

22<sup>ND</sup> JUN, 2017***GST - INPUT TAX CREDIT & ISD WITH RULES*****-ORGANISED JOINTLY BY*****GSTPAM  
TPA &  
TMA*****PRESENTATION BY :****CA. KRUNAL DAVDA  
BCOM, FCA**

22/06/2017

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**INPUT TAX CREDIT – BASIC'S / OBJECTIVES**

❖ GST being an Indirect Tax, like current Indirect tax system, final Tax on Goods & services are to be borne by Ultimate Customer & every Business in a transaction chain pays tax on value added by him in a transaction & takes respective ITC on its procurement/purchases.

❖ **GST ITC Objectives** –

- a) To ensure fungibility of tax credit across business's/sectors  
**Issue's in present system** – Traders not eligible for Excise duty credit /Service Tax credit  
Mfgr/Trader not eligible for CST paid credit  
Service Provider not eligible for VAT Credit/SAD paid on Imports
- b) To have seamless flow of credit
- c) To avoid the cascading effect of taxes
- d) To minimize Tax incidence on Ultimate Consumer

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# AGENDA

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## Meaning of Input Tax Credit and Input Tax – { Sec 2(62) and 2 (63)}

- **Sec 2(63) :** Input Tax Credit means credit of 'input tax'.
- **Sec 2(62) :** 'Input Tax' in relation to a registered person.

### Means

- Central Tax **OR**
- State Tax / Union Territory Tax **OR**
- Integrated Tax

**Charged** on any supply of goods or services or both made to him

### Includes

- IGST charged on import of goods.
- Tax payable under Reverse charge by recipient
  1. Central tax / State tax u/s 9(3) of CGST/SGST Act
  2. Integrated tax u/s 5(3) of IGST Act
  3. Union territory tax payable u/s 7(3) of UTGST Act
- Tax payable under Reverse Charge by registered person on supply made by unregistered person
  1. Central tax/State tax u/s 9(4) of CGST/SGST Act
  2. integrated tax u/s 5(4) of IGST Act
  3. Union territory tax payable u/s 7(4) of UTGST Act

### Excludes

Tax paid under **composition levy.**

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## REVERSE CHARGE

According to **Sec 2(98) Reverse Charge** means the liability to pay tax by the recipient of supply of goods and/or services instead of the supplier of such goods and/or services under section 9(3) or 9(4) /under sec 5(3) or 5(4) of IGST Act.

### FOR EXAMPLE:-

**Q)** RAVI (Registered scrap dealer) has purchased Rs. 10,000 value of the goods from DEV (Small time Unregistered scrap dealer) and the GST rate is say 18% & further RAVI is selling these goods to NAYAN for say Rs. 12,000.

### Solution: (*under reverse charge mechanism*)

- Ravi did not pay any GST TAX i.e. 1800 (10,000\*18%) to DEV since DEV was unregistered, but as per RCM RAVI still has to pay GST Rs. 1,800 to Govt. on this inward supply.
- Apart from above Ravi has to collect from Nayan & pay GST of Rs. 2,160/- (12,000\*18%) on his outward supply, to the GST department.



What if DEV here is a household consumer who disposes his waste papers at home or Raddi to Ravi ??

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## Inputs Tax Credit Eligible On



Particulars	Meaning / Definition
<b>Capital Goods</b> Sec 2(19)	<ul style="list-style-type: none"> <li>• Goods, the value of which is capitalized in the books of accounts of the person claiming the ITC and</li> <li>• which are used or intended to be used in the course of furtherance of business</li> </ul>
<b>Input</b> Sec 2(59)	<ul style="list-style-type: none"> <li>• Any goods other than capital goods,</li> <li>• used or intended to be used by a supplier in the course or furtherance of business</li> </ul>
<b>Input Service</b> Sec 2(60)	<ul style="list-style-type: none"> <li>• Any service,</li> <li>• used or intended to be used by a supplier in the course or furtherance of business</li> </ul>

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## Meaning of Output Tax , Outward supply , Taxable Supply



Particulars	Meaning / Definition
<b>Output Tax</b> [Sec 2(82) ]	In relation to a taxable person means, tax chargeable under this Act on taxable supply of goods/services or both made by him or by his agent, but <b>Excludes</b> tax payable by him on <u>reverse charge basis</u>
<b>Outward Supply</b> [Sec 2(83) ]	In relation to a taxable person means, Supply of goods and/or service, whether by sale , transfer, barter , exchange, license, rental, lease or disposal or any other mode, made or agreed to be made by such a person, in the course or furtherance of business
<b>Taxable Supply</b> [Sec 2(108) ]	A supply of goods and/or services , which is leviable to tax under this Act .

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## Meaning of Exempt Supply ,Non -Taxable Supply & Zero Rated supply

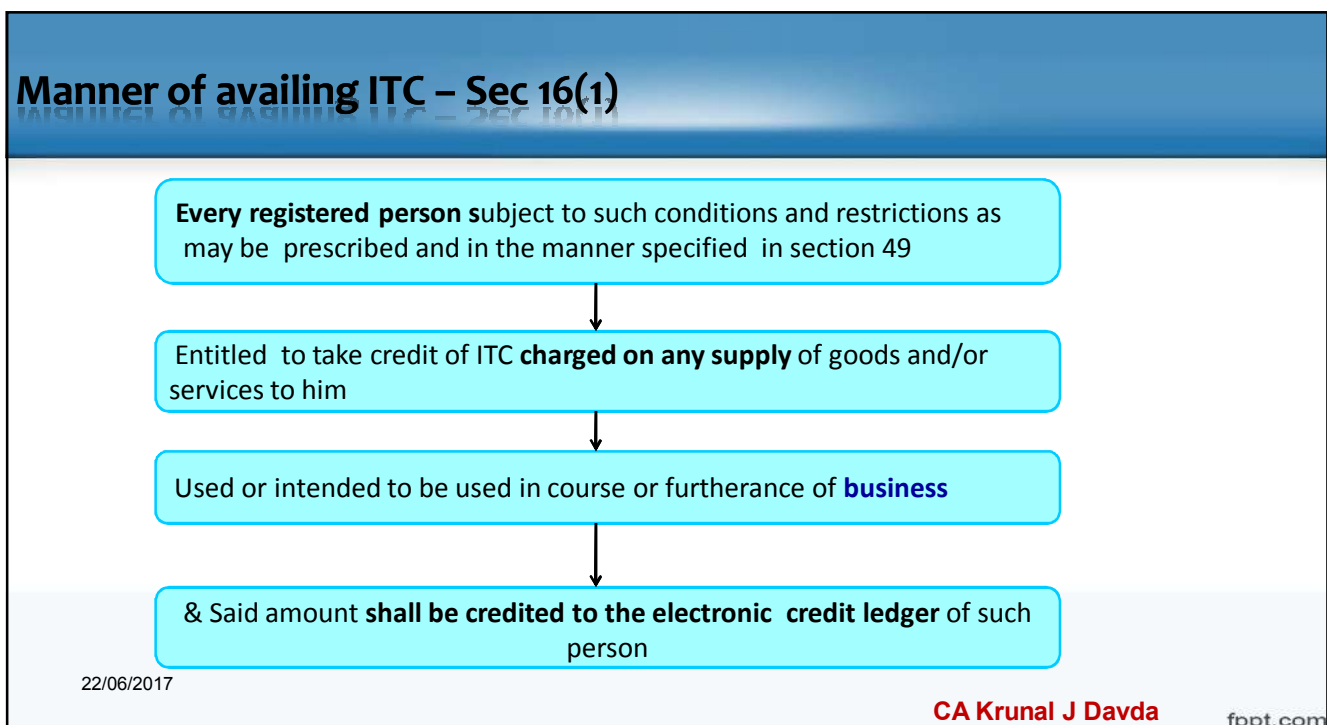
Particulars	Meaning / Definition
<b>Exempt Supply</b> [Sec 2(47) ]	Supply of any goods and/or services which Attract <b>NIL</b> rate of duty OR  which may be wholly exempt from tax u/s 11 OR u/s 6 of IGST Act &  <b>Includes :</b> Non-Taxable supply
<b>Non-Taxable supply</b> [Sec 2(78) ]	A supply of goods or services or both, Which is not leviable to tax under this Act or IGST Act
<b>Zero Rated Supply</b> [Sec 16 of IGST Act ]	Export of goods and/or services OR Supply of goods and/or services to a SEZ developer or a SEZ unit

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Eligibility 	
Person Eligible for ITC	Person Not Eligible to take ITC
<ul style="list-style-type: none"> <li>Registered Taxable person – 16 (1) of CGST/SGST</li> <li>Person making <b>zero rated supplies</b> -16 (2) of IGST</li> </ul> <p style="font-size: small; margin-top: 20px;">22/06/2017</p>	<ul style="list-style-type: none"> <li>Non-registered taxable person &amp; <b><u>Person not Liable for Registration – Sec 23 :</u></b></li> <li>Person exclusively engaged in supplying goods/services not liable to tax or wholly exempt.</li> <li>Agriculturist, to the extent of supply of produce out of cultivation of land.</li> <li>Specified persons – exempted from Registration via notification by GST council.</li> <li>Person having aggregate T/O below threshold limit { 22(1) }</li> <li>Suppliers under Composition Levy</li> </ul> <p style="text-align: right; color: red; font-weight: bold; margin-top: 10px;">CA Krunal J Davda</p>



## BUSINESS

### BUSINESS u/s 2 (17)

(a) Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not is for pecuniary benefit.

(b) Any activity / transactions in connection with or incidental or ancillary to (a) above

(c) Any activity / transaction in nature of (a) above, whether or not there is volume , frequency, continuity or regularity of such transaction

(d) Supply/acquisition of goods including capital assets & services in connection with commencement/closure of business.

