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Applicable For May 2020

Summary Scanner

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- Amendments covered upto 31st October, 2019
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FINAL – May 2020

[As per Revised Syllabus – Old & New Scheme]

Goods & Services Tax [GST]

Summary & Scanner

Prof Jimit Doshi

(CA, LLB, BCom)

Law stated in this book is as amended upto 31st October, 2019

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Chapter - Input Tax Credit [ITC]

ITC PROVISIONS UNDER GST

Chapter V of the CGST Act [Sections 16 to 21] & Chapter V: Input Tax Credit of the CGST Rules [Rules 36-45] prescribe the provisions relating to ITC.
State GST laws also prescribe identical provisions in relation to ITC.
Provisions of ITC under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

Sr No	Section	Particulars
(1)	Section 16	**Eligibility and conditions for taking ITC** ⦿ **Rule 36 - Documentary requirements and conditions for claiming ITC** ⦿ **Rule 37 - Reversal of ITC in the case of non-payment of consideration**
(2)	Section 17	**Apportionment of credit and blocked credits** ⦿ **Rule 38 - Claim of credit by a banking company or a financial institution** ⦿ **Rule 42 - Manner of determination of ITC in respect of inputs or input services and reversal thereof** ⦿ **Rule 43 - Manner of determination of ITC in respect of capital goods and reversal thereof in certain cases**
(3)	Section 18	**Availability of credit in special circumstances** ⦿ **Rule 40 - Manner of claiming credit in special circumstances** ⦿ **Rule 41 - Transfer of credit on sale, merger, amalgamation, lease or transfer of a business** ⦿ **Rule 44 - Manner of reversal of credit under special circumstances**
(4)	Section 19	**Taking ITC in respect of inputs and capital goods sent for job – work** ⦿ **Rule 45 - Conditions and restrictions in respect of inputs and capital goods sent to the job worker**
(5)	Section 20	**Manner of distribution of credit by Input Service Distributor** ⦿ **Rule 39 - Procedure for distribution of ITC by Input Service Distributor**
(6)	Section 21	**Manner of recovery of credit distributed in excess**

Applicable provisions of CGST Act, 2017	
Chapter V – Input Tax Credit	
Section 2 – Definitions	
Section 2(46)	Electronic Credit Ledger
Section 2(43)	Electronic Cash Ledger
Section 2(62)	Input tax
Section 2(82)	Output tax
Section 2(67)	Inward Supply
Section 2(83)	Outward Supply
Section 2(19)	Capital Goods
Section 2(59)	Inputs
Section 2(60)	Input Services

E-Ledgers under GST: Electronic Cash, Credit and Liability Ledger

E-Ledger is an electronic form of passbook for GST. These e-ledgers are available to all GST registrants on the GST Portal.

The e-ledgers contains details of the following-

A. Amount of GST deposited in cash to Government in Electronic Cash Ledger
B. Balance of Input Tax Credit available (ITC) in Electronic Credit Ledger
C. Manner of Setoff of GST liability and balance liability (if any) Electronic Liability Ledger

Sec 2(46) - Electronic Credit Ledger

Means	⇒ **ITC register required to be maintained in an electronic form (at the common portal) by each registered person.**

Sec 2(43) - Electronic Cash Ledger

Means	⇒ **It means the cash account or cash ledger maintained in electronic form by each registered person.** ⇒ **This is like an e-wallet. Any GST payment made in cash or through bank reflects in Electronic Cash Ledger.**

Ledgers in GST

	Electronic Credit Ledger	Electronic Cash Ledger	Electronic Liability Ledger
Means	ITC register	Cash account or Cash ledger	Total GST Liability
Where maintained	Electronic form (at the common portal) … by each registered person.	Electronic form (at the common portal) … by each registered person.	Electronic form (at the common portal) … by each registered person.
What is reflected	All eligible ITC, which is claimed by a registered dealer in the GST returns (GSTR-2 or GSTR-3B)	Amount deposited through various modes of payment (viz., internet banking, debit / credit cards, NEFT / RTGS etc) + TDS / TCS deposits	
Can be used for	Only for payment of tax	Payment of: (a) Tax (b) Interest (c) Penalty (d) Fees or (e) Any other amount	

<table>
<tr><th colspan="3">Definitions</th></tr>
<tr><td>Input Tax Credit</td><td></td><td>= credit of INPUT TAX</td></tr>
<tr><td>Input Tax [Sec 2(62)]</td><td>i.r.o
➔ Registered Person

(Note :: Registration is mandatory to claim ITC)</td><td>=
<table><tr><td>Means</td><td>CGST, SGST, IGST or UTGST charged on any supply of goods or services or both made to him</td></tr><tr><td>(+) Includes</td><td>IGST on import of goods + Reverse charge payable under GST laws</td></tr><tr><td>(-) But does not include</td><td>Tax paid under Composition Levy</td></tr></table>
◉ Further, credit of GST Compensation Cess can also be availed [however, it can be utilized against Compensation Cess only]</td></tr>
<tr><td>Output Tax [Sec 2(82)]</td><td>i.r.o
➔ Taxable Person

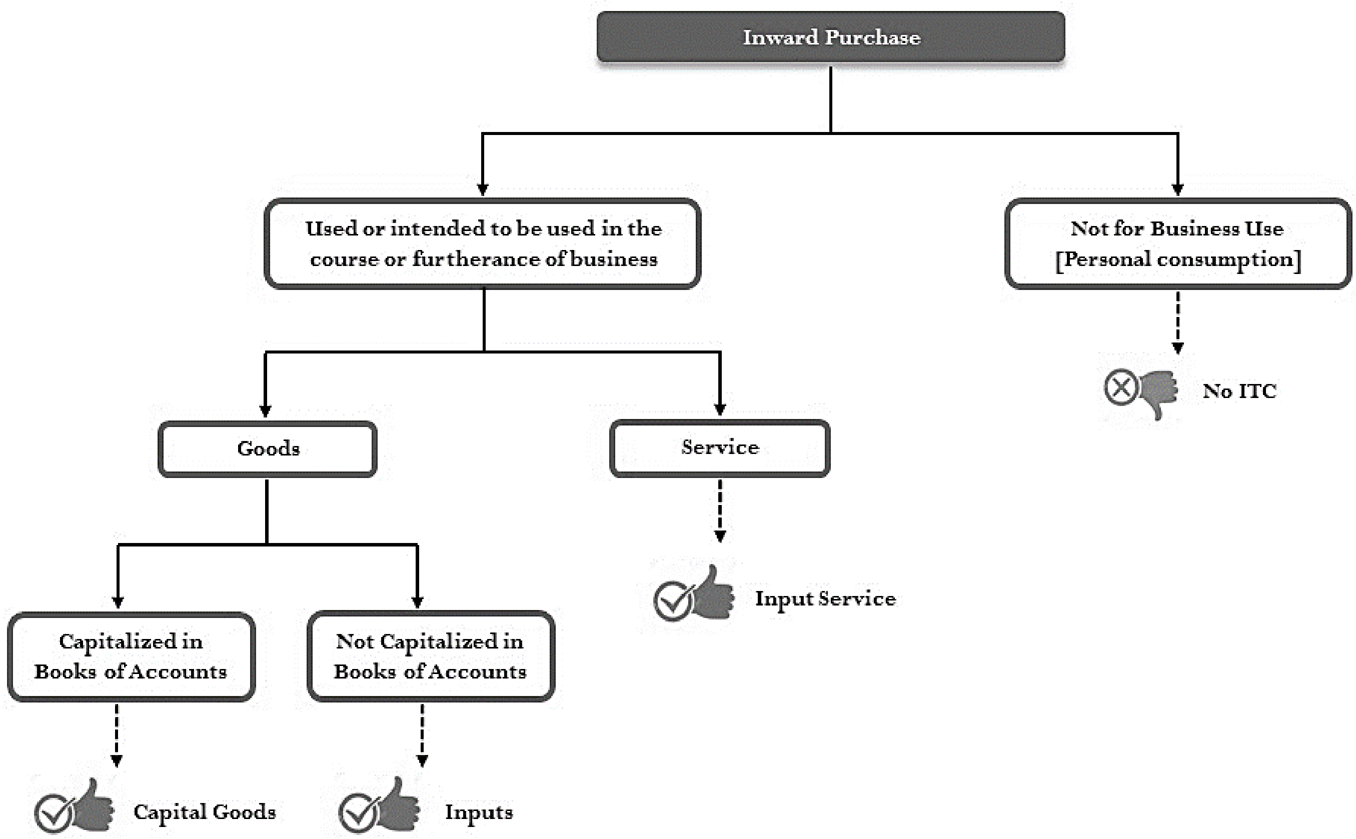
(Note :: If a taxable person is not registered, then, his ITC goes but his liability to pay output tax continues)</td><td>=
<table><tr><td>Means</td><td>GST chargeable on taxable supply of goods or services or both
… Made by him or by his agent</td></tr><tr><td>(-) But excludes</td><td>Tax payable on RCM basis.</td></tr></table>
◉ As per Sec 49(4), E-Credit Ledger can be used to make payment of output tax. Thus, RCM liability cannot be paid using E-Credit Ledger
◉ Amount covered under output tax = Tax that is ‘chargeable’, and not the amount that is ‘charged’ [as is used in input tax]</td></tr>
<tr><td>Inward Supply [Sec 2(67)]</td><td>i.r.o
➔ Person</td><td>RECEIPT of goods or services or both -
• Whether by purchase, acquisition or any other means
• With or without consideration;</td></tr>
<tr><td>Outward Supply [Sec 2(83)]</td><td>i.r.o
➔ Taxable Person</td><td>MEANS -
SUPPLY of goods or services or both, whether by -
Sale, Barter, Lease
Transfer, Exchange, License,
Disposal, Rental
or any other mode,
• Made or agreed to be made
• By such person
• In the course or furtherance of business;</td></tr>
</table>

<table>
<tr><th colspan="2">Definitions</th></tr>
<tr><td>Capital Goods [Sec 2(19)]</td><td>
= Means
<table>
<tr><td>Condition 1</td><td>Value is capitalized in the books of account of the person claiming ITC</td></tr>
<tr><td>Condition 2</td><td>Goods are used or intended to be used in the course or furtherance of business</td></tr>
</table>
⦿ Credit on both input or capital goods is allowed IN FULL at the same time.

⦿ However, there are certain specific transactions where there is a differential treatment for credit of tax paid on inputs, capital goods and that on services.
Differential treatment in –
1) Sec 16(3) – Depreciation and ITC are mutually exclusive
2) As per Sec 18, when a person enters ITC, he can avail credit of Inputs which are in stock; but not of input services.
3) Sec 18(6) – Treatment when capital goods are sold as such / after use
4) Goods sent for job – work are eligible for ITC. When ITC is taken, the final product needs to be returned within specified period.
For Inputs – 1 year and for Capital Goods – 3 year

⦿ Intention to use is relevant: The words 'intended to be used' mean that if certain goods are intended for use but are not actually used, then also, they would qualify as capital goods, subject to other provisions.
</td></tr>
<tr><td>Input [Sec 2(59)]</td><td>
= Means
<table>
<tr><td>Condition 1</td><td>Any goods other than Capital Goods</td></tr>
<tr><td>Condition 2</td><td>Goods are used or intended to be used in the course or furtherance of business</td></tr>
</table>
⦿ The only difference between Input and Capital Goods is whether it is capitalized in books or not.
⦿ The actual use by supplier is not necessary for being input. Even if it is lying in stock and is intended to be used as input in future it shall qualify as input.
⦿ It is not necessary that inputs should have one to one relationship with supplies.
[For Eg - An authorized car dealer also providing post sale service can use ITC of car purchase against output tax on supply of services]
</td></tr>
<tr><td>Input Service [Sec 2(60)]</td><td>
= Means
<table>
<tr><td>Condition 1</td><td>Any Service which are used or intended to be used in the course or furtherance of business</td></tr>
</table>
⦿ Even if the input service is capitalized by way of cost of capital goods, then also, in will continue as input service only.
</td></tr>
</table>

Sec 155 - Burden of proof to claim credit on assessee
Where any person claims that he is eligible for input tax credit under this Act, the burden of proving such claim shall lie on such person.



