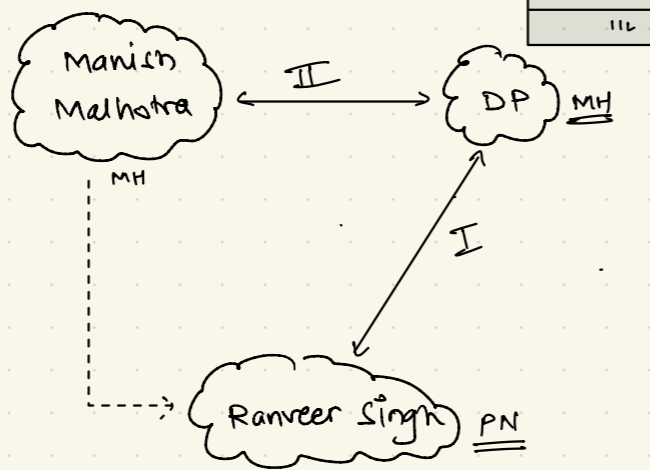
- 1] GST registration is mandatory.
- 2] Inward supplies should be used for Business Purpose.
- 3] Following documents should be maintained:
 - (i) Tax Invoice.
 - (ii) Debit Note
 - (iii) Bill of Entry.
 - (iv) Invoice prepared w.r.t RCM.
 - (v) Document issued by ISD for distⁿ of credit ✓

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

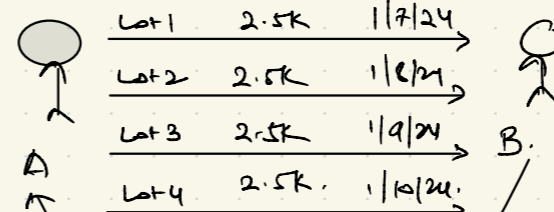
Ship to → RS.

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

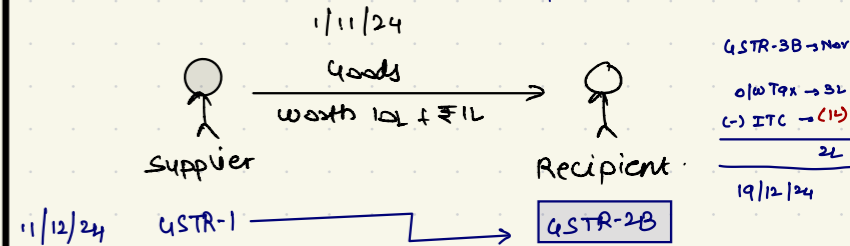
ITC can be availed when the last lot is recd.



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.

8] Concept of 180 days.



Even though recipient does not make a payment to the supplier, the recipient can take the ITC ✓

Condition → Recipient should pay the value & GST to the supplier within 180 days from the date of issue of invoice.

Completion of 180 days → 30/4/2025

If recipient fails to pay value + GST ≤ 180 days from the date of invoice, the wrongly availed ITC needs to be reversed + Interest @ 18% p.a.

Qs

Will recipient get the ITC once he actually make the payment of ₹11L to the supplier i.e. 12/12/24

Yes

✓ Reavailment of ITC ✓

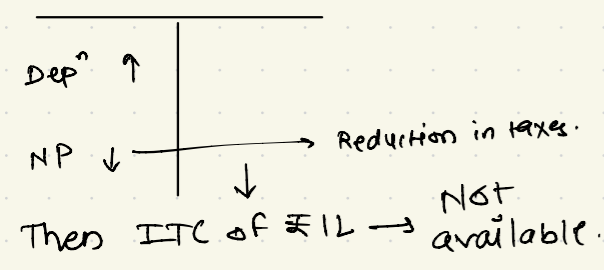
Payment by Recipient	Reversal of ITC
1) 170th day → Full ✓	NO
2) 523rd day → Full ✓	Yes → Full ✓ → 1L
3) 170th day → Part → 7L	→ NO
523rd day → Part → 3L	→ 4L → 20% → 30K ✓

1L → 1L x 30% → 30K Reversed ✓

180 days condition → NOT APPLICABLE

- 1) RCM supplies.
- 2) Deemed supply [Sec 7(1)(c) + Sch II]
- 3) Payt is made to third party by the recipient on behalf of the supplier.

9] ITC on depreciable assets.
 Actual machinery cost = 10L+1L
 (i) If we consider actual cost for depⁿ purpose under Income Tax as ₹ 11L



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

10] ITC is eligible to be availed when the same is getting reflected in form GSTR-2B.

Rule NOT Applicable

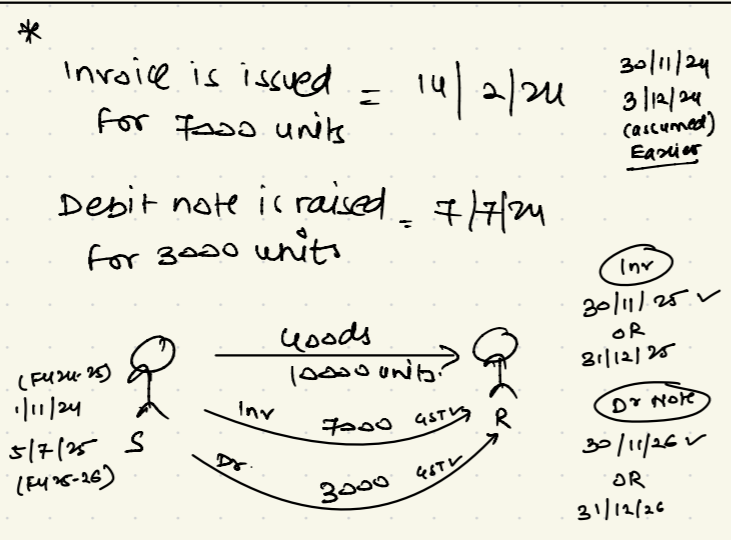
- 1) Import ✓
- 2) Credit received from ISD ✓
- 3) RCM supplies ✓

*** Time limit of availing the ITC ***

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

Very very imp. point

This time limit will not be applicable for re-availment 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.