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## BUSINESS

### BUSINESS u/s 2 (17)

(e) Provision by club, association, society , or any such body( for subscription/consideration) of facilities/benefits to is members, as case may be

(f) Admission, for consideration, of persons to any premises and

(g) Services supplied by person as the holder of an office which has been accepted by him in the course /furtherance of his trade or profession or vocation  
Eg :-Office bearers of any association say TMA - New Business ??

(h) Services provided by race club by way of totalisator / licence to book maker in such club

(i) Any activity / transaction undertaken by CG, A SG / any LA in which they are engaged as public authorities.

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## Conditions for availing ITC – sec 16(2)



Terms & Conditions

- Registered person **shall not** be entitled to take credit of any input tax in respect of any supply of goods and/or services to him **unless** :

Possession	Receipt	Payment	Return
<p>He is in <b>possession</b> of :</p> <ol style="list-style-type: none"> <li>1) Tax Invoice – 31(1)</li> <li>2) Invoice by receiver paying under RCM – 31(3)(f)</li> <li>3) Debit Note – 34</li> <li>4) Bill Of Entry/Similar Doc.</li> <li>5) ISD invoice/ ISD Cr. Note/ Document issued by ISD as per Invoice Rules.</li> </ol>	<ul style="list-style-type: none"> <li>• He has received the goods and/or services*</li> </ul>	<ul style="list-style-type: none"> <li>• The tax charged in respect of such supply has been actually <b>paid</b> to the government either in :               <ul style="list-style-type: none"> <li>▪ Cash or</li> <li>▪ Utilization of ITC admissible in respect of said supply</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Furnished return u/s 39</li> <li>• <b>Rule 1(2)</b> of ITC rules – Info furnished in Form – GSTR 2 by such person.</li> <li>&amp; all particulars as prescribed in Invoice Rules are contained in the said document.</li> </ul>

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Rule 1(1) of ITC Rules

\* - Explanation –see next slide

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## Conditions for availing ITC – sec 16(2)



Terms & Conditions

- ❑ Where goods against an invoice are received in installments / lots – ITC will be available only after receipt of **last lot / installment**
- ❑ Where a registered person had paid tax in respect of any order where any demand has been confirmed on account of any fraud , willful misstatement or suppression of facts , no input tax credit will be available – Rule 1(3) of ITC Rules.
- ❑ **Explanation** as to term receipt of goods Sec16(2)(b) : ( “ Bill to – Ship to ” Cases )
  - For the purpose of receiving goods **it shall be deemed** that the registered person has received the goods where :
    - the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person , whether acting as an agent or otherwise , before or during movement of goods , either by way of transfer of documents of title to goods or otherwise

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## Diff. in time b/w TOS actual time to pay GST & ITC availability to Recipient

Eg :- Say A gives a PO to B on 15/09/17 to Mfg some goods as per his specification & gives full advance on 28/08/17. B issues an Invoice on 26/10/17 & dispatches goods which are recd. By A on 05/11/17.

**What is TOS & what is Time to take ITC ?**

Date of Purchase Order	Date of Invoice	Date of Receipt of goods	Date of Payment		Time of Supply – i.e. Time to pay GST output Tax	Time of ITC Availability to recipient
15 <sup>th</sup> September 2017	26 <sup>th</sup> October 2017	5 <sup>th</sup> November 2017	28 <sup>th</sup> August 2017		August 2017	November 2017

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## Conditions for availing ITC – sec 16(2)



Terms &amp; Conditions

### Sec. 16 (2) -2nd Proviso & Rule 2 of ITC:

- Where recipient who has availed ITC on inward supplies of good and/or services but fails to pay to the supplier (other than supplies on which tax is payable on RCM) value of such supply alongwith tax payable thereon, of goods and /or services within **180 days** from the date of issuance of invoice by supplier, following consequences follows:

1. Added to output tax liability	2. Interest
<ul style="list-style-type: none"> <li>▪ Amount of ITC availed on such supplies shall be added to recipient's output tax liability for the month immediately following the period of <b>180 days</b> from date of issue of invoice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interest thereon will have to be discharged for the period starting from date of availing credit on such supplies till date when such supplies added output tax liability is paid</li> </ul>

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## Conditions for availing ITC – sec 16(2)



Terms & Conditions

### Sec. 16 (2) -2nd Proviso & Rule 2 of ITC:

#### ➤ Question ?

Schedule I – Activities to be treated as supply even if made without consideration – Pts 1 to 4.

What is effect of this Sec. 16 (2) – 2<sup>nd</sup> Proviso - of Payment within 180 days on above ?

Ans - ITC Rule 2(1) - Proviso - Provided that Value of supplies made without consideration ( Schedule I ), shall be deemed to have been paid for purpose of Sec. 16 (2).

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## Denial of ITC & Time limit [Sec 16(3)]

- Input Tax credit will not be allowed to the registered person on the tax component who has already claimed depreciation on the tax component of the **cost of capital and plant and machinery** under the provision of Income Tax Act 1961

#### ☐ For Example :

Cost of asset	=	Rs. 100
(+) Tax-12%(say)	=	Rs. 12
Total Cost	=	Rs. 112



1. If depreciation is charged on Rs.100 - ITC AVAILABLE
2. If depreciation is charged on Rs. 112 - ITC NOT AVAILABLE

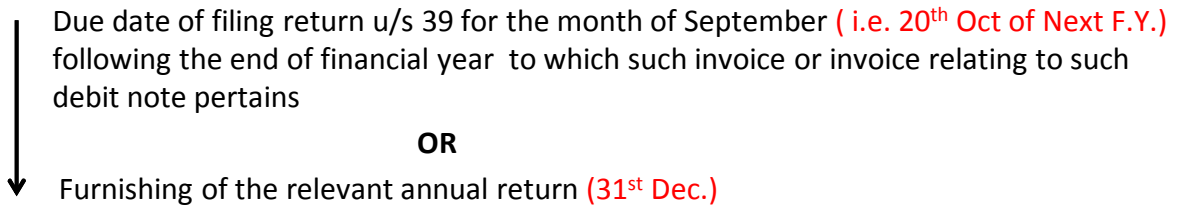
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## Denial of ITC & Time limit [Sec 16(4)]

- A Registered person **shall not be entitled** to take input tax credit in respect of any invoice or debit note for supply of goods and/or services after :



**Whichever is earlier.**

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## Denial of ITC & Time limit [Sec 16(4)]

➤ **Question ?**

ABC Pvt Ltd. Acquired goods worth Rs. 1,00,000/- ( GST Rate say 18 % - so Rs. 18,000/- ) from XYZ Ltd. In month of July 2017,

- But forgets to record the invoice till Mar 2018 – Till what time can he claim ITC ?
- Say Fail's to pay to it within 180 days. - ITC Credit for ABC Pvt. Ltd would get reversed – 2 nd Proviso to Sec. 16(2).
- Now say After 3 years ABC Pvt. Ltd. Is paying the aforesaid amt. with Tax to XYZ Ltd. Whether ITC Credit would be available ??**

**Ans :-** The time limit specified in Sec. 16(4) shall not apply to a claim for re-availing of any credit that has been reversed earlier { ITC Rule - 2(4) }

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## Manner of availing ITC

**Q** . A company has a Branch – D which is a registered taxable person in Delhi conducts conference in hotel in Mumbai (Maharashtra) where CGST-SGST is charged by hotel. This Company also has a Branch –M which is registered taxable person in Mumbai. Whether Branch – M can take ITC Credit of the same ?

**Ans.** Provision of Section 16 (1) operate as follows:

- CGST-SGST charged by the hotel in Mumbai (Maharashtra) is used in the business of Branch-D in Delhi and not in the business of Branch-M in Mumbai
- Hotel would not be aware about the fact and would not resist to issue the bill in the name of Branch-M because both are branches of the same company
- Since, CSGT-SGST has been charged by the hotel , input tax credit would not be available to Branch-D as tax paid in Maharashtra is not a creditable in Delhi.

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## Manner of availing ITC

- Branch-M may be compelled to Forego the Tax paid to the hotel. However there may be tendency to save this loss by informing the hotel about the GSTIN of Branch-M. In fact the company need to obtain ISD registration in Maharashtra and distribute this credit entirely to Delhi.
- But, Branch –M in Mumbai cannot justify this input tax credit **as it is 'not used by him'** in **'his business'** but it is used by another in that other's business.  
– { Refer Sec. 16 (1) wordings & Distinct person – Sec. 25(4) & (5) }
- Care should be taken to verify 'whose' business each input tax credit relates to.
- If nexus is established between the service of the hotel and the business of branch –M ,input tax credit may be availed by Branch-M . Nexus emerges if inter-branch supply of services occurs between Branch-M and Branch –D.