Example -

1) *If a person who is engaged in the sale of laptops capitalises one laptop in his books of account, and such laptop is for business-use, (say for invoicing purposes),*
   - ➔ *then such laptop shall be treated as capital goods under GST law as well.*

2) *X Ltd, a registered person is in cleaning service business. He purchases 10 vacuum cleaners for business purposes.*
   - ➔ *However, he intends to use one of the vacuum cleaners for home use at the time of purchase, the input tax on the vacuum cleaner used for home purposes is not eligible for input tax claim.*
   - ➔ *He is eligible to claim input tax on the remaining 9 vacuum cleaners.*

3) *Y Ltd., a GST registered accounting firm bought a yacht for its director's use during weekends.*
   - ➔ *Even though company has incurred input tax for the purchase of the yacht, it is not used in the course or furtherance of its business.*
   - ➔ *Therefore, it is not eligible to claim input tax on the purchase of the yacht.*

4) *A retailer who receives housekeeping services of the business premises will be eligible to treat the service as "input service' given that such services are received in due course of business.*

5) *Transport services received by a dealer for transporting finished goods to buyer's premise or for purchase of inputs would be eligible as Input service. Similarly, credit of renting of immovable property (office / land / warehouse etc) would be eligible as Input service.*

Availment of Credit

Credit - Availment v/s Utilization – Difference

Availment, or Taking Credit	Utilization or Use of Credit	Reversal
It means recording Credit in statutory records. It results in increase in credit balance. Once credit is availed / taken, it becomes eligible for use as per law.	*It means using Credit availed / taken to pay output tax or other eligible sums. It results in decrease in Credit balance.*	*Reversal of credit also results in decrease in balance & is similar to utilization, with a difference that word 'reversal' is generally required / used when credit is wrongly taken or becomes subsequently intelligible.*

Applicable provisions of CGST Act, 2017	
Chapter V – Input Tax Credit	
Section 16 – Eligibility and conditions for taking ITC	
Section 16(1)	Entitlement for ITC
Section 16(2)	Eligibility conditions for taking ITC
Section 16(3)	Denial of ITC on the tax component of Capital Goods when depreciation is claimed
Section 16(4)	Time limit for taking ITC on invoice / debit note
Applicable provisions of CGST Rules, 2017	
Rule 36	Documentary requirements and conditions for claiming input tax credit
Rule 37	Reversal of input tax credit in the case of non-payment of consideration

Section 16(1) – Entitlement for ITC	
Who can claim ITC	⇒ **Only REGISTERED PERSON can claim ITC** *(except for certain exceptions covered under Section 18)*
Conditions / Restrictions	⇒ **ITC can be credited to Electronic Credit Ledger (Online Input Tax Credit A/c)** ⇒ **ITC can be claimed subject to condition and restrictions as prescribed in Rule 36 to 45**
General power to take credit	⇒ **ITC can be claimed on Input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of HIS business** *[The distinction between "credit of input tax" and "credit of tax on inputs" is important. Since the law allows credit of input tax (which include capital goods also), the ITC is available both against inputs as well as capital goods]* ⇒ **The goods and/ or services must be used "by him" in the course or furtherance "of his" business** *[Use must be for "his" business, hence, credit cannot be taken of supplies used for another registration of same person]*

Section 16(2) – Conditions for taking ITC	
Condition 1 – Tax paying document	⇒ **Credit is allowed only if registered person is in possession of tax invoice / debit note issued by a suppler or such other document as may be prescribed [Rule 36(1)]** *Document on the basis of which ITC can be availed [Rule 36(1)]* ⦿ *Tax Invoice / Revised Tax Invoice of Supplier* ⦿ *Debit Note of Supplier (for increase in tax)* ⦿ *In case of RCM, Self invoice issued by Recipient but subject to payment of tax* ⦿ *Bill of Entry for credit of IGST / Comp Cess paid on Imports* ⦿ *Invoice of ISD* ⇒ **The registered person can avail input tax credit if the documents contain the following minimum details** *a) Amount of tax charged* *b) Description of goods or services* *c) Total value of supply of goods or services or both* *d) GSTIN of the supplier and recipient* *e) Place of supply in case of inter-State supply* ⇒ **No ITC shall be availed by a registered person in respect of any tax that has been paid in pursuance of an order, where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.**
Condition 2 - Receipt of Goods / Service	⇒ **Registered person claiming ITC should have received the goods / services.** ⇒ **ITC in case of supplies in lots / installments, would be on receipt of last lot / installment of goods.** ⇒ **“Bill to Ship to” Model - It would be deemed that the registered person has received the goods / SERVICE in such scenario.** *[So, ITC will be available to the registered person on whose order goods / SERVICES are delivered to third person]*
Condition 3 – Tax charged should be paid by Supplier	⇒ **Supplier of goods and/ or services must upload the details of such documents in the common portal i.e. GSTN.** *[By doing so, the supplier must have remitted the tax charged on such supplies]* *Note :: If a Supplier collects tax but does not file GSTR – 1, then ITC*
Condition 4 – Return filing	⇒ **Credit is allowed only if registered person has furnished the return u/s 39** *[Thus, vesting condition for claiming input tax credit is the return u/s 39 and not the supply per se]*
Condition 5 – Payment to Supplier [Applicable to : FCM supplies]	⇒ **Recipient of supply availing ITC should make payment to Supplier … within a period of 180 days from the date of invoice.** ⇒ **Failure : If such payment is not effected/ partially effected, Rule 37 obligates reversal of ITC so availed leading to consequential levy of tax and interest @ 18% p.a.**

[From – date of availing ITC
Till - date when the amount added to output tax liability is paid]
Note :: date of availing ITC (clarity required)
View 1 :: ITC availed in books of accounts
View 2 :: ITC availed in GST – 3B

⇒ **Registered person shall be entitled to avail ITC after making payment of amount towards value of supply of goods or services or both along with tax payable thereon [Proviso to Sec 16(2)]**

⇒ **Further, Rule 37(4) provides that the time limit specified under section 16(4) shall not be applicable for such re-credit.**

⇒ **However, the value of supplies in respect of following shall be deemed to have been "paid" and ITC shall not be reversed in such cases:**

a) ***Supplies taxable even without consideration (Schedule I) – This provision would not apply:*** **The value of supplies made without consideration as specified in Schedule I of the said Act. Hence, the requirement of payment within 180 days from DoI would not apply.**

b) ***Sums directed paid by recipient to third party but added in value of Supplier – Addition to value, which are not receivable by Supplier – This provision would not apply*** **: Value of supplies on account of any amount added in accordance with the provisions of section 15(2)(b)** ***[i.e. any amount that the supplier is liable to pay but which has been incurred by recipient and not included in the price actually paid or payable]***

For eg –
Price charged (before GST) = Rs 90,000
Recipient has paid Rs 10,000 to third party on behalf of supplier.
∴ Value of Supply = Rs 1,00,000 and GST is Rs 18,000.
Recipient will pay Rs 90,000 + Rs 18,000
Rs 10,000 is deemed to have been received by Supplier and thus, proportionate credit of Rs 1,800 is eligible

c) ***Value representing discount for which financial credit notes have been issued by the supplier***

For example,-

- *A bill dated 1st August, 2018 for Rs. 10,000 plus tax Rs. 1,200 remains unpaid even after 180 days. Now, the period of 180 days expires on 28th January, 2019.*
- *The recipient has to show this Rs. 1,200 as output tax in FORM GSTR – 2 for the month immediately following 28th January, 2019 i.e GSTR – 2 for January 2019 to be filed in February, 2019.*
- *If this amount is paid to Government on 20-2-2019, the recipient has to pay interest @ 18% on 1,200 from 1st August 2018 to 20th February 2019.*
- *If the payment is made to supplier on say 1st June, 2019, the credit may be taken on 1st June, 2019, irrespective of time-limit to take credit.*

Purpose: This provision is enacted to ensure that payments are made to supplier so that supplier does not take excuse as to non-payment by recipient against non-payment of tax by such supplier.

Conditions for taking ITC [Section 16]

Possession of Tax paying DOCUMENT

(a) Tax Invoice of Supplier
(b) Debit Note of Supplier (for increase in tax)
(c) In case of RCM, self invoice but subject to payment of tax
(d) Bill of Entry for credit of IGST / Comp Cess paid on Imports
(e) Invoice of ISD

Actually received goods / service

Where the goods are delivered by Y to Z on direction of X, it shall be deemed that X has received the goods, and thus, X will be eligible for ITC

GSTR-1

Supplier

Tax charged is actually paid to Govt

Tax charged should have been actually paid to the Govt by the Supplier *[it can be paid by utilization of ITC / Cash]*

Form GSTR-3B

Recipient

GST Return is furnished

Credit is allowed only if registered person has furnished return u/s 39

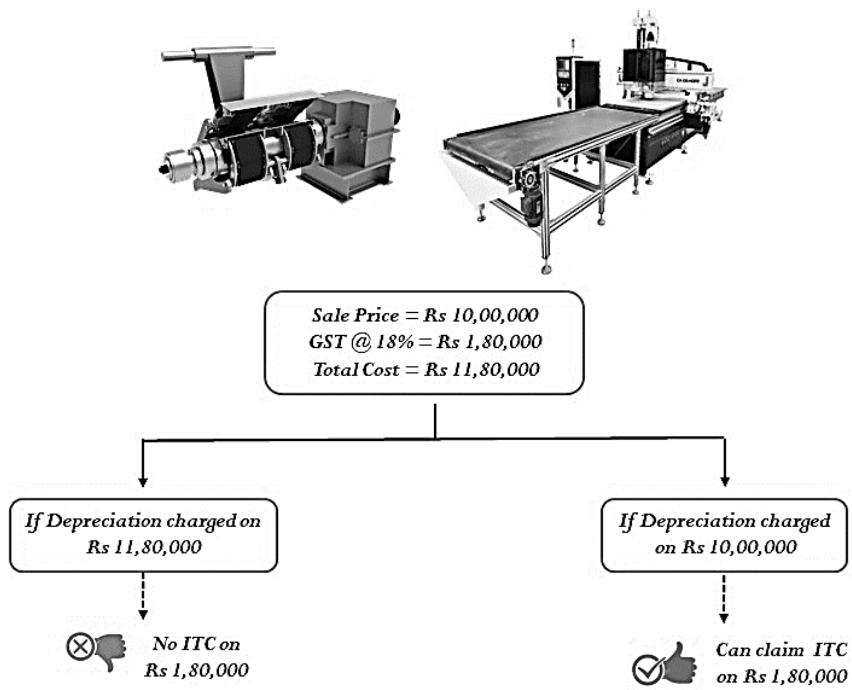
Registered person

Should make payment of 'Value + Tax' to Supplier within 180 days from DoI

Else reverse ITC
Pay interest @ 18% p.a from date of availing ITC till date when amount added to OTL is paid
However, once it is paid, ITC can be re-availed without any time limit