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

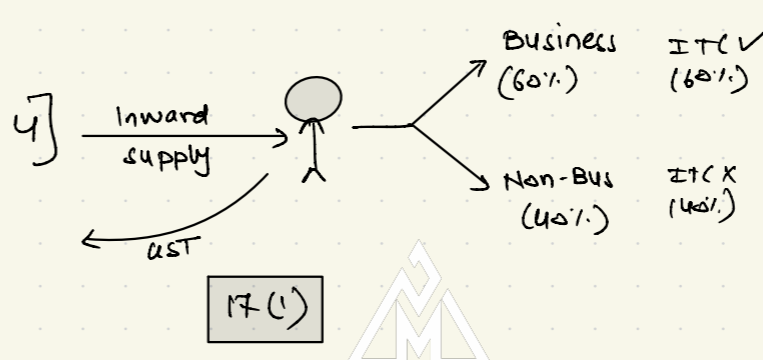
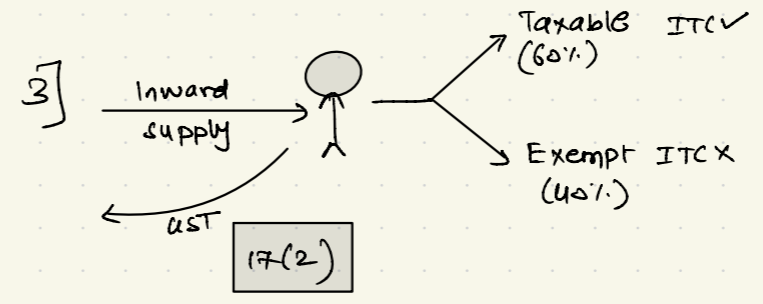
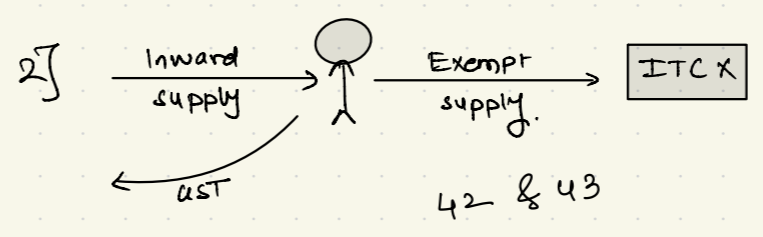
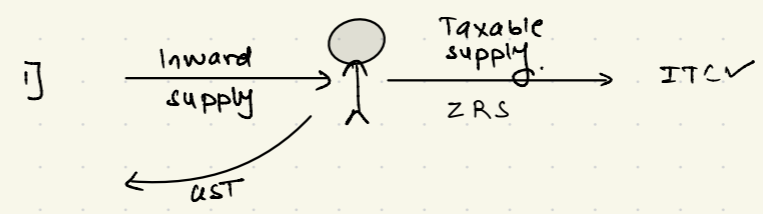
- 1] 30/11/24 OR
- 2] Actual → Annual Return ✓
 date

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) ***

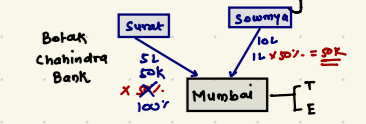
* Banks / NBFCs / FIs provide exempt as well as taxable supplies.

* 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.

*** Section 17(5) ***

Blocked ITC ✓

1] Purchase of Motor vehicle.

1] Transport of Goods → Allowed ✓

- 2] Transport of Persons
- 1) Further supply of MV (car dealer) → Allowed
 - 2) Tranⁿ of passengers (Tour operator) → Allowed
 - 3) Training for driving MV → Allowed

other → Seating Capacity
 → Business → upto 13 persons X
 → 13 persons Allowed

MV does not include → vehicle with < 4 wheels + Engine capacity upto 75cc.
 → Rail way → Special vehicle used in factory or in enclosed premise.

2] Purchase of vessels / Aircraft.

1] Transport of Goods → Allowed ✓

- 2] Transport of Persons
- 1) Further supply of V/A (car dealer) → Allowed
 - 2) Tranⁿ of passengers (Tour operator) → Allowed
 - 3) Training for driving V/A → Allowed

3] Repairs / 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.

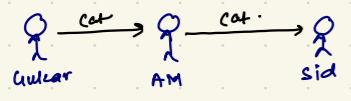
Usually ITC → blocked ✓
 Exception → ITC → allowed if
 ↓
 It is a statutory obligation.

5] Travel benefits

Sometimes employer spends on the travel of the employee ✓

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

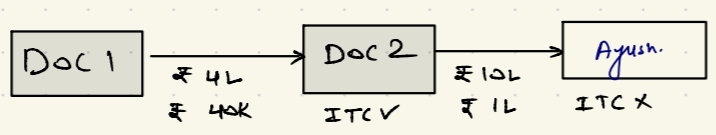
6] Others



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

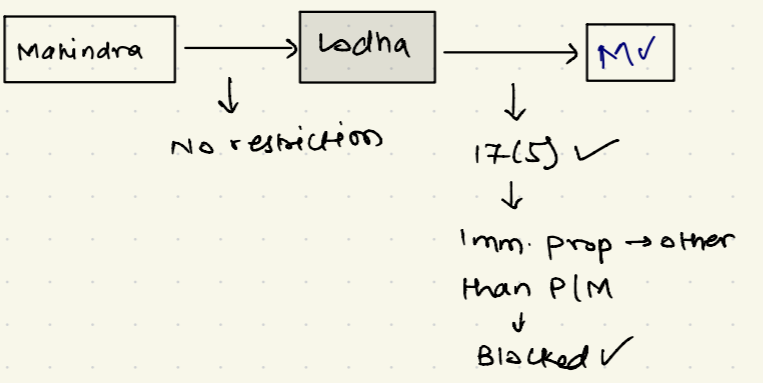
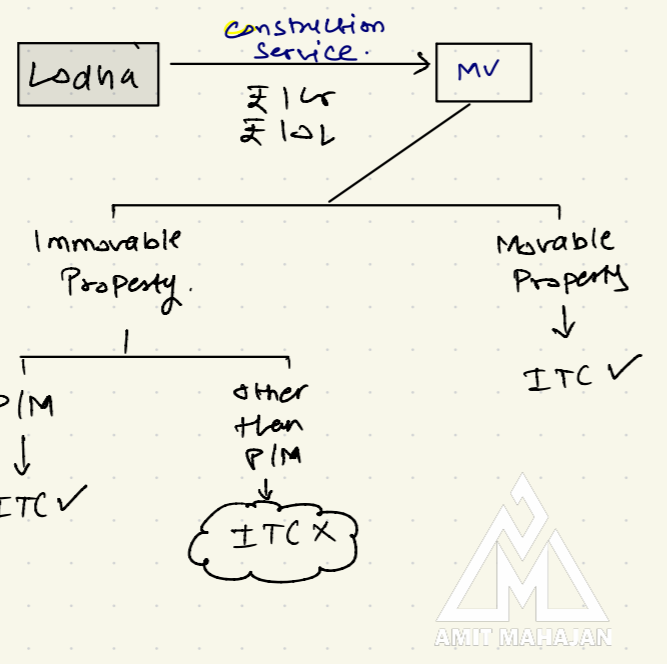
Exceptions