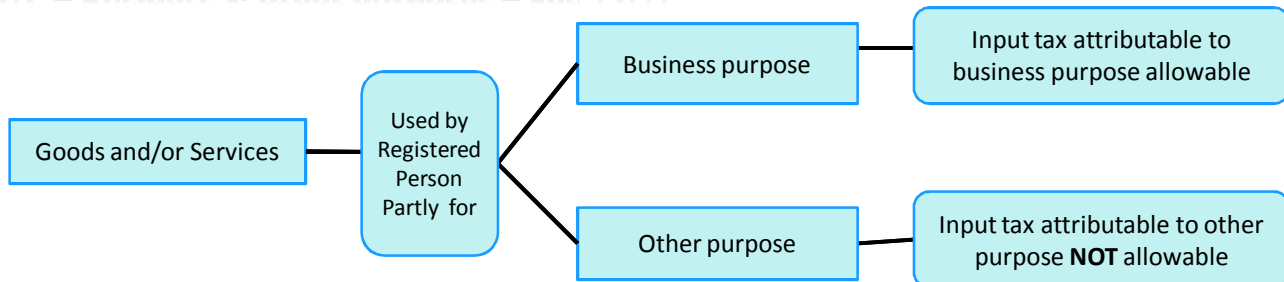
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## Apportionment of Credit & Blocked Credits

### ITC – Business & other purposes – Sec 17(1)



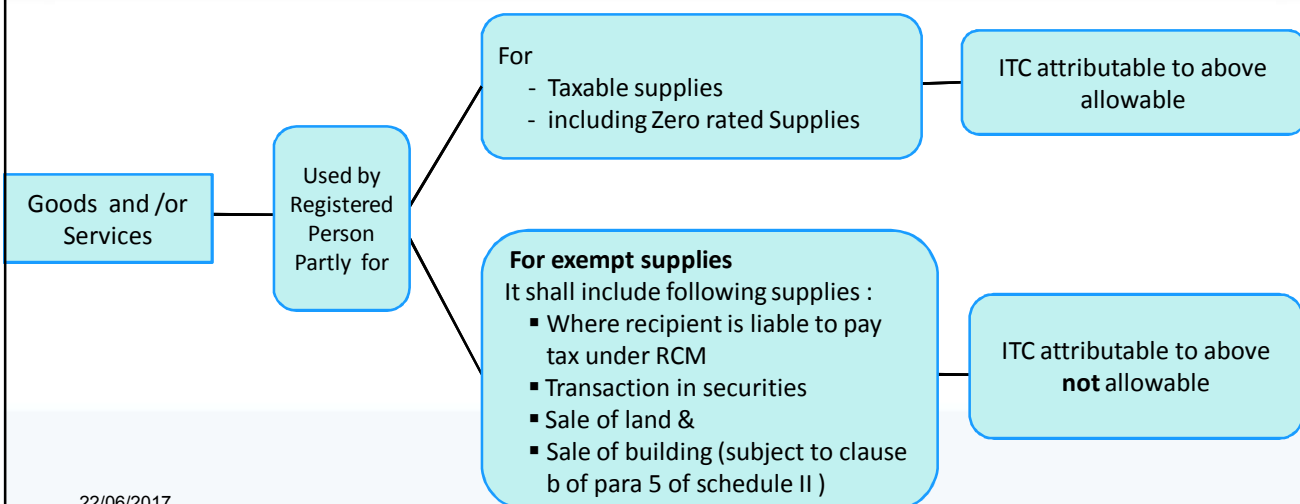
*What is Other purpose ?*

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### ITC – Taxable & Exempt Supplies – Sec 17(2) & 17(3)



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## Rule 7 (1) of ITC Rules – Determination of ITC w.r.t. Inputs & Input services & Reversal

Supplies	Denoted	Remarks	Example
Total input tax involved on inputs and input services in a tax period	T		1,00,000
ITC on inputs and input services <u>used exclusively</u> for <b>non-business supplies</b> .	T1	TOTALLY DISALLOWED	10,000
ITC on inputs and input services <u>used exclusively</u> for <b>exempt supplies</b>	T2	TOTALLY DISALLOWED	10,000
ITC on inputs and input services on which <b>Credit is not available u/s 17(5)</b>	T3	TOTALLY DISALLOWED	5,000
ITC credited to the electronic credit ledger	C1	$C1 = T - (T1+T2+T3)$	$1,00,000 - (10,000 + 10,000 + 5,000)$ <b>= 75,000</b>
ITC on inputs used exclusively for taxable supplies including zero rated supplies	T4	TOTALLY ALLOWED	50,000

22/06/2017 **Registered person will have to declare T1, T2,T3,and T4 at invoice level in Form GSTR-2**

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## Rule 7 (1) of ITC Rules

Supplies	Denoted	Remarks	Example
Out of ITC credited to credit ledger account (i.e. C1), the amount of ITC on inputs used for common purpose – Called <b>Common Credit</b>	C2	<ul style="list-style-type: none"> <li>• <math>C2 = C1 - T4</math></li> <li>• Partially Allowed</li> </ul>	25,000
Amount of ITC attributable towards exempt supplies. <b>Where</b> E = Aggregate value of exempt supplies during tax period & F = Total T/o in the state of registered person during tax period	D1	<ul style="list-style-type: none"> <li>• <math>D1 = \frac{E}{F} * C2</math></li> <li>• DISALLOWED</li> </ul>	$\left[ \frac{25,00,000}{1,00,00,000} \right] * 25,000$ <b>= 6,250</b> E= 25,00,000 F= 1,00,00,000
Amount of ITC attributable towards non-business supplies., If Common Inputs & input services are used partly for Business & non-business purposes	D2	<ul style="list-style-type: none"> <li>• <math>D2 = 5\% \text{ of } C2</math></li> <li>• DISALLOWED</li> </ul>	$5\% * 25,000$ <b>= 1,250</b>
Remainder of Common credit shall be eligible ITC attributable to business purpose towards taxable supplies including zero rated supplies	C3	• $C3 = C2 - (D1 + D2)$	$25,000 - (6,250 + 1,250)$ <b>= 17,500</b>
Total credit eligible ( <b>Exclusive + Common</b> ) 22/06/2017	G	• $G = T4 + C3$	$50,000 + 17,500$ <b>= 67,500</b>

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## Rule 7 (1) of ITC Rules

- **Provided** that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which details of such turnover are available, previous to the month during which the said value of 'E/F' is to be calculated
- **Explanation:** For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.
- The Amount equal to **aggregate of D1 & D2** shall be added to the **OUTPUT TAX Liability** of the registered person.
- The amount 'C3' shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated tax

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## Rule 7 (2) of ITC Rules

- The input tax credit determined under sub-rule (1) shall be calculated finally for the financial year before the due date for furnishing of the return for the month of September following the end of the financial year to which such credit relates, in the manner prescribed in the said sub-rule
- and*
- Where the aggregate of the amounts calculated finally in respect of 'D1' and 'D2' exceeds the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2', **such excess** shall be added to the **output tax liability** of the registered person in the month not later than the month of September following the end of the financial year to which such credit relates and the said person shall be liable to pay interest on the said excess amount at the rate specified in sub-section (1) of section 50 for the period starting from first day of April of the succeeding financial year till the date of payment;
- or*
- Where the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2' exceeds the aggregate of the amounts calculated finally in respect of 'D1' and 'D2', **such excess** amount shall be **claimed as credit** by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.

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## Rule 8 of ITC Rules – Determination of ITC w.r.t. Capital Goods & Reversal

(1) Subject to the provisions of Section 16(3), the ITC in respect **capital goods**, which attract the provisions of section 17(1) - being partly used for the purposes of business and partly for other purposes, & 17(2) - or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, **shall be attributed to the purposes of business** or for effecting taxable supplies in the following manner, namely:-

a) ITC on capital goods

used or intended to be used

**exclusively for non-business purposes** / effecting exempt supplies

shall be indicated in FORM GSTR-2

shall **not be credited** to his electronic credit ledger

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## Rule (8) of ITC Rules

b) ITC on capital goods

used or intended to be used

**exclusively** for effecting supplies other than exempted supplies including zero-rated supplies

shall be indicated in FORM GSTR-2

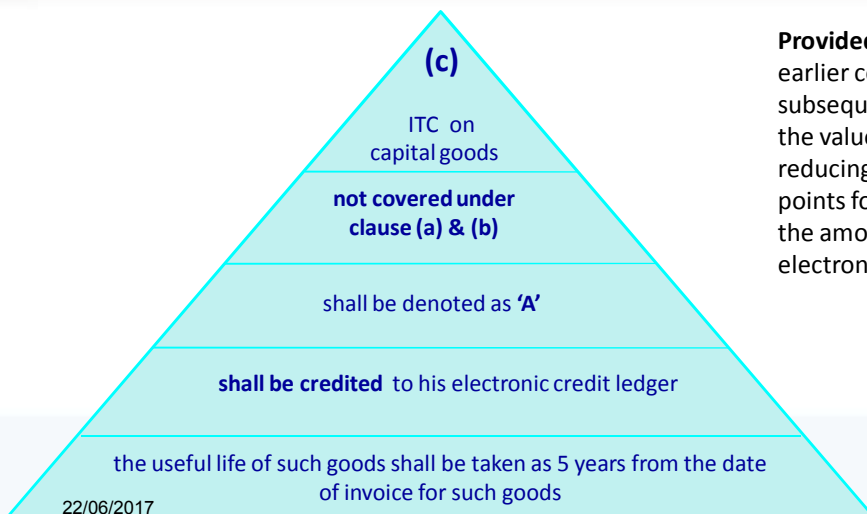
shall **be credited** to his electronic credit ledger

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## Rule (8) of ITC Rules



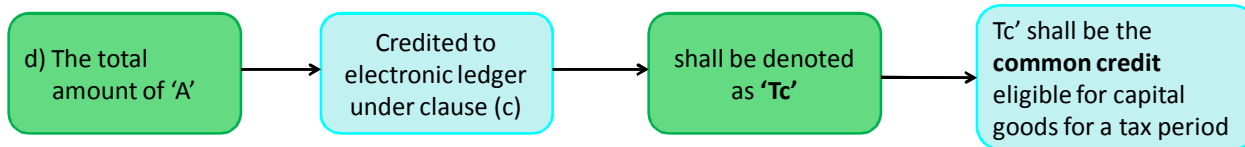
**Provided** that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, the value of 'A' shall be arrived at by reducing the input tax at the rate of 5 % points for every quarter or part thereof and the amount 'A' shall be credited to the electronic credit ledger.

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## Rule (8) of ITC Rules



**Provided** that any capital goods covered under clause (b) is subsequently covered under clause (c), the value of 'A' arrived at by reducing the input tax at the rate of 5 % points for every quarter or part thereof and shall be added to the aggregate value 'Tc'

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## Rule (8) of ITC Rules

- e) ITC attributable on common capital goods during their useful life for a tax period shall be denoted as 'Tm' and calculated as :

$$T_m = T_c/60$$

- f) The amount of input tax credit, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such capital goods.