Section 16(3) – Denial of ITC on the tax component of Capital Goods when depreciation is claimed	
Depreciation vs ITC	⇒

Provisions of Income-tax Act	*Explanation 9 to Section 43(1) provides that 'cost' eligible for depreciation shall not include 'tax' of which credit is claimed.* *Thus, double benefit by way of Credit as well as depreciation on duty element cannot be availed.)*



Section 16(4) – Time limit for taking ITC on invoice / debit note	
Last date for a Registered person to claim ITC	⇒ **A registered person is not entitled to take ITC after -** ⦿ **Due date of furnishing of Return u/s 39 for the month of September following the end of FY to which such invoice or invoice relating to such debit note pertains or** ⦿ **Furnishing of the relevant annual return, whichever is earlier.** *Example: The credit of invoices or debit note etc. for the financial year 2018-19, can be taken upto-* • *Due date of filing return for September, 2019 = 20-10-2019, or* • *Date of filing of annual return [due date for filing it is 31st December; hence, this date would come into play, if return has been filed earlier] whichever is earlier.* *Thus, credit of a financial year cannot be taken beyond 20th October after that financial year.*

Most Important

Rule 36(4) – Input tax credit restricted to 20% of claims
[effective date – 09th Oct, 2019]

- **Input tax credit to be availed by a registered person in respect of invoices or debit notes,**
- **The details of which have not been uploaded by the Suppliers u/s 37(1) [GSTR – 1],**
- **shall not exceed**
- **20% of the ELIGIBLE credit available in respect of invoices or debit notes**
- **the details of which have been uploaded by the suppliers u/s 37(1)**

Logic behind restriction imposed by Rule 36(4):
*In order to nudge (*push) taxpayers to timely file their statement of outward supplies, the Council in its 37th Meeting decided that the ITC to be availed by a registered taxpayer in respect of invoices or debit notes- the details of which have not been uploaded by the suppliers u/s 37(1) shall not exceed 20% of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers u/s 37(1). Accordingly, Rule 36(4) has been inserted.*

ITC in respect of undeclared supplies of suppliers = Restricted to 20% of eligible ITC in respect of declared supplies of suppliers during the tax period

(to be computed on aggregated basis, not supplier's wise)*

Admissible ITC during a tax period				
[A]	Eligible ITC	as available in respect of invoices/ debit notes which have been uploaded by concerned suppliers in their GSTR-1 u/Sec 37(1)	=	Full ITC admissible (say, X)
[B]	Eligible ITC	in respect of invoices/ debit notes which have not been uploaded by concerned suppliers in their GSTR-1 u/Sec 37(1)	=	Restricted to 20% of [A] (say, 0.2X)
		Admissible ITC during the tax period	=	(say, 1.2 X) [* however, it cannot exceed the total ITC]

Simply putting:
Admissible ITC = 120% of (tax invoices / debit notes reported in GSTR-1 by suppliers)
[However, obviously it cannot exceed total eligible ITC]

Example ::
Total Eligible ITC in terms of Chapter V of CGST Act in Hands of Mr R = 10,00,000/-
- **If reported invoices are of Rs 6,00,000 – then admissible ITC shall be Rs 7,20,000 (120% of 6,00,000)**
- **Inversely, to claim full ITC of 10,00,000, supplies in respect of which invoice/debit note must be declared by supplier in GSTR- 1 filed u/Sec 37 = (total ITC / 1.2) = (10,00,000 / 1.2) = 8,33,333/-**

Whether this 20% restriction is auto calculated by GST Portal?
Restriction is to be applied by assessee himself under self – assessment:: This being a new provision, the restriction is not imposed through the common portal and it is the responsibility of the taxpayer that credit is availed in terms of the said rule and therefore, the availment of restricted credit in terms of Rule 36(4) of CGST Rules shall be done on self-assessment basis by the tax payers.

When will be these provisions effective from?
The restriction of rule 36(4) will be applicable only on the invoices/debit notes on which credit is availed after 09.10.2019. Thus, even if invoices belong to period before 09.10.2019, but ITC is availed after 09.10.2019, then this restriction will be imposed.

Illustrations [as given by CBIC in Circular No 123/42/2019-GST (dated 11th Nov, 2019)]

Say a taxpayer "R" receives 100 invoices (for inward supply of goods or services) involving ITC of Rs. 10 lakhs, from various suppliers during the month of Oct, 2019 and has to claim ITC in his FORM GSTR-3B of Oct., to be filed by 20th Nov, 2019.

Case-1: Suppliers have furnished in FORM GSTR-1 80 invoices involving ITC of Rs. 6 lakhs as on the due date of furnishing of the details of outward supplies by the suppliers.

- *Admissible ITC during the tax period =*

Total Credit as per Invoices	-	Rs 10.00 Lakh
Credit as per 2A	-	Rs 6.00 Lakh
20% of amount as per 2A	-	Rs 1.20 Lakh
Total Credit can be availed in 3B	-	Rs 7.20 Lakh (6 + 1.20)

Case-2: Suppliers have furnished in FORM GSTR-1 80 invoices involving ITC of Rs. 7 lakhs as on the due date of furnishing of the details of outward supplies by the suppliers.

- *Admissible ITC during the tax period =*

Total Credit as per Invoices	-	Rs 10.00 Lakh
Credit as per 2A	-	Rs 7.00 Lakh
20% of amount as per 2A	-	Rs 1.40 Lakh
Total Credit can be availed in 3B	-	Rs 8.40 Lakh (7 + 1.40)

Case-3: Suppliers have furnished in FORM GSTR-1 75 invoices involving ITC of Rs. 8.5 lakhs as on the due date of furnishing of the details of outward supplies by the suppliers.

- *Admissible ITC during the tax period =*

Total Credit as per Invoices	-	Rs 10.00 Lakh
Credit as per 2A	-	Rs 8.50 Lakh
20% of amount as per 2A	-	Rs 1.70 Lakh
Total Credit can be availed in 3B	-	Rs 10.00 Lakh
		(8.50 + 1.70 = 10.20 but max. 10)

When can balance ITC be claimed, in case availment of ITC is restricted as per the provisions of rule 36(4)?:
Case I: "R" may avail balance ITC of Rs. 2.8 lakhs in case suppliers upload details of some of the invoices for the tax period involving ITC of Rs. 2.3 lakhs out of invoices involving ITC of Rs. 4 lakhs details of which had not been uploaded by the suppliers. [Rs. 6 lakhs + Rs. 2.3 lakhs = Rs. 8.3 lakhs].

Case II: "R" may avail balance ITC of Rs. 1.6 lakhs in case suppliers upload details of some of the invoices involving ITC of Rs. 1.3 lakhs out of outstanding invoices involving Rs. 3 lakhs. [Rs. 7 lakhs + Rs. 1.3 lakhs = Rs. 8.3 lakhs].

Note 1: ITC is availed by RP for a tax period (month) – thus, this restriction shall be applied on monthly basis.

Note 2: Restriction shall be applicable only in respect of that ITC which is availed on basis of tax invoices or debit note issued by supplier which are required to uploaded by supplier in his GSTR-1 filed as per Sec 37. Thus, restriction not applicable on -

- *ITC availed in respect of import of goods*
- *ITC availed in respect of import of services*
- *ITC availed on supplies received from unregistered supplier which are attracting RCM*
- *ITC availed on basis of invoices of Input Service Distributer – ISD*

Note 3: Computation of restricted amount of ITC shall be done on 'aggregate basis – i.e., aggregate supplies made during a tax period (computation shall not be made separately for each supplier)

Note 4: Restriction is linked to – 'Eligible ITC available in respect of tax invoices or debit notes the details of which have been uploaded by the suppliers u/Sec 37'. Thus,

- *First, eligible ITC shall be determined by the recipient. The eligible ITC shall be determined as per provisions of Sec 16 and Sec 17 of CGST Act.*
- *Thereafter, restriction shall be applied.*
  [Thus, those invoices on which ITC is not available under any of the provision [say u/s 17(5)] would not be considered for calculating 20% of the eligible credit available.]

Note 5: GSTR-1 filed belated (beyond its due date) but upto date of filing of GSTR-3B by recipient in which he is claiming ITC

- *GST law permits belated filing of GSTR-1 (ofcourse, late fee shall be payable in terms of Sec 47 of CGST Act).*
- *As per one school of thought, even if GSTR-1 is filed belated, registered recipient shall be allowed to consider the corresponding ITC as 'eligible ITC available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under section 37(1)'- as legal language is not stating due date of filing of GSTR-1 as the referential date for considering eligible ITC.*
- *However, CBIC has issued Circular No. 123/42/2019-GST (dated 11th Nov, 2019) wherein it has stated that cut-off date for determination of 'eligible ITC' shall be the due date of filing of GSTR-1 as specified in Section 37*

Note 6: ITC not availed in a tax period due to Rule 36(4) – whether available in subsequent months?

- *Rule 36(4) restricts availment of ITC in a tax period.*
- *ITC not availed due to this restrictive provision shall not lapse; rather shall be available in any subsequent period in which tax invoice / debit note of such supplies are declared by the suppliers in their GSTR-1. CBIC has clarified this in Circular No. 123/42/2019-GST.*

What if taxpayer avails entire ITC as per Bills without considering this Rule?

- *Interest u/s. 50 for Excess availment of ITC would be charged to Taxpayer.*

Study Module

Question - - -

From the following information, determine the amount of Input tax credit admissible to ABC Ltd in respect of various inputs purchased during the month of September, 2018

Sr No	Particulars	CGST / SGST
1)	Goods purchased without invoice	25,000
2)	Goods purchased from PQR Ltd (full payment is made by ABC Ltd to PQR Ltd against such supply but tax has not been deposited by PQR Ltd)	1,20,000
3)	Purchases of goods not to be used for business purposes	18,000
4)	Purchases of goods from IT Ltd (Invoice of IT Ltd is received in month of September, 2018 but goods were received in month of October 2018)	24,000
5)	Goods purchased against valid invoice from FF Ltd. Tax has been deposited by FF Ltd. ABC Ltd has made payment to FF Ltd for such purchases in the month of October 2018	36,000

Solution - - -

'1) Nil (as not in possession of valid tax paying document) 2) Nil (as PQR Ltd. has not deposited the tax to the credit of Government) 3) Nil (as ABC Ltd. has purchased the goods for non business purpose)
4) Nil (as ABC Ltd has not received goods in month of September; ITC will be available in month of Oct)
5) ITC admissible even if payment is made by ABC Ltd. in month of October]

ICMAI – Study Modile

Question - - -

M/s C Ltd Chennai procured goods 10,000 Kgs @ Rs 100 per Kg. From M/s D Ltd of Delhi. These goods came to M/s C Ltd of Chennai in the following manner:

Date of Dispatch	Quantity in Kgs	Date of Receipt of Supply	Loss in transit kgs	No. Kgs Received
10th Oct	2,000	15th Nov	2	1,998
2nd Nov	5,000	20th Nov	5	4,995
3rd Dec	3,000	1st Jan	13	2,987

Invoice shows 10,000 Kgs. and GST @18%.
You are required to answer:
(a) M/s C Ltd can avail the proportionate credit on 15th Nov and 20th Nov.
(b) M/s C Ltd is eligible for input tax credit if so when.
(c) How much credit is allowed to M/s C Ltd.