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]



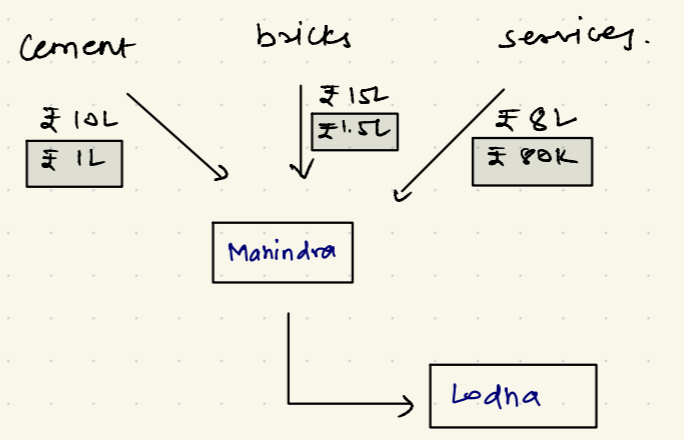
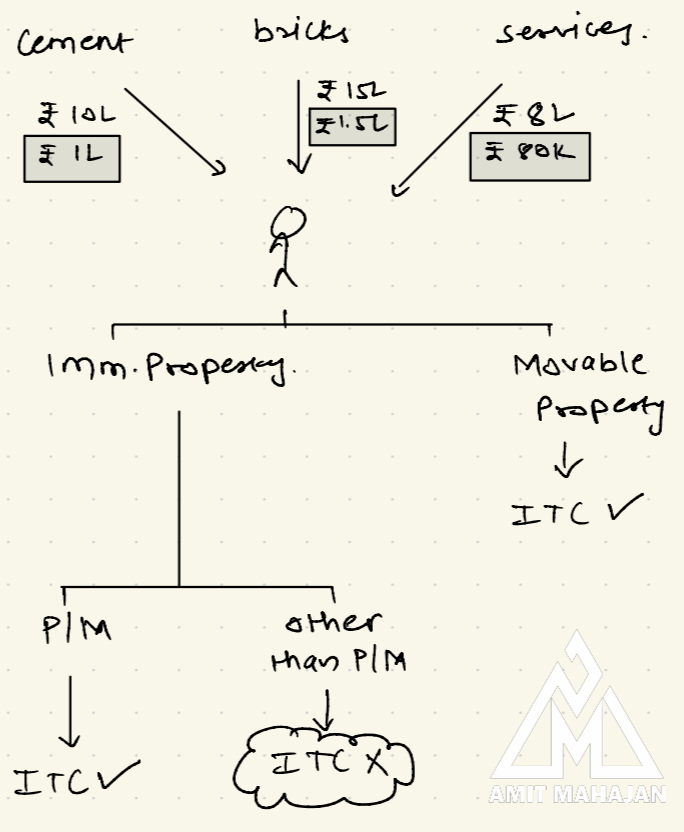
Exception:
 ITC is allowed if these services which are availed used in the same line of business.

Important Points

- 1) works contract services availed for constructing a cement foundation for placing a P/M → ITC ✓
 ↓
 Treated as P/M ✓
- 2) Pipeline outside factory → NOT a P/M
- 3) Construction of Telecom Tower → NOT a P/M

Construction of Commercial Bldg for letting out P/M ✓
 Ducts & Manhole → Used for optical fibre cable network → P/M ✓

8] Self construction



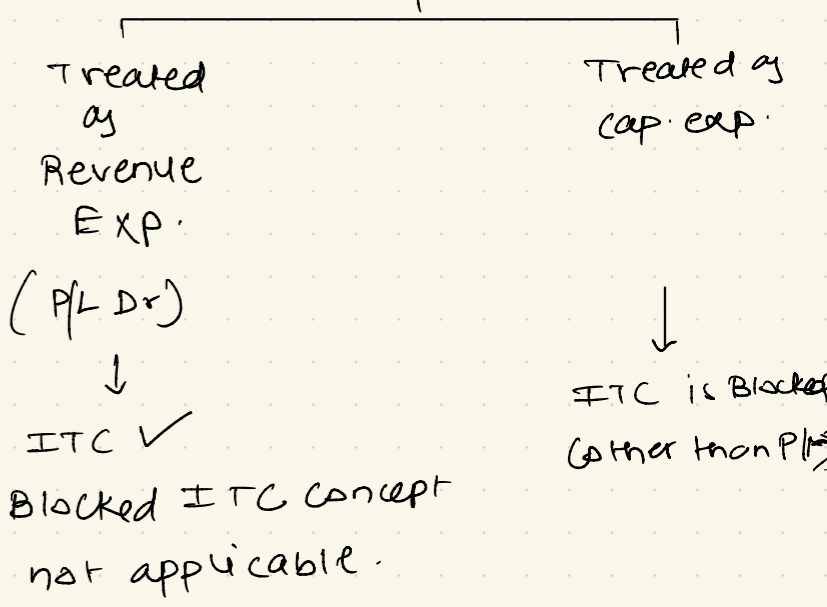
There will not be any restriction of ITC for Mahindra because Mahindra did not use these materials for himself.

