

## INPUT TAX CREDIT

Input Tax Credit (ITC) means the CGST, SGST/UTGST or IGST charged on –

- supply of goods or services or both made to a registered person.
- It also includes tax paid on reverse charge basis and IGST charged on imports of goods.
- It does not include tax paid under composition scheme.
- supply of capital goods.

A registered person is allowed to take credit on input goods & services, which are used or intended to be used in the **course of furtherance of business**, subject to other conditions & restrictions.

The following conditions are to be satisfied by taxable person for obtaining ITC –

- a) he is in possession of tax invoice or debit note or a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for assessment of integrated tax on imports; the tax invoice etc. received, should contain all the prescribed particulars
- b) he has received the goods or services or both;
- c) the supplier has actually paid the tax (by way of utilisation of ITC or actual payment) charged in respect of supply; and
- d) he has furnished the return under section 39.
- e) the registered person has furnished the invoice details in Form GSTR -2

## Reverse Charges

In cases of invoices raised by the recipient as receiver of goods or services from unregistered suppliers & services notified **under reverse charges**, the invoice raised by the recipient; **subject to payment of tax**, will be a valid document for claiming ITC.

## Capital Goods

Credit of tax paid on capital goods is permitted on one installment on being **capitalized** in the books of accounts.

ITC will **not be allowed** on Capital Goods on which **depreciation has been availed** on the **tax component**.

In case of supply of Capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken, reduced by the percentage points as may be specified or the tax on the transaction value, whichever is higher. However, in case of refractory bricks, mould and dies, jigs & fixtures when supplied as scrap; the person can pay tax on transaction value.

ITC on motor vehicles can only be availed by taxable person in the business of transportation of goods or passengers or imparting training of motor vehicles.

## **Miscellaneous Provisions**

If the goods are delivered to a third person on the direction of a taxable person, it will be deemed that the registered person has received the goods, when the goods are delivered to the third party, hence ITC will be available on delivery.

Where goods are received in lots/installments, credit will be available against the tax invoice upon receipt of last lot or installment.

Zero – rates supplies have been covered within taxable supplies for the purpose of allowing ITC.

## **ITC Disallowance/Reversal**

If the payment of consideration & tax is to **not paid** to the supplier **within 180 days** of the date of invoice (not applicable in case of reverse charge basis), the amount of ITC would be added to the output tax liability, he will also be liable to pay interest. The details are to be mentioned in Form GSTR – 2 in the month immediately following the period of 180 days from the date of issuance of invoice. However, ITC can be claimed again on payment of consideration & tax.

ITC cannot be claimed on any invoice or debit note after the due date of furnishing of return for the month of September (due date is 20<sup>th</sup> October), following the end of financial year to which such invoice or invoice relating to a debit note pertains or furnishing of the annual return, whichever is earlier.

ITC is not allowed on a specified list of goods & services, such as items of personal consumption, inputs use of which results in formation of immovable property (except plant & machinery), telecommunication towers, pipelines laid outside the factory premises etc. and taxes paid as a result of detection of evasion of taxes.

ITC cannot be taken on goods lost, stolen, destroyed or written off. ITC not allowed on gifts or free samples given.

ITC not allowed in respect of any tax paid in pursuance of any order where demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.

ITC is allowed provisionally for two months, supply details are matched by the systems & discrepancies, if any are communicated to concerned supplier & recipient, in case not rectified, ITC would be disallowed automatically & added to the Output tax liability of the recipient in the return of the month succeeding the month in which discrepancy is communicated.

The provisionally allowed ITC can be utilised for payment of self assessed output tax in the return.

## **Manner of Utilizing Input Tax Credit**

IGST credit can be utilised, first for output tax liability of IGST supply, balance against CGST liability, thereafter SGST/UTGST liability.

CGST credit can be utilised, first for output tax liability of CGST supply, balance against IGST liability.

SGST/UTGST credit can be utilised, first for output tax liability of SGST/UTGST supply, balance against IGST liability.

**CGST credit cannot be set off against SGST/UTGST liability or vice versa.**