Solution - - -

'(a) M/s C Ltd. cannot take proportionate credit on the quantity received on 15th Nov and 20th Nov.
(b) M/s C Ltd is eligible to avail the input tax credit on 1st Jan.
(c) Input tax credit allowed = Rs 1,79,640/- [(10,000 Kgs x Rs 100) x 18% x 9980 kgs/10,000 kgs.]

Study Module

Question - - -

XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2018 from the following particulars:-

Inward supplies	GST (Rs)	Remarks
Inputs 'A'	1,00,000	One invoice on which GST payable was Rs 10,000, is missing
Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October, 2018.
Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
Input services	2,25,000	One invoice dated 20.01.2018 on which GST payable was Rs 50,000 has been received in October, 2018.

Note:
(i) All the conditions necessary for availing the ITC have been fulfilled.
(ii) ABC Co. Ltd. is not eligible for any threshold exemption.
(iii) The annual return for the financial year 2017-18 was filed on 15th September, 2018.

<u>Solution - - -</u>

' Computations of ITC available with XYZ Ltd. for the month of October, 2018

Sr No	Inward Supplies	Remarks	Amount (Rs)
(i)	Inputs 'A'	ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC - Section 16(2)(a)	90,000
(ii)	Inputs 'B'	When inputs are received in installments, ITC can be availed only on receipt of last instalment - First proviso to section 16(2). Hence, no credit in this month	Nil
(iii)	Capital goods	Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)	Nil
(iv)	Input services	As per section 16(4), ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of September following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the FY ending 31st March, 20XX has been filed on 15th September, 20XX (prior to due date of filing the return for September, 20XX i.e., 20th October, 20XX), ITC on the invoice pertaining to FY ending 31st March, 20XX cannot be availed after 15th September, 20XX.	1,75,000
		Total	2,65,000

<u>Study Module</u>

<u>Question - - -</u>

XYZ Ltd purchased goods valuing Rs 6,00,000 (exclusive of CGST and SGST @ 9% each) under the cover of invoice dated 25-12-2018. The company made payment to the supplier on the same date. Since there was a doubt regarding admissibility of tax credit on such inputs, the company did not take the ITC at the time of receipt of input. The company obtained clarification from a legal consultant who opined that the goods were eligible as inputs under ITC rules. The opinion was received on 05-05-2019. The company now wants to avail ITC of the tax paid on such inputs. Can it do so? The company filed its annual return for the year 2018-19 on 12-08-2019.

Solution - - -

'In this case the inputs were purchased by invoice dated 25-12-2018, hence input tax credit in respect of such inputs can be taken upto earlier of following dates-

- 20-10-2019 being due date of furnishing return of month of September, 2019: or
- 12-08-2019 being the date of furnishing of annual return [earlier = 12-08-2019].

Hence XYZ Ltd. can avail credit of input tax paid on inputs till 12-08-2019. Therefore, it can avail credit of CGST Rs. 54,000 and SGST of Rs. 54,000 on 05-05-2019.

CA Final – Nov 2018

Question - - -

A registered supplier of taxable goods supplied goods valued at Rs 2,24,000 (inclusive of CGST Rs 12,000 and SGST Rs 12,000) to Mohan Ltd. under the forward charge on 15-08-2018 for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15-08-2018. Mohan Ltd. availed credit of Rs 24,000 on 18-08-2018. But Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail input tax credit on such supply? What are the consequences of such non-payment by Mohan Ltd.?

Discuss input tax credit provisions if Mohan Ltd. makes the payment of Rs 2,24,000 to the supplier on 18-03-2019.

Solution - - -

'As per section 16 of the CGST Act, 2017, Mohan Ltd. is eligible to avail input tax credit (ITC) of the tax paid on inputs received by it on the basis of the invoice issued by the supplier provided other conditions for availing ITC are fulfilled.

Payment of value of the goods along with the tax to the supplier is not a pre-requisite at the time of availing credit, but Mohan Ltd. has to pay the said amount within 180 days from the date of issue of invoice.

If Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier, it has to report the fact of non-payment in the ITC return (GSTR-3B) for the month immediately following the period of 180 days from the date of the issue of the invoice. When such report is made, ITC of Rs 24,000 will be added to his output tax liability. Mohan Ltd will be required discharge this liability with interest @ 18% p.a. from the date of availing credit till the date when the amount added to the output tax liability [Second proviso to section 16(2) of the CGST Act, 2017 read with rule 37 of the CGST Rules, 2017].

Input tax [A]	24,000
Date of availing credit [B]	15-08-2018
Date of payment of ITC added to output tax liability [C]	20-03-2019
No of days for which interest to be paid [C – B]	217
Interest @ 18% (Rs 24,000 × 18% × 207 ÷ 365)	2,568.33

If Mohan Ltd. does not pay the supplier as mentioned above, subject to the provisions of section 126 of the CGST Act, 2017, a general penalty which may extend to Rs 25,000 may also be levied for such contravention by Mohan Ltd. u/s 125 of the CGST Act, 2017.

18-03-2019 - Since amount of tax of Rs 24,000 has been paid now, it can be taken as credit without any time limit

ICMA - Study Module

Question - - -

M/s X Ltd. has establishment in Chennai, and establishment in Hyderabad. Supply of goods (open market value of Rs. 5,00,000) made by M/s X Ltd. Chennai to M/s X Ltd. Hyderabad. M/s X Ltd. Chennai paid IGST of Rs. 60,000. Accordingly M/s X Ltd. Hyderabad availed the input tax credit of Rs. 60,000. 2nd Proviso to Section 16(2) of CGST Act, 2017 is applicable in the given case (i.e to revere the credit where payment is not made within 180 days from the date of invoice). Advise.

Solution - - -

'As per proviso to rule 37(1) of the CGST Rules, 2017, the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to Sec 16(2). In the given case, M/s X Ltd. Hyderabad is not required to reverse ITC.

ICMA - Study Module

Question - - -

C Ltd. purchases a machinery from Z Ltd. The machine is installed in the factory of C Ltd. on February 6, 2018. Taxable value of supply is Rs. 10,00,000. GST is charged by the supplier at the rate of 18 per cent. C ltd. has claimed normal depreciation under section 32 of the Income-tax Act on "actual cost" of Rs. 11,80,000. Discuss when input tax credit is available to C Ltd.

Solution - - -

' ITC is not eligible for Rs 1,80,000 [Sec 16(3)]

Blocked Credits [Section 17(5)]

Section 17(5) - Blocked Credits

Notwithstanding anything contained in Sec 16(1) and Sec 18(1),

ITC shall not be available in respect of the following, namely:—

S. No.	BLOCKED ITC	Exceptions :: ITC is allowed	Remarks
(1)	(2)	(3)	(4)
(a)	Motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver)	Such motor vehicles when used for - a) making further taxable supply of such motor vehicles; b) making taxable supply of transportation of passengers; c) making taxable supply of imparting training on driving such motor vehicles.	⦿ *ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) used for any purpose other than ones mentioned is not allowed.* ⦿ *ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.* ⦿ *ITC on any other motor vehicle (e.g. trucks, dumpers, tippers etc.) used for any purpose is allowed.*

Examples

1) ***ITC on cars purchased by a manufacturing company for official use of its employees is blocked.***

2) ***ITC on cars purchased by a car dealer for sale to customers is allowed.***

3) ***ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.***

4) ***ITC on cars purchased by a car driving school is allowed.***

5) ***ITC on buses (seating capacity for 18 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.***

6) ***ITC on trucks purchased by a company for transportation of its finished goods is allowed.***

Question - Axis Bank has purchased a van for transportation of cash (money). Whether ITC of such motor van is admissible?

- **As per amended Sec 17(5) of CGST Act (w.e.f. 1st Feb, 2019), ITC of passenger vehicles of seating capacity upto 13 passengers is blocked. Thus, credit is denied only in respect of motor vehicles used for transport of passengers. ITC of all other motor vehicles is admissible.**
- **Cash carrying vans are not used for 'transport of passengers' but for 'transport of cash'; hence, they are eligible for credit.**
- **Therefore, Axis Ban can avail ITC of van purchased for transportation of cash/money.**

Blocked credits -

S. No.	BLOCKED ITC	**Exceptions** :: ITC is allowed	Remarks
(1)	(2)	(3)	(4)
(aa)	Vessels and aircrafts	Vessels and aircraft when used for- a) making further taxable supply of such vessels or aircraft; b) making taxable supply of transportation of passengers; c) making taxable supply of imparting training on navigating such vessels; d) making taxable supply of imparting training on flying such aircrafts; e) transportation of goods.	⦿ *ITC on vessels and aircrafts used for any purpose other than the ones mentioned is not allowed.*

Examples

1) ***ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.***

2) ***ITC on aircraft purchased by an Aviation School providing training on flying aircrafts, is allowed.***

Blocked credits -

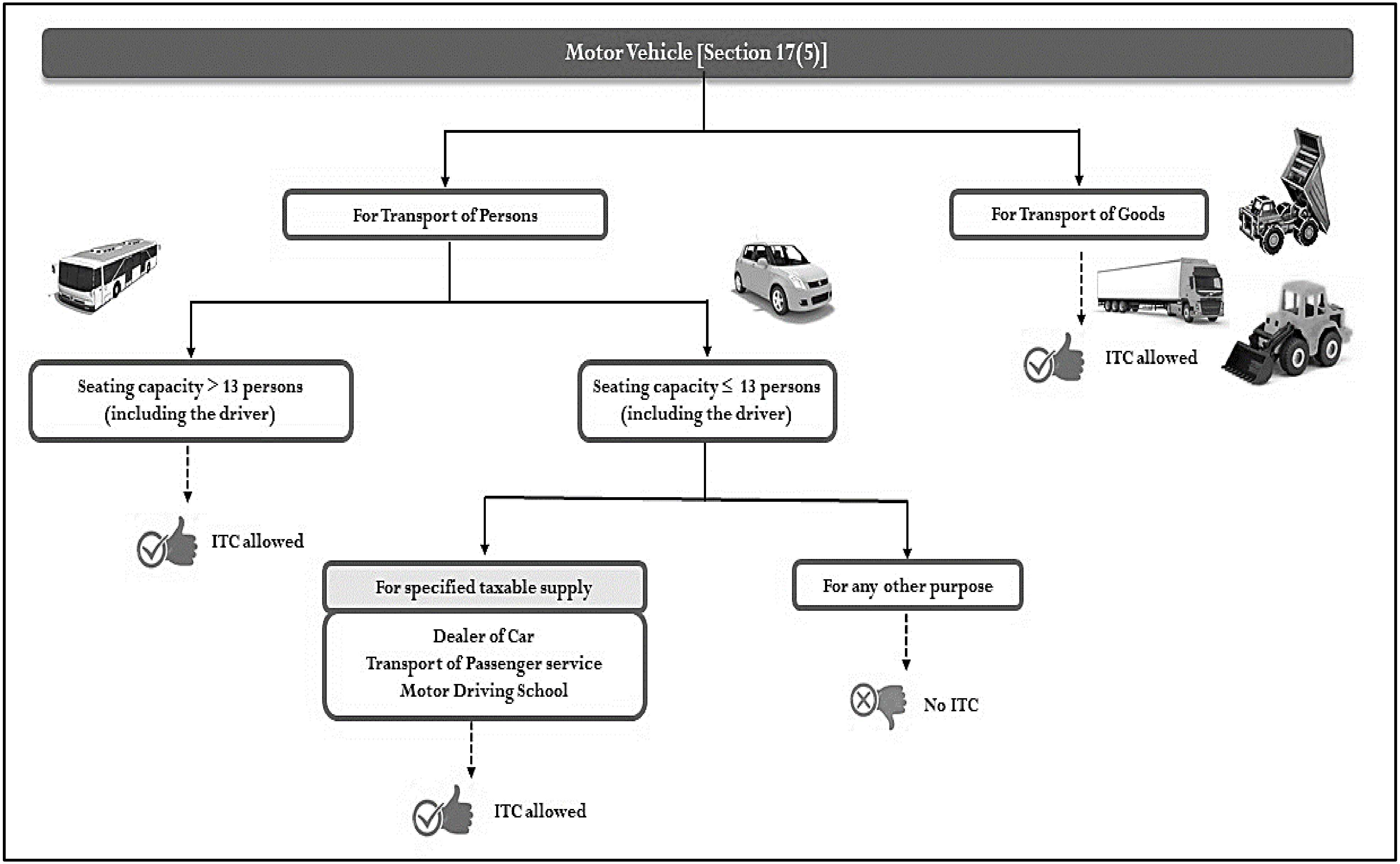
S. No.	BLOCKED ITC	Exceptions :: ITC is allowed	Remarks
(1)	**(2)**	**(3)**	**(4)**
(ab)	**⦿ General insurance, ⦿ Servicing, ⦿ Repair and ⦿ Maintenance relating to: • Motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver), • Vessels • Aircraft**	**ITC is allowed if motor vehicles, vessels or aircrafts are eligible for ITC ITC is allowed if services are availed by - ⦿ Manufacturer of motor vehicle or ⦿ Supplier of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him**	***⦿ ITC is not allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is not allowed. ⦿ ITC is allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is allowed.***