Services in relation to assets.

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

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

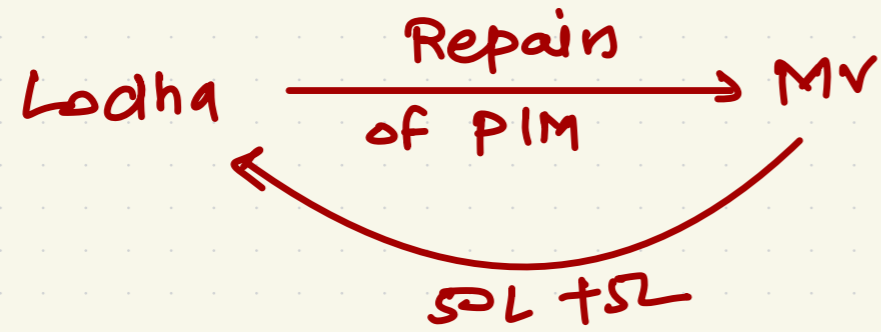
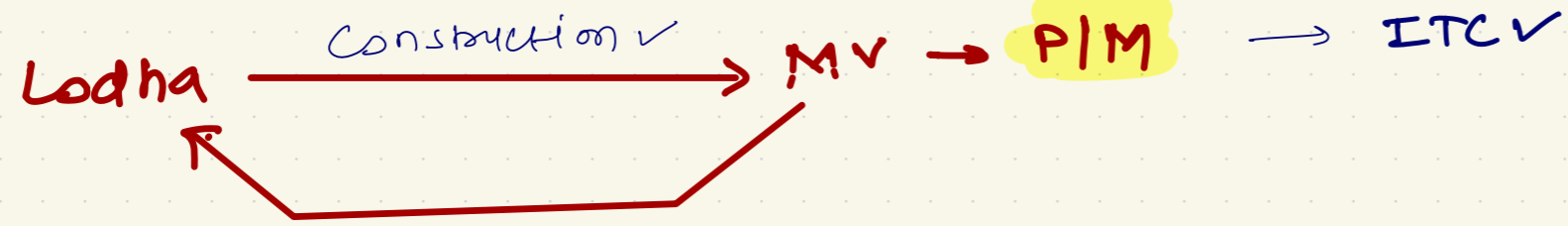
Will we get the ITC of 1L?



9] other Points → NO ITC

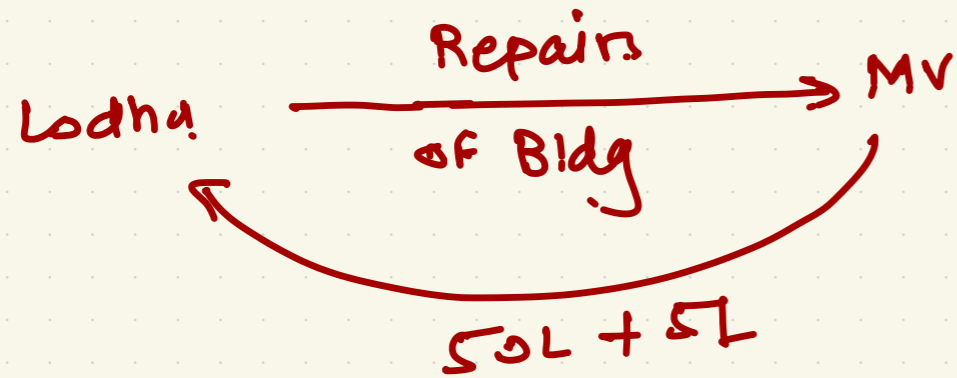
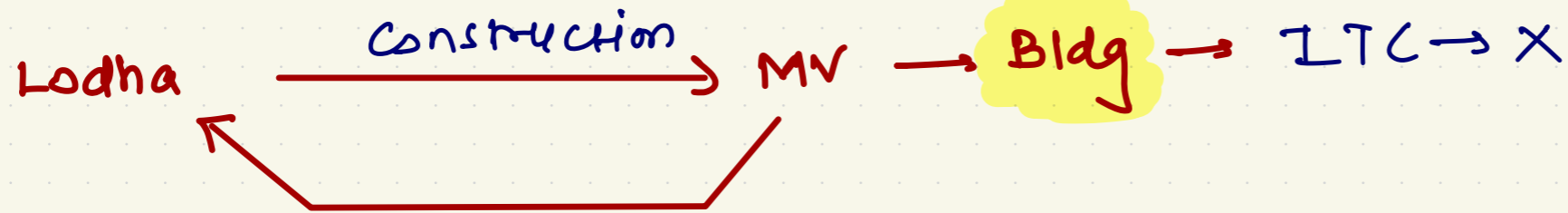
- 1) If person opted for composition scheme
- 2) Any goods/services received by NRTF
 Exception: only 1 ITC is allowed when the goods are brought in India he pays Customs Duty in which one of the parts is GST (14ST)
 ↓
 That ITC is allowed ✓
 Remember this exception is only in case of goods & not for services.
- 3) Goods used for personal purpose.
- 4) Goods lost/destroyed/stolen/w/aff/disposed off.
- 5) No ITC in case of fraud/detained goods/confiscated goods.

1]



Repairs
 ↳ Rev. EXP → ITC ✓
 ↳ Capitalized → ITC ✓

2]



Repairs
 ↳ Revenue → ITC ✓
 ↳ Capitalized → ITC X

* Section 18 *

- Part I → Zero to Hero. [CS → RS, E → T, URP → RP]
 Part II → Δ in Constitution.
 Part III → Hero to Zero. [RS → CS, RP → URP, T → E]

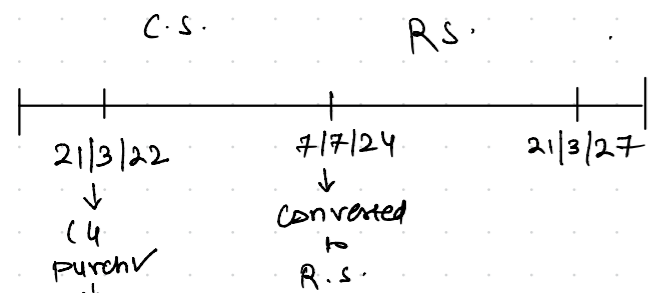
Part I (a) Composition scheme - Regular



1) **Inputs in stock** → ✓ → only on the invoices raised during 1 year prior to conversion.
 as on 1 day prior to conversion.