- g) The **amount of common credit attributable towards exempted supplies**, be denoted as 'Te', and calculated as :

$$T_e = \left[ \frac{E}{F} \right] \times T_r$$

Where E = Aggregate value of exempt supplies during tax period &

F = Total T/o in the state of registered person during tax period

- h) The amount "Te' along with applicable interest shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit. **CA Krunal J Davda**

## ITC- Banking Company, Financial Institutions & NBFC - Sec-17(4)

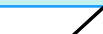
Banking company or a financial institution including a NBFC



Company engaged in supplying services



by way of accepting deposits , extending loans or advance



Avail ITC in accordance with the provisions of Section 17(2) i.e. under normal provisions

Avail an amount equal to 50% of the eligible ITC in that month relating to Inputs, Capital goods and Input services & the **REST SHALL LAPSE**

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## ITC- Banking Company, Financial Institutions & NBFC - Sec-17(4)

- **Once option is exercised , it cannot be withdrawn during the remaining part of financial year**
- Restriction of 50% shall not apply to the tax paid on supplies made by a registered person to another registered person having same PAN

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## ITC- Banking Company, Financial Institutions & NBFC

- Banking company or a financial institution including NBFC opting to follow the option of 50% reversal has to follow following procedure :
  - A) It **shall not avail** the credit of :
    - tax paid on inputs and input services that are used **for non-business purpose &**
    - the credit attributable to supplies specified in **section 17(5)** in form GSTR-2
  - B) It **shall avail** the credit of tax paid on inputs and input services referred to in 2<sup>nd</sup> proviso to section 17(4) – ( restriction of 50% NA - RD to RD i.e. different branches having Same PAN ) and not covered under clause (a) above.
  - C) 50% of the remaining input tax shall be the ITC admissible to the company/institution and shall be furnished in Form GSTR-2
- The amount referred to in clause (b) and (c), subject to S. 41,42,43, shall be credited to electronic credit ledger.

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## Exclusions from ITC – Sec 17(5)

### ➤ Section 17 (5) (a)

ITC for **Motor vehicles and other conveyance**

Except when they are used

- For making the following taxable supplies :
  - Further supply of such vehicles or conveyances ; OR
  - Transportation of passengers ; OR
  - Imparting training on driving , flying , navigation such vehicles or conveyance
- Transportation of goods

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## Exclusions from ITC – {Sec 17(5)}

SITUATIONS	AVAILMENT of ITC
➤ ITC TO CAR DEALERS ( For purchase of Motor Vehicles )	✓
➤ ITC TO Mr. X– Prop. Of M/s ABC ( For purchase of Car)	✗
➤ ITC TO XYZ TOUR OPERATOR (For Buying Bus)	✓
➤ ITC TO CHOUHAN DRIVING INSTITUTE ( For purchase of Car)	✓
➤ ITC TO Mr. X– Prop. Of M/s ABC ( For purchase of Tempo )	✓

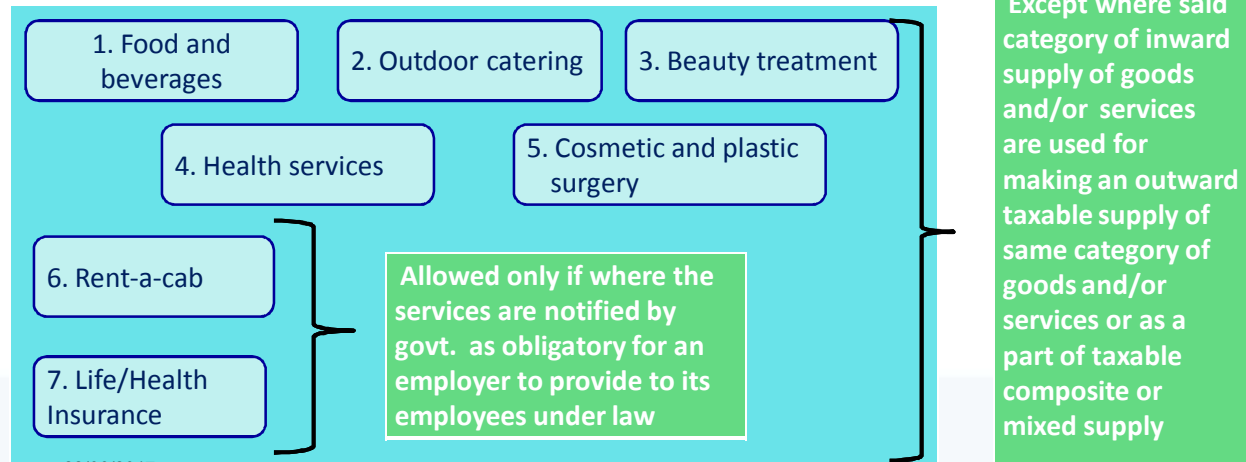
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## Exclusions from ITC – Sec 17(5)

### ➤ Sec 17(5)(b) - Specified supply of goods or services



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## Exclusions from ITC – {Sec 17(5)}

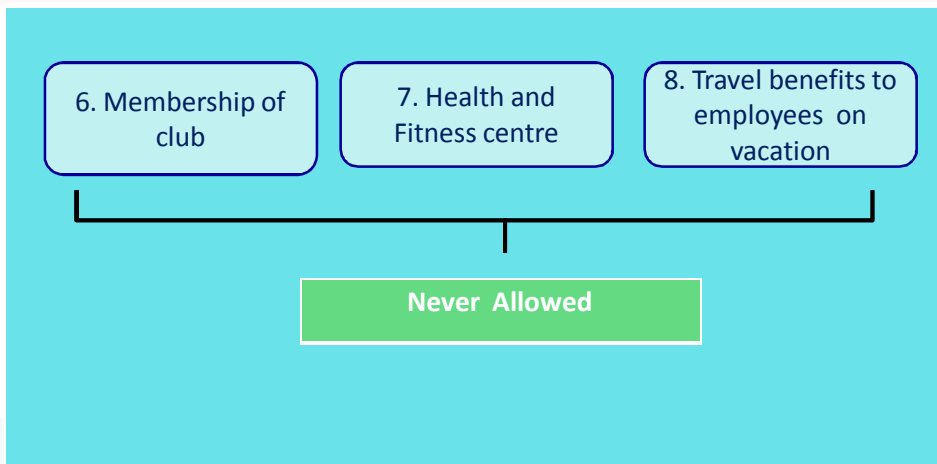
SITUATIONS	AVAILMENT of ITC
➤ ITC on F&B for Dealers/distributor's meet for launching & promotion of new product by company	✗
➤ ITC on Cold drinks & Beverages purchased by say DOMINOS for supply with Pizza.	✓
➤ ITC on Food by say Hotel Renaissance for Outsourcing Mexican Counter to another Caterer	✓
➤ Makeup man cost to a producer of movie	✗
➤ Makeup man contractor who has outsourced some portion of its work to other makeup contractor	✓

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## Exclusions from ITC – Sec 17(5)

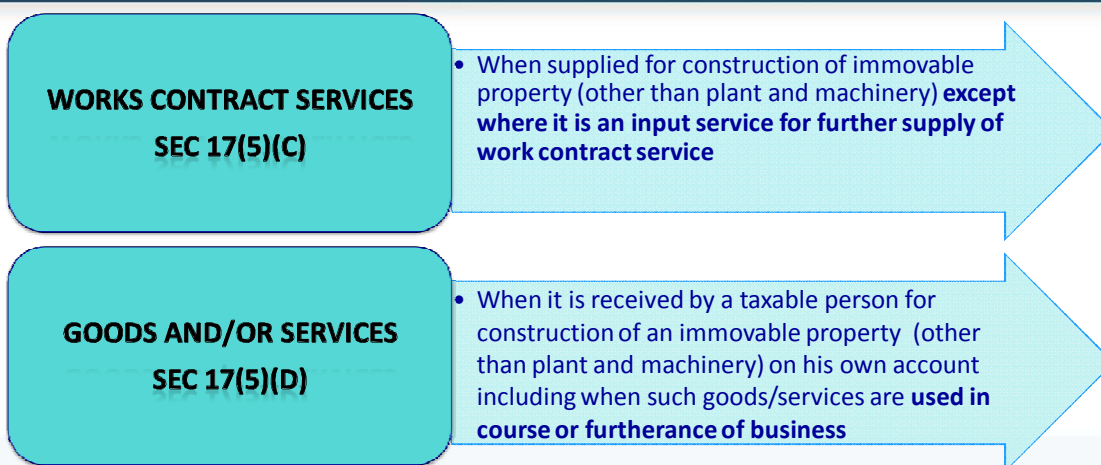


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## Exclusions from ITC – Sec 17(5)



***ITC of Works contract resulting into ' plant and machinery' is admissible***

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## Exclusions from ITC – Sec 17(5)





For the purpose of Clause (c) & (d) & for this chapter, the expression Construction & P & M shall mean :

Construction	Plant and Machinery														
<p>➤ <b>Includes</b></p> <ul style="list-style-type: none"> <li>▪ Re-construction</li> <li>▪ Renovation</li> <li>▪ Additions</li> <li>▪ Alterations</li> <li>▪ Repairs</li> </ul> <p><b>To the extent of capitalization to the said immovable property</b></p> <p style="font-size: small; margin-top: 10px;">22/06/2017</p>	<p>➤ Means</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #00b050; color: white;">Apparatus</th> <th style="background-color: #00b050; color: white;">Equipment</th> <th style="background-color: #00b050; color: white;">Machinery</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">Fixed to earth by foundation or structural support that are used for making outward supply <b>and</b></td> </tr> <tr> <th style="background-color: #00b050; color: white;">Includes</th> <th colspan="2" style="background-color: #00b050; color: white;">Excludes</th> </tr> <tr> <td style="background-color: #e1f5fe;"> <ul style="list-style-type: none"> <li>• Foundation and structural supports</li> </ul> </td> <td colspan="2" style="background-color: #e1f5fe;"> <ul style="list-style-type: none"> <li>• Land , Building or any other civil structures</li> <li>• Telecommunications towers; and</li> <li>• Pipelines laid outside the factory premises</li> </ul> </td> </tr> </tbody> </table>			Apparatus	Equipment	Machinery	Fixed to earth by foundation or structural support that are used for making outward supply <b>and</b>			Includes	Excludes		<ul style="list-style-type: none"> <li>• Foundation and structural supports</li> </ul>	<ul style="list-style-type: none"> <li>• Land , Building or any other civil structures</li> <li>• Telecommunications towers; and</li> <li>• Pipelines laid outside the factory premises</li> </ul>	
Apparatus	Equipment	Machinery													
Fixed to earth by foundation or structural support that are used for making outward supply <b>and</b>															
Includes	Excludes														
<ul style="list-style-type: none"> <li>• Foundation and structural supports</li> </ul>	<ul style="list-style-type: none"> <li>• Land , Building or any other civil structures</li> <li>• Telecommunications towers; and</li> <li>• Pipelines laid outside the factory premises</li> </ul>														