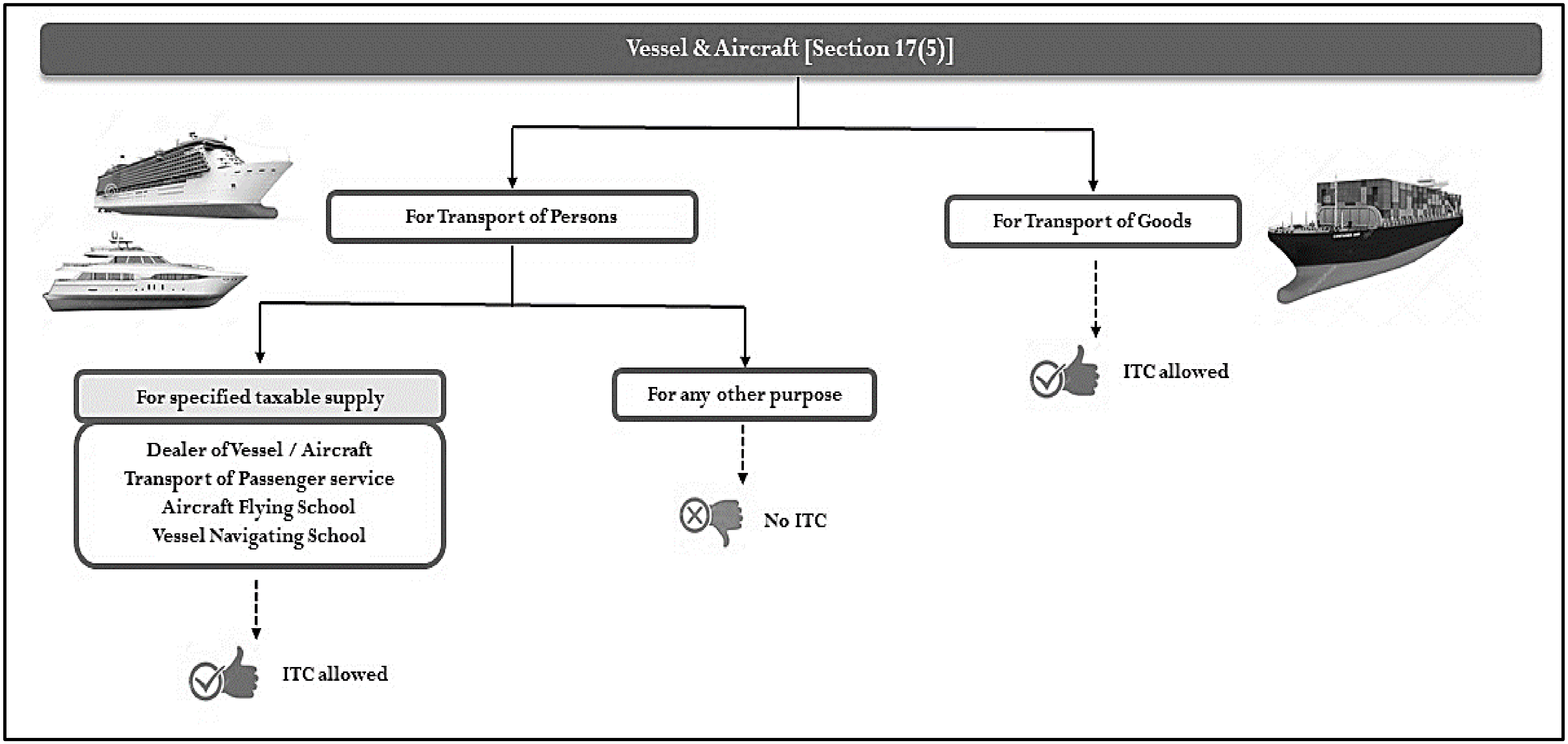
Examples -

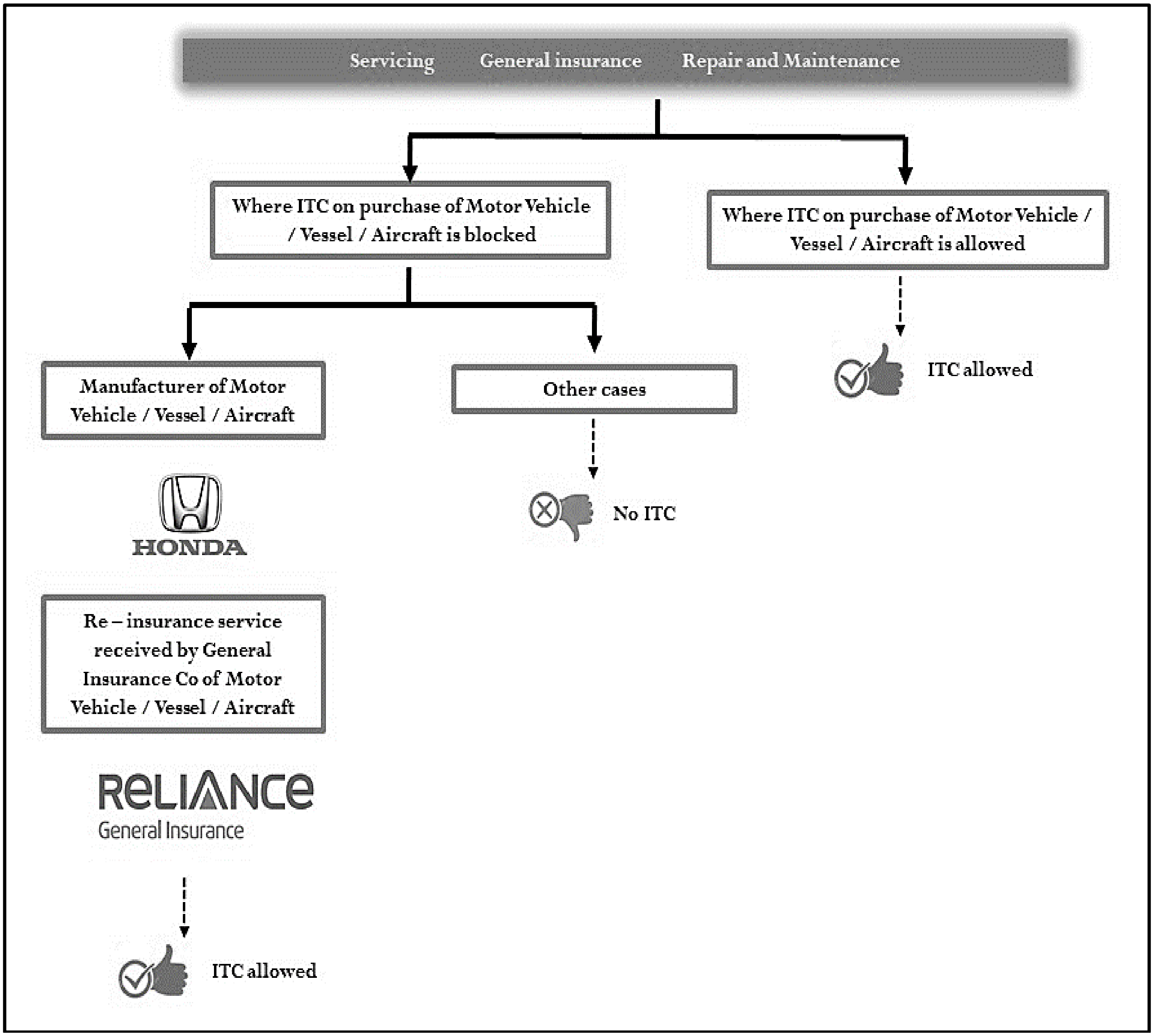
1) ***ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.***

2) ***ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.***

3) ***ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.***


Motor Vehicle [Section 17(5)]
For Transport of Persons
For Transport of Goods
ITC allowed
Seating capacity > 13 persons (including the driver)
Seating capacity ≤ 13 persons (including the driver)
ITC allowed
For specified taxable supply
Dealer of Car
Transport of Passenger service
Motor Driving School
For any other purpose
No ITC
ITC allowed


Vessel & Aircraft [Section 17(5)]
For Transport of Persons
For Transport of Goods
ITC allowed
For specified taxable supply
Dealer of Vessel / Aircraft
Transport of Passenger service
Aircraft Flying School
Vessel Navigating School
ITC allowed
For any other purpose
No ITC


Servicing
General insurance
Repair and Maintenance
Where ITC on purchase of Motor Vehicle / Vessel / Aircraft is blocked
Where ITC on purchase of Motor Vehicle / Vessel / Aircraft is allowed
Manufacturer of Motor Vehicle / Vessel / Aircraft
HONDA
Other cases
ITC allowed
No ITC
Re – insurance service received by General Insurance Co of Motor Vehicle / Vessel / Aircraft
RELIANCE
General Insurance
ITC allowed

Blocked credits -

S. No.	BLOCKED ITC	Exceptions :: ITC is allowed	Remarks
(1)	(2)	(3)	(4)
(b)	• Food and beverages • Outdoor catering • Beauty treatment • Health services • Cosmetic and plastic surgery • Leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is not allowed • Life insurance and health insurance	• Such goods and/or services when used - for making an outward taxable supply of the same category of goods and/or services (sub-contracting) or - as an element of a taxable composite or mixed supply • When such goods and/or services are provided by an employer to its employees under a statutory obligation	⦿ *ITC on such goods and/or services when used for any purpose other than the ones mentioned in Exceptions, is not allowed.* ⦿ *When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.*
	• Membership of a club, health and fitness centre • Travel benefits extended to employees on vacation such as leave or home travel concession	• When such services are provided by an employer to its employees under a statutory obligation	⦿ *When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.*