2) **Input Service** → Presumption → Ins is utilized on the same day.
 ∴ I will never get the ITC.

3) **Capital Goods** → Life = 5 yrs / 60 months.



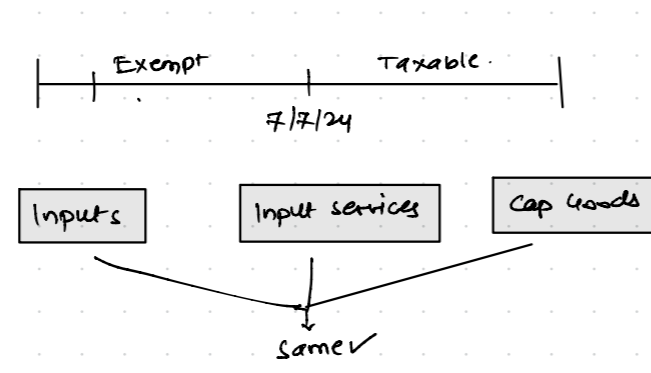
First identify no. of Qtrs betⁿ 21/3/22 till 7/7/24.

- Each Qtr worth = 5%
 FY 21-22 → 1
 FY 22-23 → 4
 FY 23-24 → 4
 FY 24-25 → 2

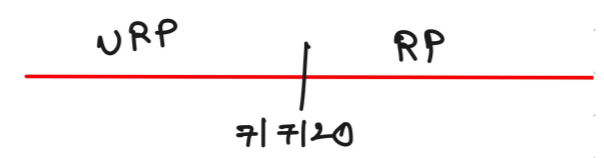
Total Qtrs = 11 Qtrs ineligible.
 Total % ineligibility → 55% ✓
 [11 Qtrs x 5% per Qtr]

Total ITC	10,00,000
(-) ineligible itc 55%	(5,50,000)
Eligible ITC	4,50,000

(b) Exempt supply → Taxable supply



(c) URP → RP. Most Imp

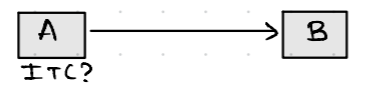


- Inputs in stock → ✓
- Input services → ✗
- Capital Goods → ✗

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

Part II

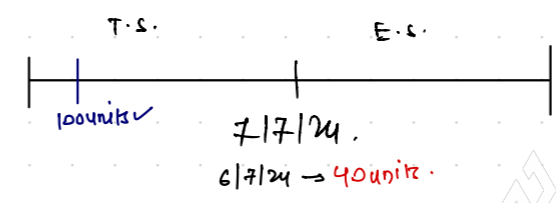
Change in the constitution due to sale / merger / Amalgamation etc.



- 1) Transferor has to file GST ITC-02 + Certificate from practicing CA or CMA stating that transfer is as per the provisions.
- 2) Transferor to file the request to transfer the credit.
- 3) Tice to accept the details on common portal.

Part III

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



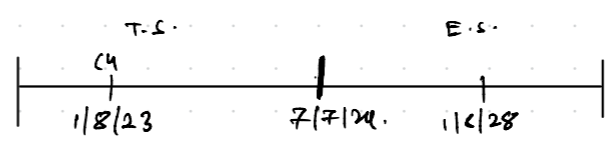
Inputs

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

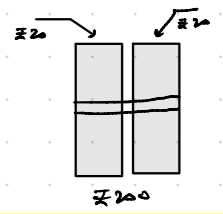


Eligible Pd = 12 months.
 ∴ Ineligible Pd = 60m - 12m = 48m.

Total ITC availed = ₹10,00,000
 ∴ ITC to be reversed = 10L x $\frac{48}{60}$
 = **8,00,000**

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.

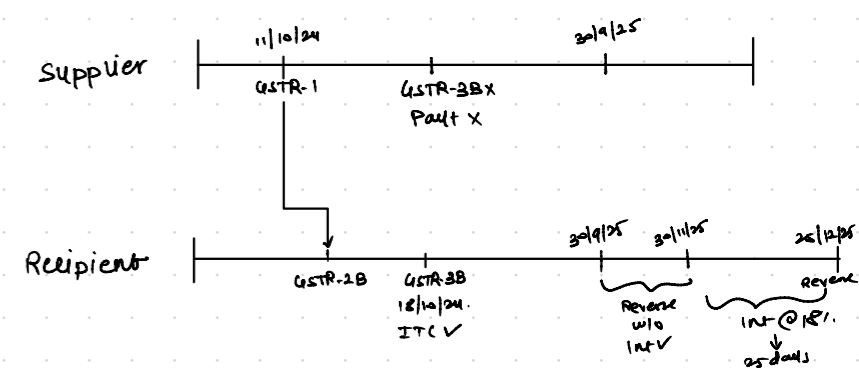
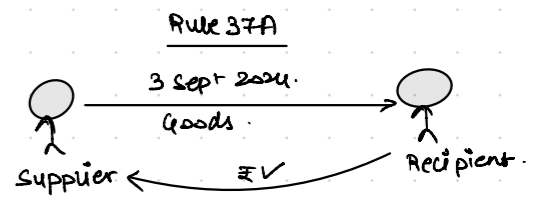
If we purchase 2 products by paying GST and offered them to sale as Buy 1 Get 1 free, the Qs is will I get the ITC for the products which is supplied free of cost?