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## Exclusions from ITC – {Sec 17(5)}

SITUATIONS	AVAILMENT OF CREDIT
BUILDERS/DEVELOPERS ENGAGED IN SALE OF UNDER CONSTRUCTION PROPERTIES (ITC ON CEMENT,STEEL,BRICKS ETC.... )	
ITC ON BILL OF CIVIL CONTRACTOR ETC.... RAISED ON BUILDER	
MINOR REPAIRS ETC..... WHICH ARE NOT CAPITALISED IN BOOKS	
ITC ON INVOICE OF CIVIL CONTRACTOR TO FACTORY OWNER	

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## Exclusions from ITC – Sec 17(5)



Tax paid under Section 10 (Composition Levy)  
Sec 17(5)(e)

Received by a non- resident taxable person  
except on goods imported by him  
Sec-17(5)(f)

Used for personal consumption  
Sec 17(5)(g)

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## Exclusions from ITC – Sec 17(5)



Goods which are lost , stolen, destroyed , written off or disposal of by way of gift or free a samples - Sec 17(5)(h)

➤ Any tax paid in terms of the following : Sec 17(5)(i)

- Tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized by reason or fraud or any wilful-misstatement or suppression of facts –**Sec 74**
- Detention or seizure and release of goods and conveyances in transit -**Sec 129**
- Confiscation of goods or conveyance and levy of penalty –**Sec 130**

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## ELIGIBILITY & TIME LIMIT OF ITC AVAILMENT – SEC 18(1)

Section	Particulars	ITC available in respect of	From when ITC will be available
Sec 18(1)(a)	Person <b>applied for the registration within 30 days</b> from the day he become liable to register	<ul style="list-style-type: none"> <li>• Inputs in stock <b>and</b></li> <li>• Inputs contained in Semi-finished goods <b>or</b></li> <li>• Finished goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ On the day immediately preceding the date from which he become liable to pay tax</li> </ul>
Sec 18(1)(b)	Person applied for <b>voluntary registration</b>	<ul style="list-style-type: none"> <li>• Inputs in stock <b>and</b></li> <li>• Inputs contained in Semi-finished goods <b>or</b></li> <li>• Finished goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ On the <b>day immediately preceding the date of registration*</b></li> </ul>

\*So say if RC Granted after 7 days then immediately preceding date of RC

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## ELIGIBILITY & TIME LIMIT OF ITC AVAILMENT – SEC 18(1)

Section	Particulars	ITC available in respect of	From when ITC will be available
Sec 18(1)(c)	Registered person <b>ceases to pay tax under composition</b> scheme	<ul style="list-style-type: none"> <li>• Inputs in stock and</li> <li>• Inputs contained in Semi-finished goods or</li> <li>• Finished goods <b>and</b></li> <li>• Capital goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ On the day immediately preceding the date from which he becomes liable to pay tax U/s 9</li> </ul>
Sec 18(1)(d)	Where an <b>exempt supply becomes taxable</b> supply	<ul style="list-style-type: none"> <li>• Inputs in stock and</li> <li>• Inputs contained in Semi-finished goods <b>or</b></li> <li>• Finished goods <b>and</b></li> <li>• Capital goods exclusively used for exempt supply.</li> </ul>	<ul style="list-style-type: none"> <li>▪ On the day immediately preceding the date from which supply becomes taxable</li> </ul>

*Proviso for 18 (1) (c) & (d) – Credit on Capital Goods shall be reduced by such % points as may be prescribed.*

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## Availability of credit in special circumstances –Sec 18

**Sec. 18 (2)** - A Registered person shall not be entitled to take ITC U/sub-section 1 w.r.t. supply of goods and/or services to him **after the expiry of 1 year from the date of issue of tax invoice.**

### Examples :

- XYZ Ltd. becomes liable to pay tax on 1<sup>st</sup> Sep 2017 and has obtained registration from 18<sup>th</sup> September 2017 .

**Ans** - Such person is eligible for input tax credit on inputs held in stock as on 31<sup>st</sup> August 2017

- ABC Ltd. applies for voluntary registration on 15<sup>th</sup> August 2017 and has obtained registration on 25<sup>th</sup> August 2017 .

**Ans** - ABC Ltd. is eligible for input tax credit on inputs in stock as on 24<sup>th</sup> August 2017

- Mr. A registered person was paying tax under composition rate upto 30<sup>th</sup> September 2017. However w.e.f. 1<sup>st</sup> October 2017 Mr. A becomes liable to pay tax under regular scheme.

**Ans** - Mr. A is eligible for input tax credit on inputs held in stock as on 30<sup>th</sup> September 2017

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## Manner of Claiming Credit in Special Circumstances

### According to Rule 5 of ITC Rules :

- Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 [ i.e. Liable to Register/ VRS, Composition to Normal & Exempt to taxable] on the inputs lying in stock or inputs contained in semi finished or finished goods held in stock, or the credit claimed on capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions –

**A) ITC on capital goods** for 18 (1) (c) & (d) shall be allowed after reducing the tax paid on such capital goods, by **5% per quarter** or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person

**B)** Such dealer will be required to file **Form GST ITC-01 within 30 days** from the date of his becoming eligible declaring that he is eligible for availing input tax credit as aforesaid.

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## Manner of Claiming Credit in Special Circumstances

C) The declaration in Form GST ITC-01 should have following details as on the last of transition :

- a) Inputs held in stock
- b) Inputs contained in semi finished goods
- c) Finished goods held in stock or
- d) Capital Goods

D) This declaration under clause (b) i.e. Form GST ITC-01 **shall be duly Certified by practicing CA / Cost accountant**, in case of claim of credit exceeds Rs. 2,00,000/- .

E) ITC Credit for 18(1)(c) & (d) shall be verified with corresponding details furnished by supplier in Form GSTR 1 or GSTR 4.

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## Change in constitution of business – Sec 18(3) & Rule 6 of ITC Rules

➤ Where there is change in the constitution of a registered person on account of

Sale	Merger	Demerger	Amalgamation	Lease	Transfer of business
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With the **specific provisions for transfer of liabilities**,

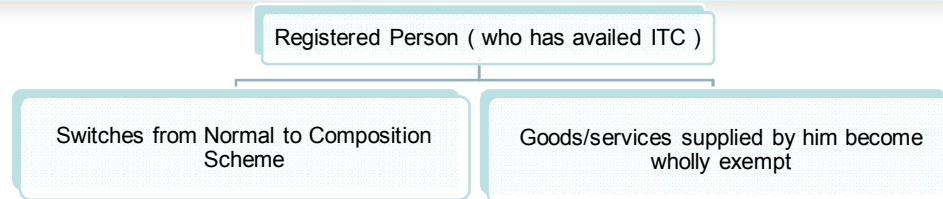
- The registered taxable person shall be allowed to transfer of unutilized ITC in the electronic credit ledger to such merged/amalgamated/trfd business.
- The registered taxable person (**Transferor**) shall furnish the details in **FROM GST ITC-2** along with a request to transfer unutilized ITC lying in his electronic credit ledger to the transferee.
- ( **In case of Demerger** – ITC shall be apportioned in ratio of value of assets of new units – demerger scheme)
- The **transferee** shall on common portal accept the details furnished by the transferor and on such acceptance the unutilized credit shall be credited to his electronic credit ledger
- Inputs & CG so trfd shall be accounted in BOA by **transferee** .
- **Transferor** shall submit a Certificate, from practicing Chartered Accountant or Cost Accountant certifying Sale/merger/transfer has been done with **specific provisions for transfer of liabilities**.

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## Migration to Composition Scheme – Sec 18(4)



- He shall pay an amount by debiting electronic cash / credit ledger, equivalent to input tax credit of –
- Inputs held in stock
  - Inputs contained in Semi-Finished or
  - Finished goods held in stock **and**
  - Capital goods

On the day immediately preceding the date of exercising such option or date of exemption.

- Balance of input tax credit lying in the electronic credit ledger after the payment of above said amount shall lapse

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## Rule 9 – Manner of Reversal of Credit under Special Circumstances

*According to Rule 9 of ITC Rules :*

- The amount of ITC relating to inputs held in stock, inputs contained in semi finished and finished goods held in stock, and capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner namely :-

For a) Inputs held in stock,  
b) inputs contained in semi-finished  
c) finished goods held in stock

- the ITC shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed by the registered taxable person on such input;

For Capital goods held in stock

- the ITC involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as 5 years.

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## Rule 9 – Manner of Reversal of Credit under Special Circumstances

### Illustration

1. Capital goods have been in use for 4 years, 6 month and 15 days.
  - The useful remaining life in months= 5 months ignoring a part of the month
  - ITC taken on such capital goods = C
  - ITC attributable to remaining useful life=  $C * 5/60$

Sec. 9 (2) – Amount as per Sub rule (1 ) shall be determined separately for ITC of IGST & CGST.