Examples -

1) ***AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.***

2) ***ITC on outdoor catering services availed by a company, for a team development event organised for its employees, is blocked.***

3) ***ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.***

4) ***ITC on outdoor catering service availed by a company to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.***

5) ***An outdoor caterer can take credit of services of another outdoor caterer.***

6) ***A manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.***

7) ***The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.***

8) ***A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.***

Blocked credits -

(c) WORKS CONTRACT services for construction of an IMMOVABLE PROPERTY

EXCEPT WHEN

- **It is input service for further supply of works contract service**
- **Immovable property is plant and machinery**

General Bar	• Credit is not allowed on works contract services when supplied for construction of an immovable property.
Credit allowed in certain cases	• However, credit is allowed, if - ⇒ It is supplied for construction** of plant and machinery, or, ⇒ It is an input service for further supply of works contract service;
Construction	"Construction" INCLUDES – (AA – RRR) • Re-construction, • Renovation, • Repairs, • Additions • Alternations To the extent of capitalization, to the said immovable property.
Plant and machinery	MEANS - • Apparatus, • Equipment, and • Machinery Fixed to earth by foundation or structural support that are used for … making outward supply of goods or services or both … and includes such foundation and structural supports BUT EXCLUDES - 1) Land, building or any other civil structures; 2) Telecommunication towers; and 3) Pipelines laid outside the factory premises

ITC on works contract services for construction of immovable property is available only in the following three situations:

1) **When the works contract service is availed by a works contractor for being used in providing the works contract service.**
2) **For construction of plant and machinery. In this case, ITC is allowed to all recipients irrespective of their line of business.**
3) **When the value of works contract service is not capitalized. In this case, ITC is allowed to all recipients irrespective of their line of business.**

Examples -

1) ***ITC on works contracts services availed by a software company for construction of its office, is blocked.***

2) ***CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.***

3) ***ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.***

4) ***ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.***

5) ***A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.***

6) ***A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.***

Blocked credits -

(d) Goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business

Explanation – For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property

ITC on goods and/or services used in construction of immovable property is available only in the following three situations:

1) **For construction of plant and machinery**
2) **When the value of goods and/or services is not capitalized**
3) **When the construction is not on own account**

Examples -

1) ***A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.***

2) ***MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.***

3) ***A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.***

4) ***ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.***

Blocked credits -

(e) Goods or Services or both on which tax has been paid under section 10;

(f) Goods or services or both received by a non-resident taxable person except on goods imported by him;

(g) Goods or services or both used for personal consumption;

(h) Credit is not allowed of Goods -

- **Lost,**
- **Stolen**
- **Destroyed,**
- **Written off or**
- **Disposed of by way of gift or free samples**

(i) any tax paid in accordance with the provisions of sections 74, 129 and 130.

Analysis:

⇒ *Thus, NRTP cannot take credit. However, he can take credit of IGST and GST Cess paid on goods import*

⇒ *Goods lost by Floods etc – Credit needs to be reversed*

⇒ *Credit is not allowed of any tax paid in accordance with the provisions of sections 74(evasion matters), 129 (seizure / detention) and 130 (confiscation)*
These sections prescribe the provisions relating to tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.)

⇒ *Rule 36(3) also provides that no input tax credit shall be availed by a registered person in respect of any tax has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.*

__Clarification on various doubts related to treatment of sales promotion schemes under GST.__

⇨ It has been noticed that there are several promotional schemes which are offered by taxable persons to increase sales volume and to attract new customers for their products. Taxability of two such schemes has been clarified as under:

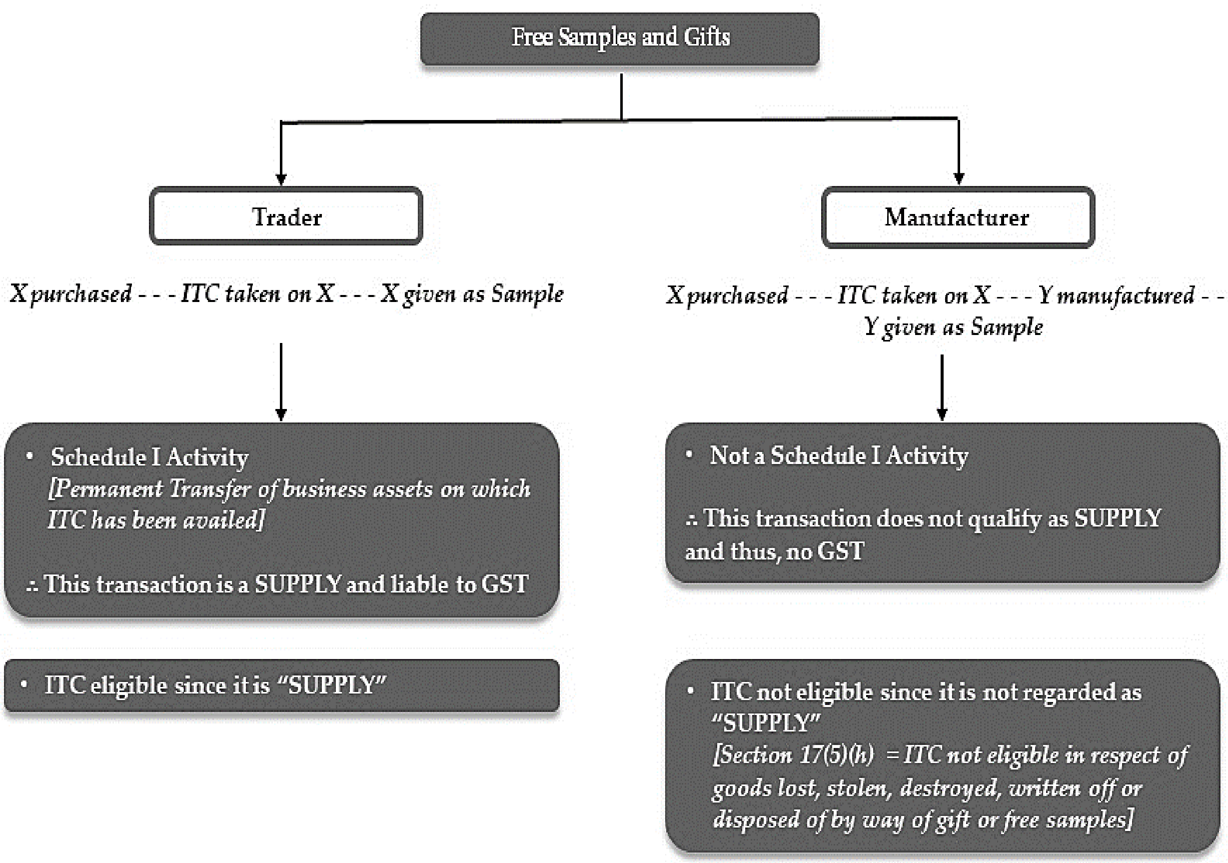
__Clarification as to treatment of Free samples and gifts:__

- **It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration.**

- **It is clarified that samples which are supplied free of cost, without any consideration, do not qualify as "supply" under GST, except where the activity falls within the ambit of Schedule I of the said Act.**

- **Section 17(5)(h) provides that ITC shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Thus, it is clarified that ITC shall not be available to the supplier on the inputs, input services and capital goods to the extent they are used in relation to the gifts or free samples distributed without any consideration.**

- **However, where the activity of distribution of gifts or free samples falls within the scope of "supply" on account of the provisions contained in Schedule I of the said Act, the supplier would be eligible to avail of the ITC.**



Final – RTP- May 2018

Question - - -
Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it and also of other cars. It seeks your advice on availability of input tax credit in respect of the following expenses incurred by it during the course of its business operations:
(i) Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.
(ii) Works contract services availed for constructing a car washing shed in its premises

Solution - - -
'(i) ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed. However, ITC on the cars destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked u/s 17(5)(h) of CGST Act.
(ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car shed is not a plant and machinery and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

Study Module

Question - - -
ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July

Particulars	GST paid
Electrical transformers to be used in the manufacturing process	5,20,000
Trucks used for the transport of raw material	1,00,000
Raw material	2,00,000
Confectionery items for consumption of employees working in the factory	25,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:
a) All the conditions necessary for availing the ITC have been fulfilled.
b) ABC Co. Ltd. is not eligible for any threshold exemption.

Solution - - -
'Computation of ITC available with ABC Co. Ltd. for the month of July

S.No.	Items	ITC (Rs)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is not blocked u/s 17(5)(a)]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	2,00,000

(iv)	Confectionery items for consumption of customers at customers meet [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply - Section 17(5)(b)(i)]	Nil
	Total ITC	8,20,000

Final – RTP- Nov 2019

Question - - -

With reference to the provisions of section 17 of the CGST Act, 2017, examine the availability of input tax credit under the CGST Act, 2017 in the following independent cases:-

1) MBF Ltd., an automobile company, has availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.
2) Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.
3) ABC Ltd. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods.

Solution - - -

Sr	Bare law	In the give case
(i)	Section 17(5)(c) of the CGST Act, 2017 blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods and/or services and includes such foundation or structural support but excludes land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.	ITC is available in respect of works contract service availed by MBF Ltd.as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c) of the CGST Act, 2017.
(ii)	Section 17(5)(d) of the CGST Act, 2017 blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.	Taxable person has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.
(iii)	As per section 17(5) of the CGST Act, 2017, ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods.	Thus, ITC on maintenance & repair services availed is allowed to ABC Ltd.

CA Final – May 2019

Question - - -

Siddhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Siddhi Ltd. purchased the following goods during the month of January, 2019. The following particulars are provided:

Sr No	Particulars	GST paid
1	Capital goods purchased on which depreciation has been taken on full value including input tax thereon	15,000
2	Goods purchased from Ravi Traders (Invoice of Ravi Traders is received in month of January, 2019, but goods were received in month of March, 2019)	20,000
3	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers	30,000
4	Goods used for setting up telecommunication towers being immovable property	50,000
5	Goods purchased from Pooja Ltd. (Full payment is made by Siddhi Ltd. to Pooja Ltd. against such supply, but tax has not been deposited by Pooja Ltd.	10,000
6	Truck purchased for delivery of output goods	80,000

Determine the amount of ITC available for month of January 2019 by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Siddhi Ltd.

Solution - - -

' 1) Nil (Since depreciation has been claimed on the tax component of the value of the capital goods, ITC cannot be availed in terms of section 16)

2) Nil (Since goods are not received in January 2019)

3) Nil (Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whichever reason is blocked)

4) Nil (ITC on goods used by a taxable person for construction of immovable property (except Plant & Machinery) on his own account is blocked even when such goods are used in the course or furtherance of business. Note :: Telecommunication tower has been specifically excluded from Plant & Machinery)

5) ITC allowed (provisionally claim – it will get confirmed only when the tax charged in respect of such supply has been actually paid to the Government)

6) ITC allowed (ITC on motor vehicles used for transportation of goods is not blocked)

CA Final – Nov 2018

Question - - -

PQR Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on input supplies during the month of April, 2018:

Sl. No.	Items	GST paid in (Rs)
(i)	Life Insurance premium paid by the company on the life of factory employees as per the policy of the company	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available.	38,000
(iii)	Raw materials purchased which are used for zero rated outward supply.	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000

(v)	Company purchased the capital goods for Rs 4,00,000 and claimed depreciation of Rs 44,800 (@ 10%) on the full amount of Rs 4,48,000 under Income Tax Act, 1961.	48,000

Other Information:-
(i) In the month of September, 2017, PQR Company Ltd. availed input tax credit of Rs 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25-09-2017. The said raw material has not been received back from the Job worker up to 30-04-2018.
(ii) All the above input supplies except (ii) above have been used in the manufacture of taxable goods.
Compute the amount of net Input Tax Credit available for the month of April, 2018 with necessary explanations for your conclusion for each item. You may assume that all the other conditions necessary for availing the eligible input tax credits have been fulfilled.