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
 1 1000
 2 900
 3 800

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.



check Rapider for detailed explainⁿ

18(6) Amount payable on supply of Capital goods or plant & Machinery on which ITC has been taken

- * If the RP purchases the Capital goods, ITC is available with a condⁿ that he uses the capital goods for 5 years.
- * If he sells the Capital Goods within 5 years → RP will have to reverse the ITC for the period for which he did not use out of 5 years (60months)

<p>20/11/19 → Mr AM purchased capital goods → ₹10L & GST paid 1,20,000</p> <p style="text-align: center;">↕</p> <p>→ Aailed ✓</p> <p>4/4/21 → Mr. AM Supplied capital goods My xy for 201</p> <p style="text-align: center;">I) ₹5,50,000 II) ₹9,00,000 III) 4,00,000 (Assume the GST rate is 18%)</p>	<p><u>Reversal</u></p> <p>1] Ineligible ITC</p> <p>OR</p> <p>2] Outward liability</p> <p style="text-align: right;">↑</p>
--	---

Particulars.	I	II	III
I] ITC availed (-) 5% per quarter/ part of the Qtr. [5% x 7Qtrs]	1,20,000 (42,000)	1,20,000 (42,000)	1,20,000 (42,000)
II] Tax on out ward supply	78,000 99,000	78,000 1,62,000	78,000 72,000
Reversal	99,000	1,62,000	78,000

Zero → Hero → Ineligibility 1 day = 1 qtr.

Hero → Zero → Eligible pd. 1 day = 1 month.

18(c) → Eligible pd. max 10% quarterly 1 day = 1 qtr.

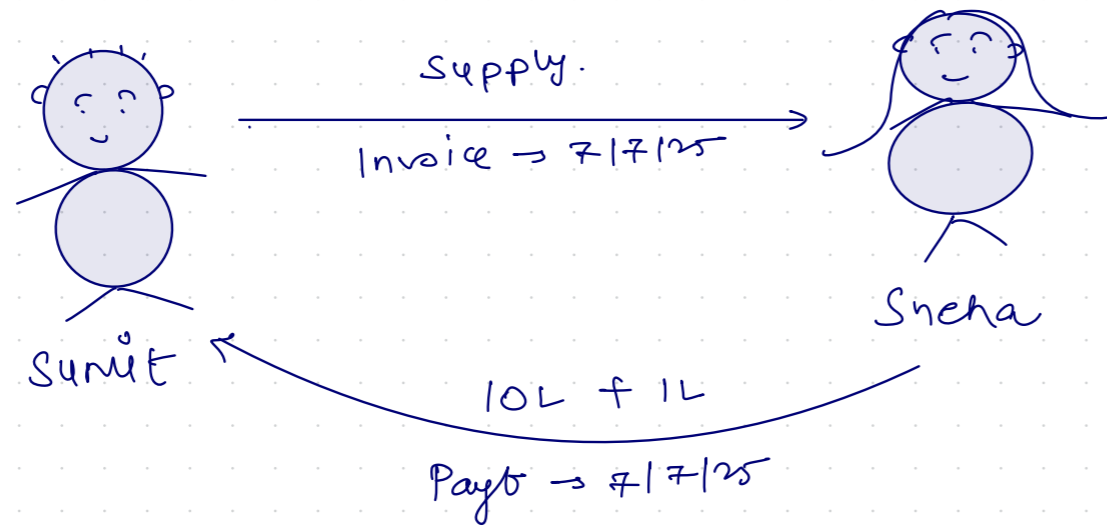
Exception

In case of refractory bricks, jigs, moulds, dies, tools, fixtures

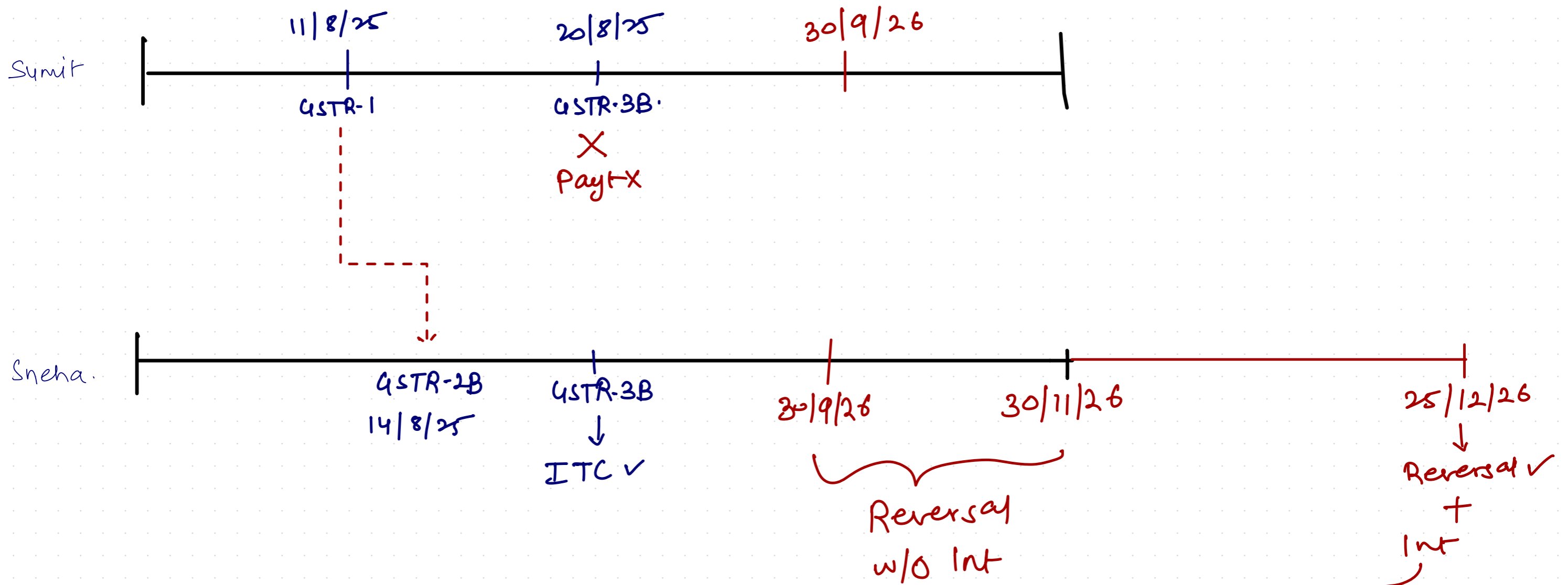


Pay Tax on Transaction value directly

Rule 37A



1. Supplier declares the invoices in GSTR 1
2. The respective input tax credit is availed by the recipient as the same gets reflected in his GSTR-2B
3. However, the supplier fails to file form GSTR 3B in respect of such invoice i.e. fails to deposit the tax
4. In this case, The supplier gets the time period till 30th September of the following financial year in respect of such supplies
5. If he files GSTR 3B, the recipient is not required to reverse any credit. However, if the supplier fails to file GSTR 3B on or before 30th September, the recipient needs to reverse the ITC on or before 30th day of November of the following financial year in respect of such supplies
6. If the recipient fails to reverse the credit on or before 30th November, he would be required to pay such amount along with interest under section 50 (18% p.a.)



only for these 25 days
 Int @ 18% p.a. → start from 1 Dec & not from earlier pd.