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## Rule 9 – Manner of Reversal of Credit under Special Circumstances

- According to rule 9(3) where tax invoices in respect of inputs held in stock **are not available** :

The registered person shall estimate the amount under Rule 9 (1)



Based on the prevailing market price of goods



On the effective date when registered taxable person opts for composition scheme



Amt. determined shall form part of Output Tax liab. & details be furnished in FORM GST ITC 03



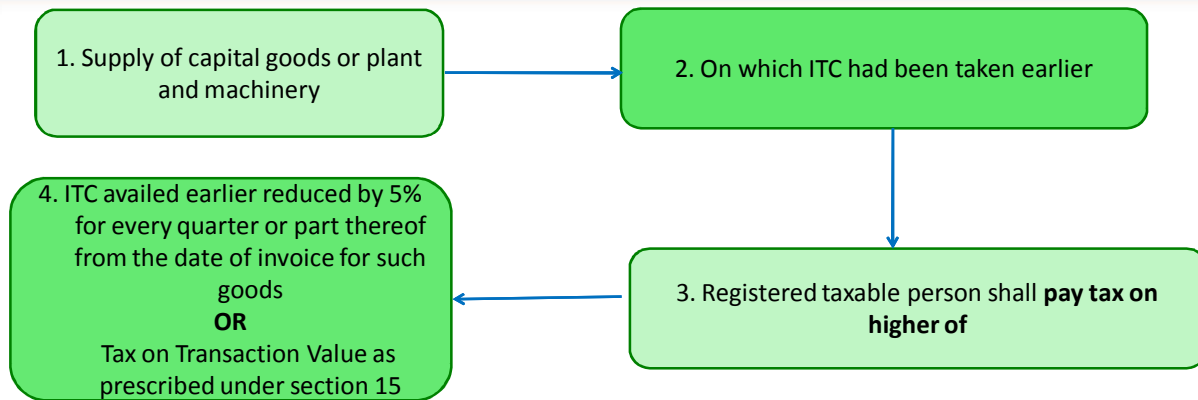
The above Details furnished shall be duly certified by practicing CA/Cost Accountant

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## Availability of credit in special circumstances - Sec 18(6)



Where Refractory bricks, moulds & dies, Jigs & fixtures – supplied as scrap - Pay tax on Transaction value u/s 15

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## Meaning of Job Work , Job Worker, Principal

Particulars	Meaning / Definition
<b>Job Work Sec 2(68)</b>	Any treatment or process undertaken by a person on goods belonging to another registered person and the expression job worker shall be construed accordingly
<b>Job worker</b>	A person who undertakes any treatment or process on goods belonging to another registered person
<b>Principal Sec 2(88)</b>	A person on whose behalf an agent carries on the business of supply or receipt of goods or services or both

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## Sec. 19 – ITC - Inputs sent for job work

- Principal can avail ITC on the inputs sent to the job worker on receipt of inputs by him or directly by job worker (W/o bring first brought to his place).

**Principal**

Sends Inputs (RM/FG/SFG) w/o tax on supply

**Job Worker**

JW returns within 1 Yr – charging only GST on Job work chrgs

- Principal shall furnish the details of Challans in Form GSTR-1 in respect of inputs send to Job –worker
- Where the inputs are directly sent to job – worker, period of 1 year will be counted from the date of receipt of inputs by job –worker.
- If **inputs are not returned (after completion of job work or otherwise) or not supplied from POB of job worker as per Sec. 143, within 1 year of being sent out**, then it shall be deemed to be a supply by principal to job-worker on the day when inputs were send out.

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## Sec. 19 – ITC – Capital goods sent for job work

- Principal can avail ITC on the Capital goods sent to the job worker on receipt of capital goods by him or directly by job worker (W/o bring first brought to his place).

**Principal**

Sends Capital goods w/o tax on supply

**Job Worker**

JW returns within 3 Yrs – charging only GST on Job work chrgs

- Principal shall furnish details of Challans in Form GSTR-1 in respect of capital goods send to Job-worker
- Where the capital goods are directly sent to job – worker, period of 3 year will be counted from the date of receipt of capital goods by job –worker.
- If **capital goods\*** are not returned, **within 3 years of being sent out**, then it shall be deemed to be a supply by principal to job-worker on the day when capital goods were send out.

\* This shall not apply to Moulds, dies, jigs & fixtures or tools sent out to a JW for job work.

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## Rule 10 of ITC Rules :

- The Challan issued by Principal to Job worker shall contain the details specified in Rule 10 of Invoice Rules.
- Where Inputs / capital goods are not returned within 1 / 3 years of being sent out, then the **challan issued shall be deemed to be an invoice** for the purpose of this Act
- The word 'capital goods ' also include plant and machinery as defined in explanation to section 17.

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## Input Service Distributor – 2(61)

### ➤ Input Service Distributor means :

An **office of the supplier** of goods and/or service,  
 which **Receives Tax invoices** u/s 31 towards the **receipt of inputs services &**  
 Issues a prescribed **document for distributing credit** of CGST/SGST/IGST/UTGST paid  
**on the said service to a supplier** of taxable goods and/ or services,  
**having Same Permanent Account Number** as that of the said office .

**Rule 4 (1) (a)** – The ITC available for distribution in a month shall be distributed in the same month & details thereof shall be furnished in Form – GSTR 6 in accordance with return rules.

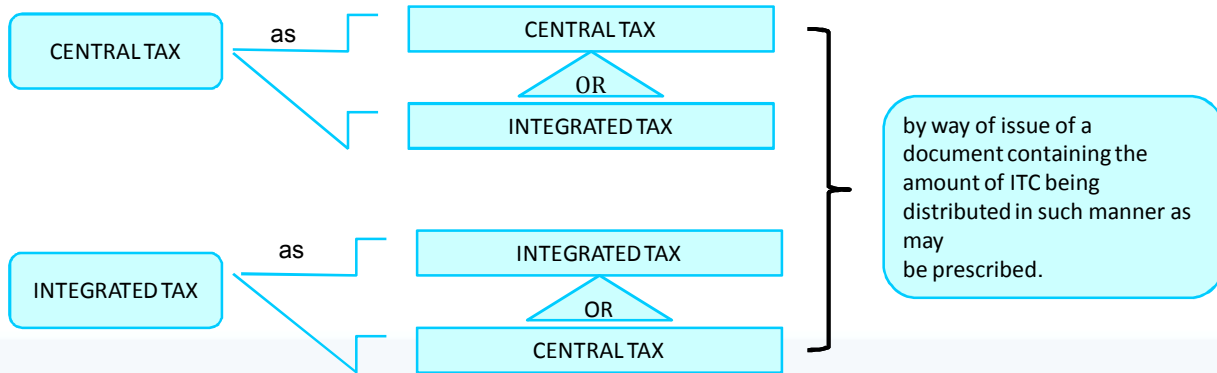
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## Input Service Distributor

According to sec 20(1) Input Service Distributor shall distribute the credit of:

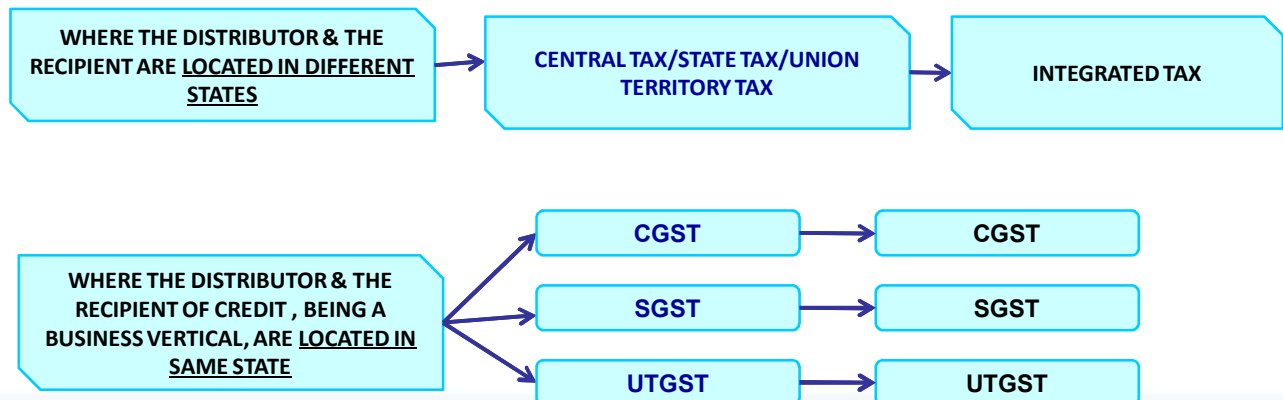


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## Rule 4(1)(f) – Manner of Utilization of ISD



**Rule 4 (1) (e)** – ITC on a/c of IGST shall be distributed as ITC of IGST to every recipient.

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## Conditions - Sec 20(2)



- The ISD may distribute the credit subject to following conditions :-
  - a) Credit should be distributed through prescribed document containing prescribed details.
  - b) Amount of credit distributed shall not exceed amount of credit available for distribution.
  - c) Credit of input service attributable to a recipient to be distributed only to that recipient.
  - d) Credit of input services attributable to more than one recipient/all recipient to be distributed on pro-rata basis i.e.

$$\frac{\text{T/O of such recipient}}{\text{Aggregate T/O of all such recipient}}$$

during the **relevant period**

- Recipient of credit means the supplier of goods and/or services having the same PAN no. as that of ISD.
- **Recovery of credit distributed in excess – Section 21**
  - Same can be recovered from such recipient along with interest u/s 73 or 74 of the Act

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## Relevant period

Sr. No	Conditions	Relevant period
1.	If the recipient of the credit have turnover in their state or union territory in the preceding Financial Year	Then the relevant period is the preceding financial year
2.	If some or all recipient of the credit do not have any turnover in their states in the preceding financial year	Then the relevant period is the last quarter for which details of such turnover of all the recipient are available periods to the month during which credit is to be distributed