Solution - - -
Computation of Input Tax Credit (ITC) available with PQR Ltd. for the month of April, 2018

Particulars	Rs
Life Insurance premium paid by the company on the life of factory employees [Note 1]	1,50,000
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated outward supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased wherein the depreciation is claimed on the tax component [Note 5]	Nil
Total ITC available	2,30,000

Notes:
1) ITC on supply of life insurance service is not blocked if it is to be mandatorily supplied under an statutory obligation for an employer to provide such service to employees – Sec 17(5)(b). Assuming this service to be mandatorily provided under an statutory obligation, ITC thereon is allowed.
2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16 of the CGST Act, 2017]
3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply – [Section 16 of the IGST Act, 2017]
4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property. In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available - [Section 17(5) of the CGST Act, 2017].
5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act - [Section 16(3) of the CGST Act, 2017]
6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker – [Section 19 of the CGST Act, 2017].
Hence, the ITC taken by PQR Company Ltd. in September, 2017 is valid and since 1 year period has yet not lapsed in April, 2018, there will be no tax liability on such inputs.

CA Final – Nov 2018 (Old)

Question - - -
A company has entered to an agreement with a customer for the manufacture and supply of cement pipes for their exclusive use. A company manufactured the product but before receiving the inspection certificate,

their customer rejected some quantity of goods on the grounds of quality. As per agreement, the rejected quantity will be destroyed in front of the customer and shall not be sold. Examine the issue in the light of statutory provisions and suggest future course of action to the assessee as to whether any liability arises as per the provisions of GST law.

Solution - - -

'Section 17 of the CGST Act, 2017 blocks ITC in respect of destroyed goods.

Accordingly, since in the given case the cement pipes have been destroyed, ITC attributable to such pipes will not be allowed [Section 17(5)(h) of the CGST Act, 2017].

Thus, in the given case, if the credit has already been availed, the same will need to be reversed.

CA Final – May 2018 (New)

Question - - -

ABC Company Ltd. of Bengaluru is a manufacturer and registered supplier of machine. It has provided the following details for the month of November, 2017. Details of GST paid on inward supplies during the month:

Items	GST paid (Rs)
Health insurance of factory employees.	20,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month.	18,000
Work contractor's service used for installation of plant and machinery.	12,000
Purchase of manufacturing machine directly sent to job worker's premises under challan.	50,000
Purchase of car used by director for the business meetings only.	25,000
Outdoor catering service availed for business meetings.	8,000

ABC Company Ltd. also provides service of hiring of machines along with man power for operation. As per trade practice machines are always hired out along with operators and also operators are supplied only when machines are hired out. Receipts on outward supply (exclusive of GST) for the month of November, 2017 are as follows:

Items	Value of Supply (Rs)
Hiring receipts for machine	5,25,000
Service charges for supply of man power operators	2,35,000

Assume all the transactions are inter State and the rates of IGST to be as under:

(i) Sale of machine - 5%

(ii) Service of hiring of machine - 12%

(iii) Supply of man power operator service - 18%

Compute the amount of input tax credit available and also the net GST payable for the month of November 2017 by giving necessary explanations for treatment of various items. Note: Opening balance of input tax credit is Nil

Solution - - -

'Computation of net GST payable by ABC Company Ltd

Particulars	GST payable (Rs)
Gross GST liability [Composite supply – taxable @ 12%]	91,200
Less: Input tax credit [Refer working note (1) below]	62,000
Net GST liability	29,200

Note 1 - Computation of ITC available with ABC Company Ltd. in the month of November 2017

Particulars	GST (Rs)
Health insurance of factory employees [ITC of health insurance is blocked in the given case since said services are not notified by Government as obligatory for employer to provide to its employees under any law - Section 17(5)(b)]	Nil
Raw material received in factory [Where the goods against an invoice are received in lots/instalments, ITC is allowed upon receipt of the last lot/instalment]	Nil
Work's contractor's service used for installation of plant and machinery [Sec 17(5)(c) - ITC will be allowed since such services are being used for installation of plant and machinery.]	12,000
Manufacturing machinery directly sent to job worker's premises under challan [ITC on capital goods directly sent to job worker's premises under challan is allowed in terms of section 19(5) of CGST Act, 2017 read with rule 45(1) of CGST Rules, 2017]	50,000
Purchase of car used by director for business meetings only [Sec 17(5)(a)]	Nil
Outdoor catering service availed for business meetings [Section 17(5)(b) - ITC on outdoor catering is blocked except where the same is used for making further supply of outdoor catering or as an element of a taxable composite or mixed supply. Since ABC Company Ltd is a supplier of machine, ITC thereon will not be available]	Nil
Total ITC available	62,000

Study Module

Question - - -

ABC Pvt. Ltd., a registered manufacturer is engaged in taxable supply of goods. It procured the following goods during the month of November, 2018. Determine the amount of ITC available by giving necessary explanation for treatment of various items.

Particulars	GST paid
Laptops used in office within factory	36,000
Trucks used for transportation of inputs in the factory	2,24,000
Capital goods used exclusively for non - business purpose	54,000
Goods used in construction of office building	45,600
Capital goods used exclusively for making outward supplies to SEZ unit	28,800

Solution - - -

' Rs 36,000 + Rs 2,24,000 + Nil + Nil [Sec 17(5)(d)] + Rs 28,800 [ITC on capital goods used for making taxable supplies including zero rated supply shall be admissible. Supplies made to SEZ developer or SEZ unit is covered in zero rated supplies. So, credit of such tax will be admissible.]

Question - - -

Determine the amount of ITC available to Vdeshi Ltd. in respect of the following items purchased by them

Particulars	GST paid
Inputs used for the manufacture of final product	1,05,000
Food and beverages procured from Gopal Caterers for being used in dealer's meet	58,000
Goods used for providing services during warranty period	15,000
Goods used for setting up machinery being immovable property	75,000
Inputs stolen from the factory store	99,000
Membership of club to all members.	87,000

Solution - - -

'1,05,000 + Nil + 15,000 + 75,000 + Nil + Nil = Rs 1,95,000

Question - - -

Determine the amount of ITC available to PQR Ltd in respect of following items procured by them in the.

Particulars	GST paid
Goods used in constructing an additional floor of office building	28,800
Packing Materials used in factory	6,000
Goods destroyed due to natural calamities	12,500
Goods used for repairing the office building and cost of such repairs is debited to profit and loss account	12,000
Paper for photocopying machine used in Administrative Office	950
Goods given as gifts	25,000
Inputs used for tests or quality control check	15,600

Solution - - -

' Nil + 6,000 + Nil + 12,000 + 950 + Nil +15,600

Question - - -

Determine the amount of ITC available to P Ltd in respect of following items procured by them in the month of November.

Particulars	GST paid
Goods supplied for captive consumption in a factory	9,800
Goods purchased for being used in repairing the factory shed and same has been capitalized in books	18,000
Cement used for making foundation and structural support to Plant and Machinery	14,000
Inputs used in trial runs	14,560
Food and beverages purchased for the employees during office hours	8,400

Solution - - -

' 9,800 + Nil + 14,000 + 14,560 + Nil

ICMAI – RTP – Dec 2018

Question - - -

Compute the Input tax credit available with Best Motors Ltd, manufacturer of cars, in respect of the following services availed by it in the month of October

Particulars	GST paid
Accounting and auditing services	10,000
Health insurance services for employees (services are not provided under Government obligation)	11,500
Routine maintenance of the cars manufactured by Best Motors Ltd	5,300
Repair services for office building (cost of repair is charged to Profit and Loss account)	15,000
Hotel accommodation and conveyance facility to employees on vacation	8,900
Testing services availed for car engines	9,000

Solution - - -

'10,000 + Nil + 5,300 + 15,000 + Nil + 9,000

Study Module

Question - - -

XYZ Ltd engaged in supplying taxable goods has availed following services in the month of September, 2018. Compute the ITC admissible on such input services

Particulars	GST paid
Sales promotion services	16,200
Health care services availed from Physique Club for upkeep of health of their employees	10,800
XYZ Ltd hired cab on rent for employees (Such service has to be provided to employees by Employer under a statutory obligation)	4,500
Market research services	10,080
Quality control services	18,000
Works contract services for construction of office building	45,000

Solution - - -

' 16,200 + Nil + 4,500 + 10,080 + 18,000 + Nil

Study Module

Question - - -

Explain ITC treatment -

1) Rajesh Apparel Pvt Ltd. purchased apparel for Rs.50,000 from the manufacture. GST paid on the purchase is Rs. 9,000. Out of the apparel purchased, apparel worth Rs 2000 is taken by the owner for his personal use. The remaining apparel are sold to customer.
2) ABC Cars Pvt. Ltd, a car manufacturer, purchased a tempo traveler (seating capacity of 15 persons) for transport of employees within the factory premises.
3) ABC Pvt Ltd take the services of a caterer, Rakesh Caterers, for Diwali Celebration event for its employees.
4) XYZ Pvt Ltd reimburses its senior employees on travel expenses as part of LTA (Leave Travel Allowance).
5) XYZ Pvt Ltd, a manufacturer, which is engaged in supply of taxable goods has purchased 10,000 kg of inputs for Rs 1,00,000 (exclusive of CGST @ 6% and SGST @ 6%) on which credit has been taken. Due to technical changes in manufacturing process, the said inputs became obsolete and their value has been written off in books of accounts.
6) XYZ Pvt Ltd, is engaged in supply of works contract services. It gives a part of the construction work to a sub-contractor. The sub-contractor charges GST in his invoice to XYZ Ltd.
7) XYZ Ltd, is engaged in supply of passenger transportation services. In the month of September, it has purchased two motor vehicles for Rs 36,00,000 plus GST @ 28%.

Solution - - -

'1) Eligible ITC = 8,640 2) ITC eligible 3) ITC Blocked 4) ITC Blocked 5) ITC needs to be reversed 6) ITC eligible 7) ITC eligible

Input Tax Credit [ITC]
Apportionment of Credit [Section 17]

- If goods/services on which credit is taken are used for exempted supplies or for personal use also, then, since use is not for 'taxable business purposes' the credit needs to be denied.
- If entire goods/service is used for personal consumption, then, entire credit has to be denied, as per section 17.