Rule 86A

• Rule allows tax authorities to block the ITC ✓

• Who can block?

Commissioner OR Authorised officer
(Not below rank of Assistant Commissioner)

↓
Can block the ITC if they have reason to believe that the credit was:

Fraudulently claimed **DR PING**

- ① Using invoices from a non-existent supplier **(N)**
- ② Without receiving the goods or services. **(4)**
- ③ where Tax for that supply has not been **(P)** actually paid to the Govt by the supplier
- ④ where the recipient does not possess the required tax invoice. **(I)**
- ⑤ Recipient claiming the ITC is found non-existent OR not conducting business from declared place of business. **(R)**

Max Limit → 1 year

* Commissioner / Authorised officer can withdraw within 1 year.

Rule 86B

Restriction on use of amount available in Electronic Credit Ledger.

- 1) Rule 86B had been introduced at the time of Covid-19 when the govt was facing liquidity issues (govt did not have money to spend).
- 2) Thus, the govt asks the RP to pay atleast 1% of o/w tax liab. to the govt today even though such RP has sufficient ITC in Elec. Credit Ledger.
- 3) Applicability
Applicable to those RP whose taxable supply (other than exempt & zero rated supply) in a month exceeds ₹ 50 Lakhs.

Exceptions

1) Rule 86B is not applicable if a Prop/Karta/MD/ any of the 2 partners/whole time Director/ Member of managing committee of association/ Board of Trustee, as the case may be have paid more than ₹ 1L of income tax in each of the last 2 FYs.

2) where the RP has received a refund of more than 1L in the prec. FY on account of unutilized ITC in case of:

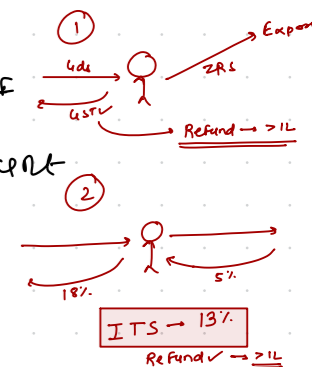
(a) ZRS made w/o payt of tax

OR

(b) Inverted Duty structure.

3) where the RP has discharged his tax liability towards outwards tax through electronic cash ledger for the amount which is in excess of 1% of total output tax liability applied cumulatively upto the said month in current FY.

4) Rule 86B is not applicable to:
(i) Govt Dept. (ii) PSU
(iii) Local Auth. (iv) Stat. body.



April - Nov → cumulatively

o/w tax → 10cr

(-) ITC → (9.5cr)

Elec. Cash Ledger. 50 Lakhs → > 1% of Total Tax Liab

$\frac{50L}{10cr}$

= **5%**

↓
86B → Dec x

We have helped the govt enough during the FY & thus, no need to pay as per Rule 86B in Dec ✓

* Availability of ITC for warranty replacement of parts/repairs during warranty period.

Case I value includes warranty.

Whether GST is applicable on repairs under warranty by original Equipment Manufacturer?

Check whether extra considⁿ is charged



Case II

Is distributor required to pay GST when he does the repairs/replacements on behalf of the Mnfgr who taking any consideration from customer?

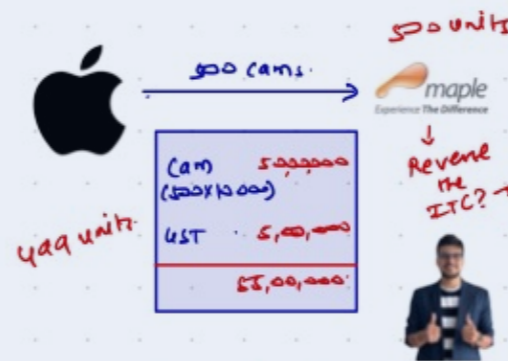


₹ ✓ GST ✓
₹ X GST X



Case III

Part replacement under warranty → is it a taxable supply betⁿ Distributor & Mnfgr?



- 1] Cam not working, went to Maple ✓
- 2] Maple replaced cam
- 3] warranty given by Mnfgr & cam replaced by Maple.

- 1] Maple issues invoice on Apple ✓ for the cam replaced which was available with Maple [either purch from Apple or 3rd party by paying the GST ✓ (ITC must be availed ✓)]
- Maple to collect value + GST + GST to be paid by the Distributor i.e. Maple ✓
- ITC not reqd to be reversed by Maple
- Apple can avail the ITC ✓

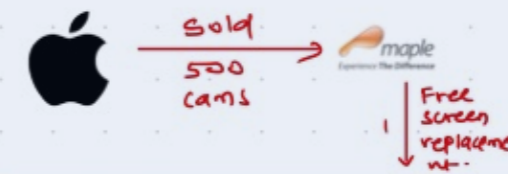
- 4] Replenishment of Distributor's stock
- Maple used its own stock & Apple sent the goods for restoration of stock ✓
- ↳ No GST X
- ITC reversal → Not required.

- 2] Mnfgr supplies part w/o charge ✓
- Apple gives cams to Maple ✓ & Maple replaced the cam.
- No consideration charged X No GST X.
- Apple need not reverse the ITC X



3] Credit Note issued by Mnfgr

- 1] Apple already sold 500 cams to Maple ✓
- 2] Maple is going to sell it further to customers whose cams turn out to be faulty which are not in warranty.
- 3] If Maple gives 1 cam to customer who was under warranty then 1 cam was given by Maple which was supposed to be given by Apple.



- 4] Why will Maple pay for 500 cams where 1 cam was sold on behalf of Apple.
- 5] Thus, he should be charged only for 499 & ∴ credit Note for 1 cam

ITC reversal reqd??