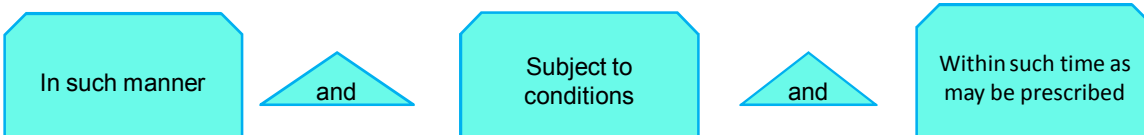
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## ITC Availment and Utilisation

- ITC (as self assessed in the return of registered person) shall be credited to his electronic credit ledger [Section 49(2)]
- Amount available in electronic credit ledger may be **used for making payment towards output tax:**



- Electronic credit ledger balance **cannot be utilised** for payment of :

Interest	Penalty	Fees	Liability under Reverse Charge	Any other amount payable under Act/Rules made thereunder
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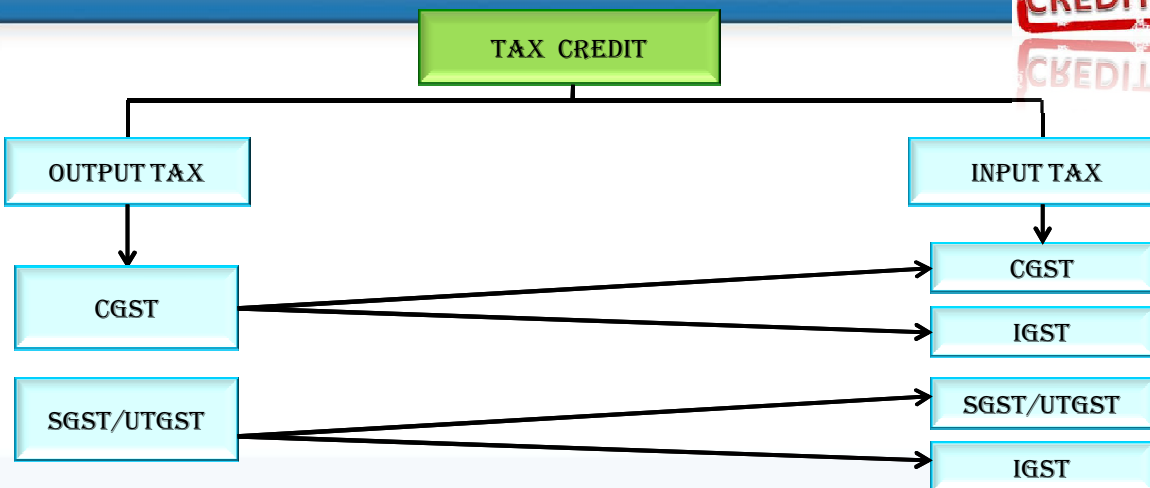
- Balance in electronic credit ledger after permitted payments may be refunded in accordance with provisions of S. 54

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## TAX CREDIT – SEC. 49 (5)

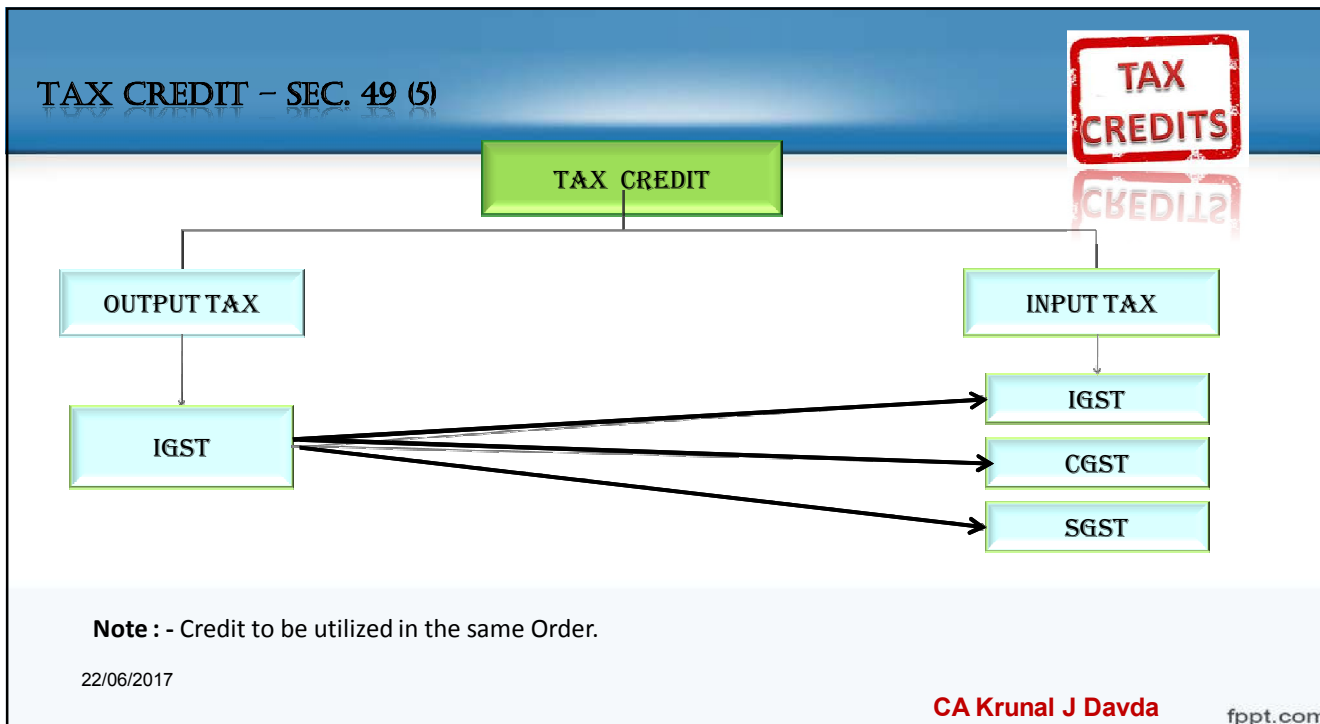


**Note** – Cross utilization of CGST & SGST/UTGST Shall not be allowed. i.e. CGST Credit N.A against SGST Liability & vice-versa.

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### Claim of ITC & Provisional acceptance - Sec 41

TAX CREDITS

(1) Every Registered person shall, Subject to such conditions & restrictions as may be prescribed

Be entitled of take credit of eligible Input tax , as self –assessed, in his return

& such amount shall be credited on provisional basis to his electronic credit ledger

(2) The credit referred to in (1) shall **be utilised only for payment of self –assessed output tax** as per the return referred to in the said sub-section.

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## Matching, Reversal & reclaim of ITC - Sec 42



(1) The details of every inward supply furnished by a registered person (hereafter in this section referred to as the "recipient") for a tax period shall, in such manner and within such time as may be prescribed, be matched–

(a) with the corresponding details of outward supply furnished by the corresponding registered person ("supplier") in his valid return for the same tax period or any preceding tax period

(b) with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him;

(c) For duplication of claims of ITC

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## Matching, Reversal & reclaim of ITC - Sec 42



(2) The claim of ITC in respect of **invoices or debit notes relating to inward supply** that match with the details of corresponding outward supply or with the IGST paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him, shall be finally accepted and such acceptance shall be communicated, in such manner as may be prescribed, to the recipient.

(3) Where the ITC claimed by a recipient in respect of **an inward supply is in excess of the tax declared by the supplier** for the same supply or the outward supply is not declared by the supplier in his valid returns, the discrepancy shall be communicated to both such persons in such manner as may be prescribed.

(4) **The duplication of claims of ITC** shall be communicated to the recipient in such manner as may be prescribed.

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## Matching, Reversal & reclaim of ITC - Sec 42



(5) The amount in respect of which any discrepancy is communicated under 42(3) **but not rectified by supplier** in his valid return for the month

Shall be **added to Output tax liability of recipient**, in such manner as may be prescribed, in **his return for the month succeeding the month** in which discrepancy is communicated.

(6) The amount claimed as ITC that is found to be excess on account of duplication of claims

Shall be **added to Output Tax liability of recipient** in his return for **the month in which duplication is communicated**.

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## Matching, Reversal & reclaim of ITC - Sec 42



(7) The recipient **shall be eligible to reduce, from his output tax liability**, the amount added under sub-section (5), **if the supplier declares the details of the invoice or debit note in his valid return** within the time specified in Sec 39(9).

(8) A recipient in whose output tax liability any amount has been added under Sec 42(5) or 42(6), shall be liable to pay interest at the rate specified under sec 50(1) on the amount so added **from the date of availing of credit till the corresponding additions are made** under the said sub-sections.

(9) Where any reduction in output tax liability is accepted under Sec 42(7), the interest paid under Sec 42(8) shall be refunded to the recipient by crediting the amount in the corresponding head of his electronic cash ledger in such manner as may be prescribed.

**Provided** that the amount of interest to be credited in any case **shall not exceed the amount of interest paid by the supplier**

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## Matching, Reversal & reclaim of ITC - Sec 42

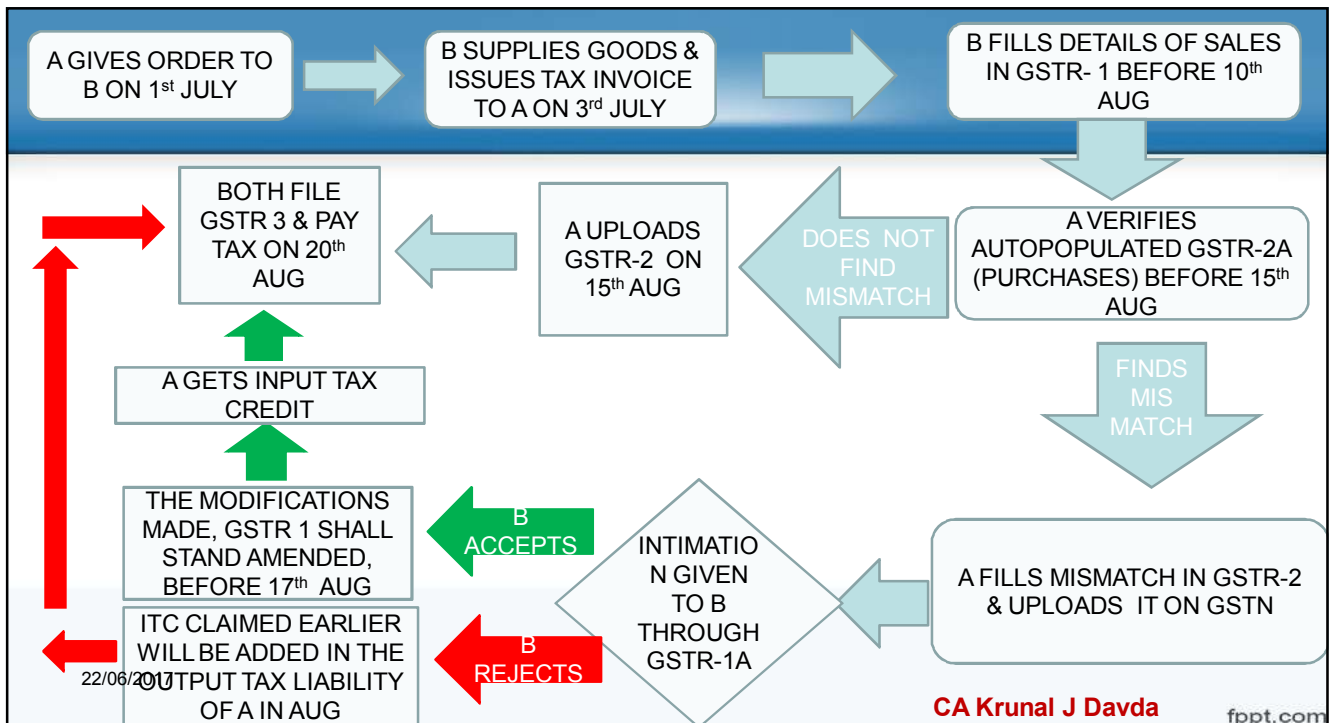
(10) The amount reduced from the output tax liability in contravention of the provisions of sub-section (7) shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in Sec 50(3).



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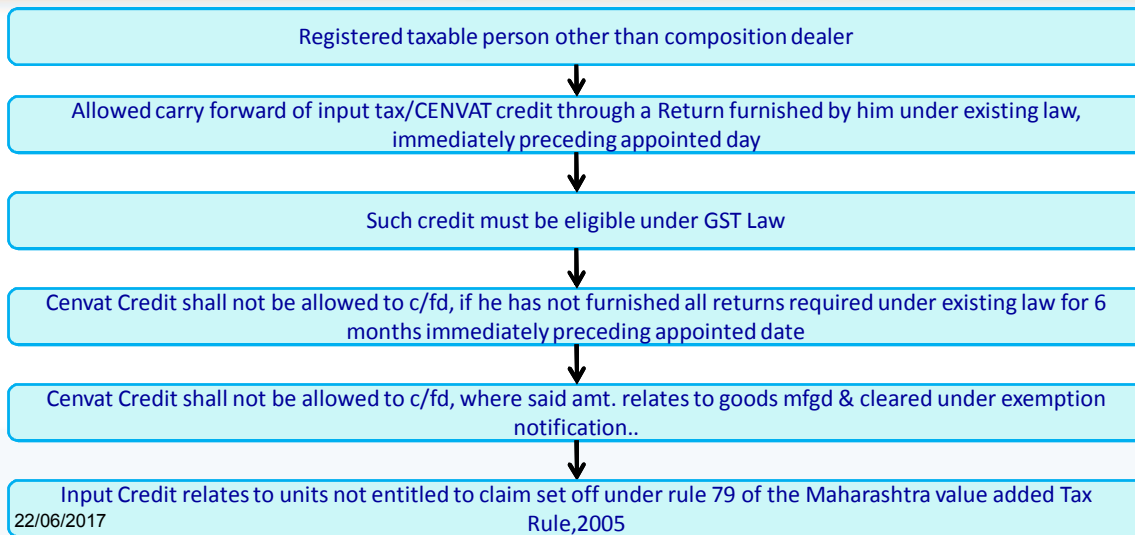
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## Carry forward of Cenvat / VAT Credit – Sec 140(1)



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## CARRY FORWARD OF CENVAT/VAT CREDIT { SEC-140 (1) }

### Maharashtra GST Act 2017 – Proviso to Sec. 140 (1):

➤ Provided further that so much of the said credit as is attributable to any claim related to section 3, sub-section (3) of section 5, section 6, section 6A or sub-section (8) of section 8 of the Central Sales Tax Act, 1956 **which is not substantiated in the manner, and within the period, prescribed in rule 12** of the Central Sales Tax (Registration and Turnover) Rules, 1957 shall not be eligible to be credited to the electronic credit ledger.

➤ Provided also that an amount equivalent to the credit specified in the second proviso shall be refunded under the existing law when the said claims are substantiated in the manner prescribed in rule 12 of the Central Sales Tax (Registration and Turnover) Rules, 1957.

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## TRANSITIONAL PROVISION – RULE 1

### 1. Tax / Duty credit carried forward under any existing law or on goods held in stock on the appointed day

(1) Every registered person entitled for ITC under section 140 shall within 90 days of appointed day submit a declaration electronically in **FORM GST TRAN – 1** specifying separately the amount of ITC to which he is entitled

#### In case of CGST Rules:-

**PROVIDED** that the Commissioner may, on the recommendations of the Council, extend the period of ninety days by a further period not exceeding ninety days.

**PROVIDED FURTHER** that where the inputs have been received from an Export Oriented Unit or a unit located in Electronic Hardware Technology Park, the credit shall be allowed to the extent as provided in sub-rule (7) of rule 3 of the CENVAT Credit Rules, 2004

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## TRANSITIONAL PROVISION

### In case of SGST Rules:-

**PROVIDED** that in the case of a claim under sub-section (1) of section 140, the application shall specify separately—

- (i) the value of claims under section 3, sub-section (3) of section 5, sections 6 and 6A and sub-section (8) of section 8 of the Central Sales Tax Act, 1956 made by the applicant and
- (ii) the serial number and value of declarations in Forms C and/or F and Certificates in Forms E and/or H or Form I specified in rule 12 of the Central Sales Tax (Registration and Turnover) Rules, 1957 submitted by the applicant in support of the claims referred to in sub-clause (i) above

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## TRANSITIONAL PROVISION

(2) Every declaration under sub-rule (1) shall:-

(a) in the case of a claim under sub-section (2) of section 140.....

(b) in the case of a claim under sub-section (3) or the proviso thereto or clause (b) of sub-section (4) or sub-section (6) or sub-section (8) of section 140, specify separately the details of stock held on the appointed day;

(3) The amount of credit specified in the application in **FORM GST TRAN-1** shall be credited to the electronic credit ledger of the applicant maintained in **FORM GST PMT-2** on the Common Portal.

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## Credit of eligible duties & taxes on input held in stock– Sec 140(3)

### Person Eligible for Input Tax Credit

Person not liable to be registered under the Earlier Law, but taxable under GST Law.	Person engaged in manufacture / sale of exempted goods, provisions of exempted services
Person eligible for Input Tax Credit	
Person providing Works Contract Service & availing abatement under notification no.26/2012	First/ Second stage dealer, importer

### Credit available on

- Inputs held in stock & inputs contained in semi-finished goods or finished goods held in stock as on appointed day.
- Such credit can be taken in the electronic credit ledger.

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## Credit of eligible duties & taxes on input held in stock– Sec 140(3)

### CONDITIONS

Goods must be used or intended to be used for taxable supply under GST.

Said Registered person is eligible for ITC on such Inputs under this act

Such person should be in possession of invoice or other prescribed document, evidencing payment of duty

Invoice or other document should be within 12 months immediately preceding the appointed day

Supplier of service is not eligible for any abatement under the Act. ( CGST )

Where registered person **other than a manufacturer or supplier of service**, is not in possession of an Invoice/document evidencing payment of duty, then credit allowed at such rate as may be prescribed, when he passes on the benefit of such credit to recipients by way of reduced prices, as may be prescribed.

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## TRANSITIONAL PROVISION

**(4) (a) (i)** A Registered Person who was not registered under existing law shall **(CGST)** or holding stock of goods which have suffered tax at the first point of their sale in the State and the subsequent sales of which are not subject to tax in the State **(SGST)**, in accordance with sec 140(3) be allowed to avail ITC credit on goods held in stock on appointed day in respect of which he is not in possession of any document evidencing payment of central excise duty/value added tax.

(ii) Such credit shall be allowed :

**60%** - Central Tax/ State Tax is paid at rate of **9% or more**

**40%** - for other goods on which Central tax/ State tax is applicable.

This credit shall be availed **after the central tax/State tax has been paid on such supply**

PROVIDED if **IGST** is paid on such goods, the amount of credit shall at the rate of **30% & 20%** respectively of said tax.

(iii) The scheme shall be available for **6 tax periods** from appointed date.

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## TRANSITIONAL PROVISION

(b) Such credit of Central tax shall be availed subject to satisfying the following conditions:

- (i) Such goods were not unconditionally **exempt** from the whole of the duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 or were not **nil** rated in the said Schedule. & where not wholly exempt from tax under respective state VAT Act
- (ii) the document for procurement of such goods is available with the registered person.
- (iii) the registered person availing of this scheme and having furnished the details of stock held by him in accordance with the provisions of clause (b) of sub-rule (2) of rule 1, submits a statement in **FORM GST TRAN 2** at the end of each of the 6 tax periods during which the scheme is in operation indicating therein the details of supplies of such goods effected during the tax period.

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## TRANSITIONAL PROVISION

- (iv) the amount of credit allowed shall be credited to the electronic credit ledger of the applicant maintained in **FORM GST PMT-2** on the Common Portal.
- (v) the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person



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Thank  
you



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