By Apple → No
↳ 499 → to → Maple ✓
↳ 1 → under warranty.

By Maple → Yes
↳ ITC of 1 unit for which he got a credit note.



Case IV

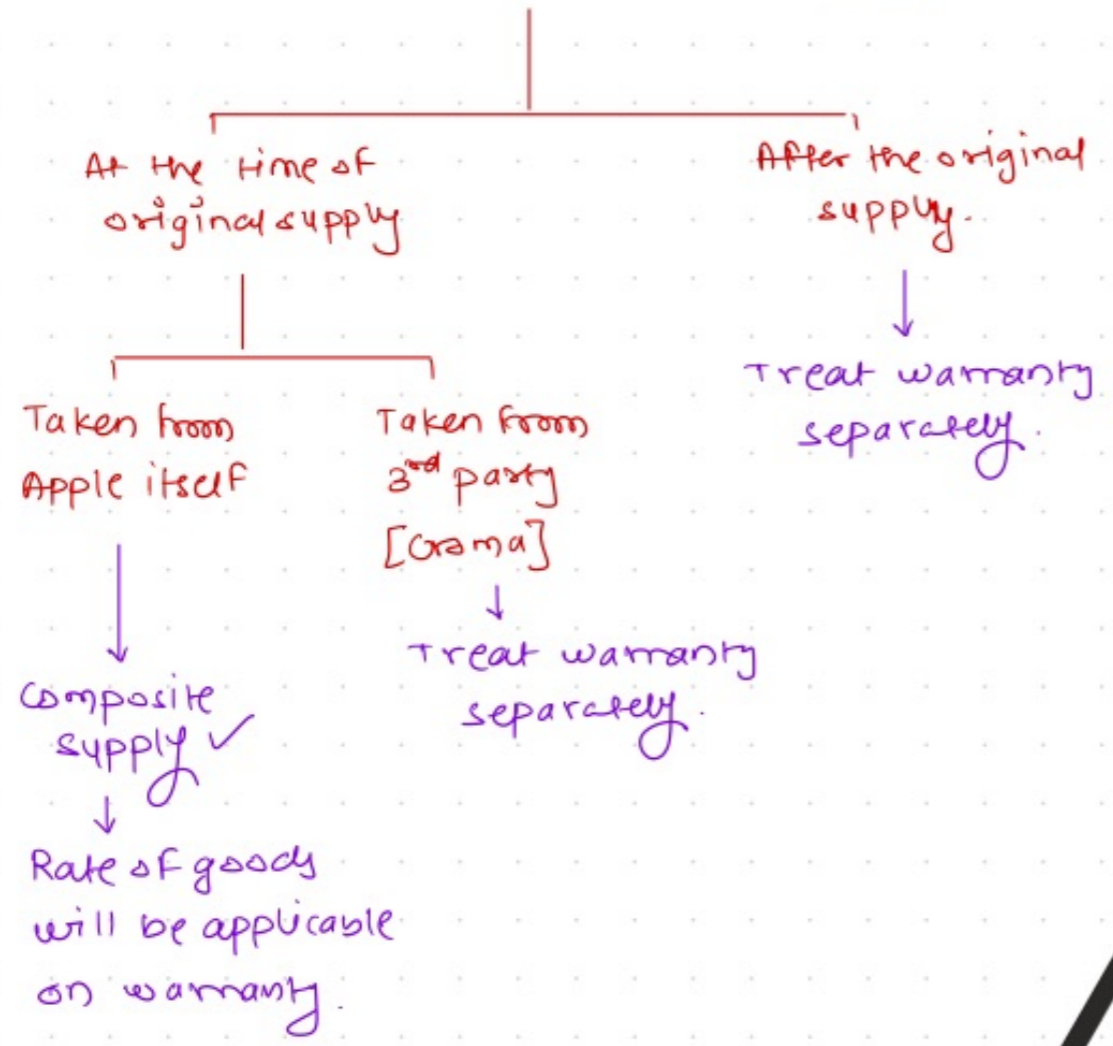
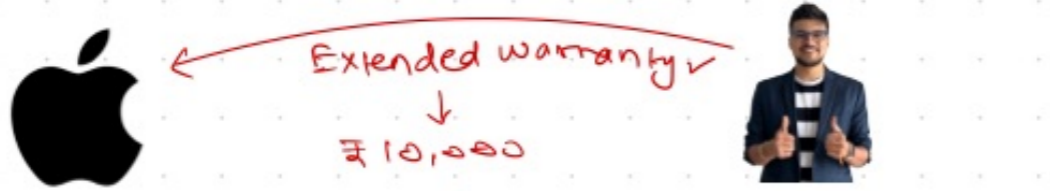
- Distributor provides repair service to customer under warranty ✓
- No charge from customer ✓
- charges Mnfgr for services provided to customer free of cost.

↳ value + GST ✓
 ↳ to be paid by Distributor.

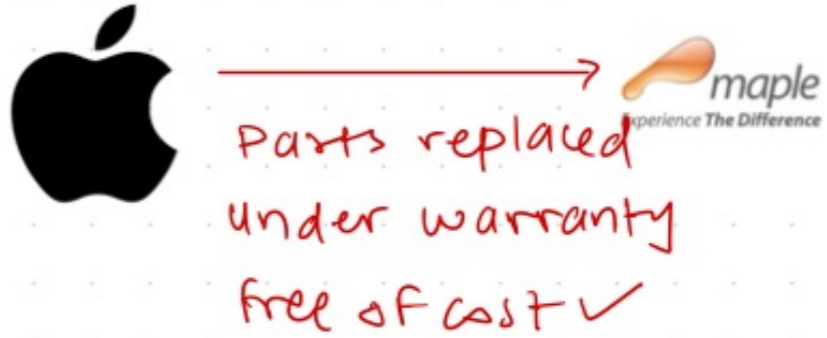
Apple → Maple
 10L
 1L

ITC → can be availed by Mnfgr (Apple)

Case V



consequential input in ITC ✓



Is Apple required to reverse the ITC??

↳ NO → Apple had already taken money earlier at the time of original supply to customer ✓.