Sec.	Term	Meaning
2 (108)	Taxable supply	"Taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;
2 (78)	Non-taxable supply	"Non-taxable supply" means a supply of goods or services or both which is not leviable to tax - • Under this Act or • Under the Integrated Goods and Services Tax Act Example: Alcoholic liquor for human consumption, petroleum products for the time being.
2(47)	Exempt supply	"Exempt supply" means supply of any goods or services or both- ▪ Which attracts nil rate of tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and ▪ Includes non-taxable supply;

Applicable provisions of CGST Act, 2017	
Chapter V – Input Tax Credit	
Section 17 – Apportionment of credit and blocked credit	
Section 17(1)	Apportionment of ITC – Goods / Services used partly for business and partly for other purpose
Section 17(2)	Apportionment of ITC – Goods / Services used partly for taxable supplies and partly for exempt supplies
Applicable provisions of CGST Rules, 2017	
Rule 42	Manner of determination of input tax credit in respect of inputs or input services and reversal thereof
Rule 43	Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases
Rule 48	Claim of credit by a banking company or a financial institution

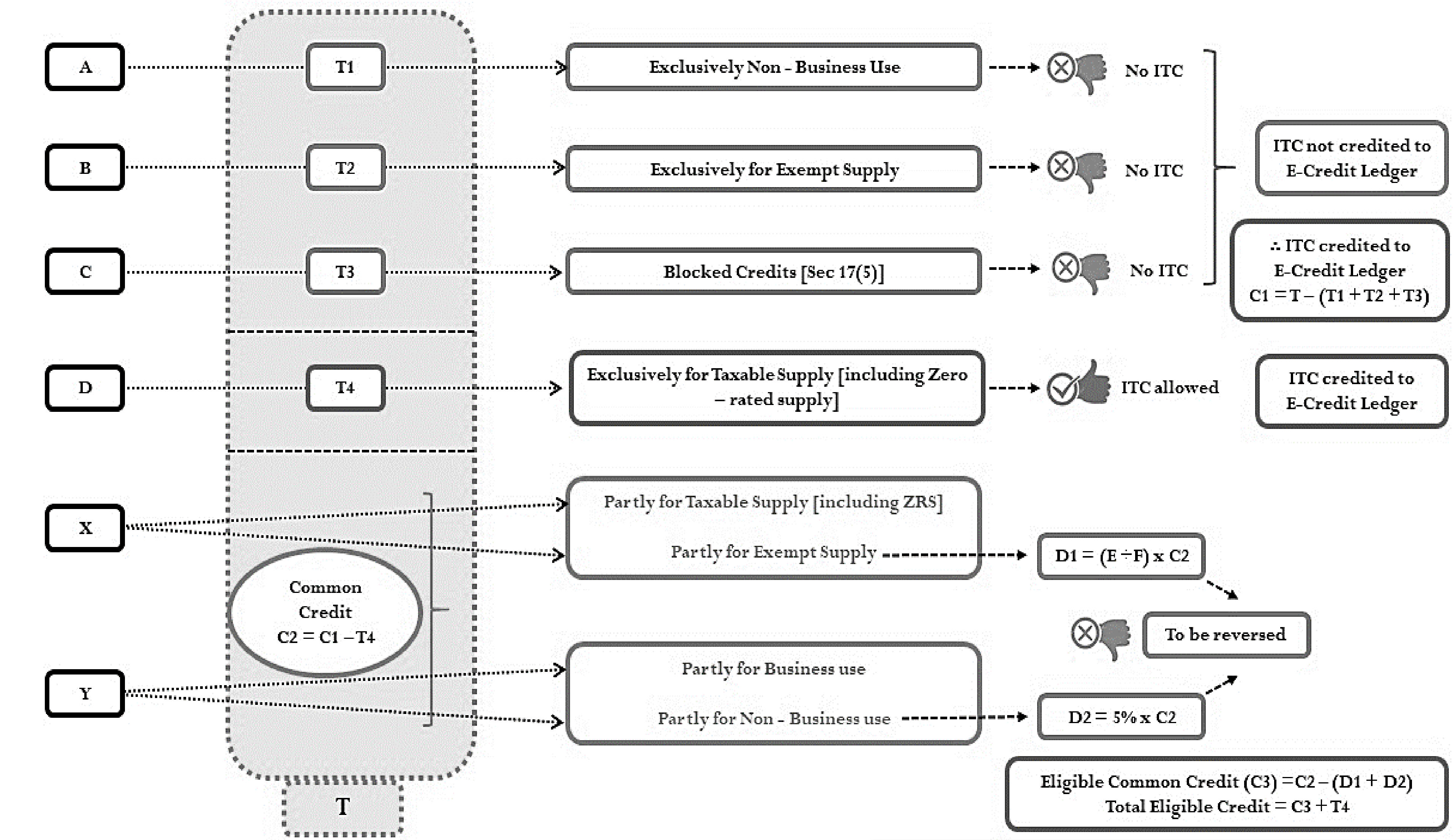
Differentiate between 'out of scope supply' and 'non-taxable supply'?

	Out of Scope Supply / Disregarded Supply	Non-Taxable Supply
Meaning	Transactions not regarded as supply at all (neither supply of goods nor supply of services)	Transactions which don't not attract levy under GST Law. e.g. Supply of Alcoholic Liquor, Supply of 5 specified petro products
Definitions	Not Defined as such Sec 7(2) of CGST Act • Schedule III activities • Notified Activities of CG/SG/ Local Authority (presently, Panchayat functions have been notified)	Defined in Section 2(78) of CGST Act
GST Liability	No GST Levy attracted	No GST Levy attracted
ITC Admissibility	No [ITC is admissible only of goods/services used for making supply – thus, unless transaction qualify as supply, goods/services therein are not eligible for ITC. Sec 17(3) even provides that 'sale of land / completed building structure' shall be deemed to be equivalent to exempt service of which 'stamp duty value' shall be considered for purposes of ITC apportionment]	No
Computation of ATO	No	Yes

Differentiate between 'taxable supply' and 'non-taxable supply'?

	Taxable Supply	Non-Taxable Supply
Meaning	Transactions which attract levy under GST law (whether under CGST law or IGST law) e.g., Supply of Tobacco Products – GST@28% Supply of Salt – GST@Nil	Transactions which don't not attract levy under GST Law. e.g. Supply of Alcoholic Liquor, Supply of 5 specified petro products
Definitions	Section 2(108) of CGST Act [Supply which is leviable to tax]	Defined in Section 2(78) of CGST Act
GST Liability	GST Levy attracted • Nil Rated Supply – No GST payable • Exempted Supply – No GST payable • Other supply – GST payable	No GST Levy attracted
Registration Requirement	• Nil Rated Supply – Not required [u/s 23] • Exempted Supply – Not required [u/s 23] • Other supply – Registration required [u/s 22 or 24] However, a supplier making both category of supply shall be required to take registration.	Registration not required However, a supplier making both non-taxable supply as well as taxable supply attracting GST, shall be required to take registration.
Document to be raised for supply	• Nil Rated Supply – Bill of Supply [R - 49] • Exempted Supply – Bill of Supply [R - 49] • Other supply – Tax Invoice [R-46] However, a supplier making both category of supply may raise 'Invoice-cum-bill of supply', if the buyer is unregistered person [R-46 A]	Registered Supplier shall raise Bill of Supply. [Other commercial documents /invoice raised shall be acceptable as bill of supply under GST – Rule 49] However, a supplier making both category of supply may raise 'Invoice-cum-bill of supply', if the buyer is unregistered person [R-46 A]
Requirement of EWB	• Nil Rated Supply – Not required • Exempted Supply – Not required • Other supply – Required (if goods under movement and consignment value is more than 50,000)	Raising of EWB is not required.
ITC Admissibility	• Nil Rated Supply – ITC is not admissible • Exempted Supply – ITC is not admissible • Other supply – ITC is admissible However, ITC is admissible if such supply is zero-rated supply, i.e., export supply or supply to SEZ Unit/ Developer	ITC not admissible However, ITC is admissible if such supply is zero-rated supply, i.e., export supply or supply to SEZ Unit/ Developer
Computation of ATO	Yes	Yes

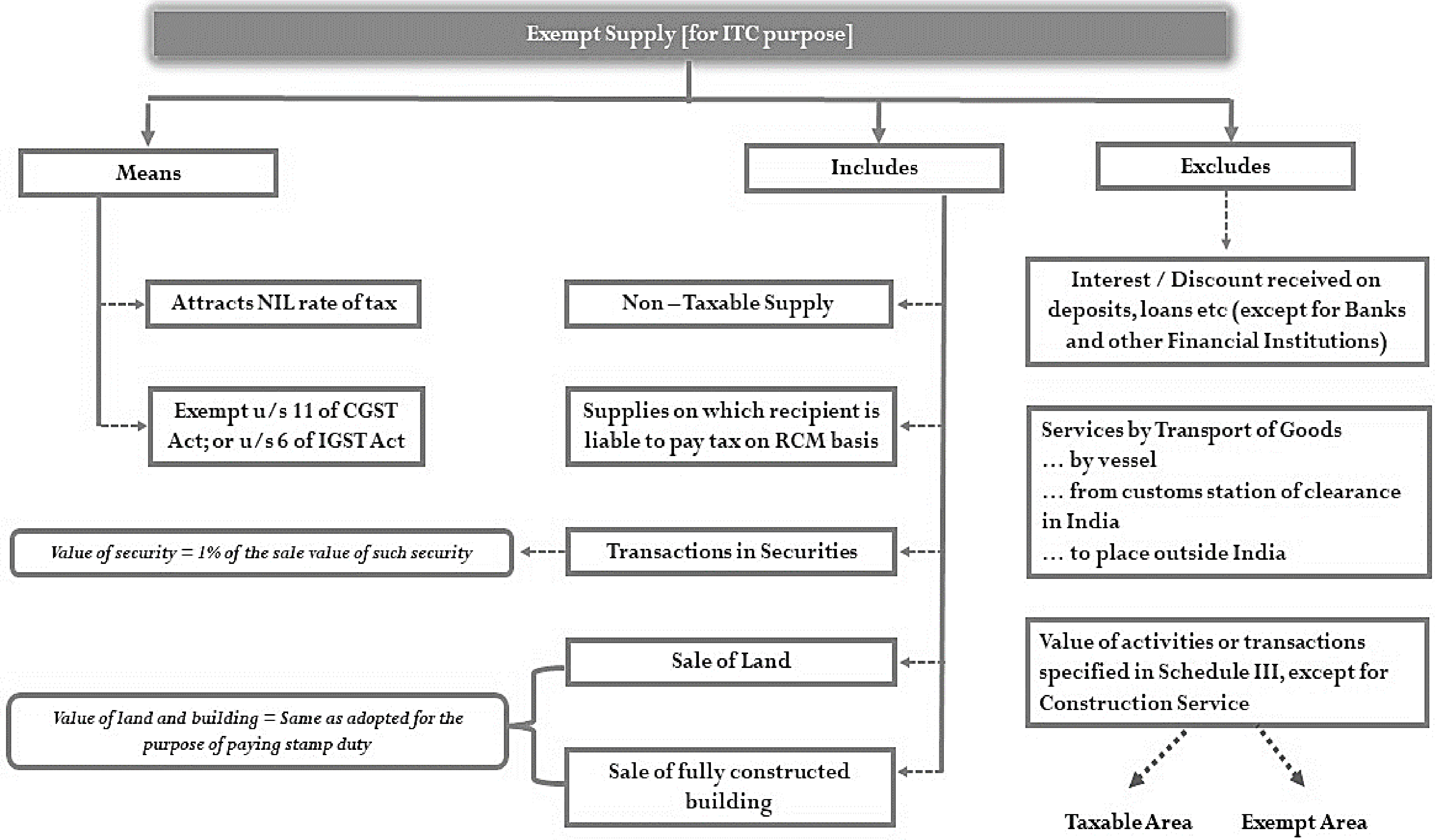
Sec 17 – Pro rata credit in case of PERSONAL USE OR EXEMPTED SUPPLY



Rule 42 - Manner of determination of ITC in respect of INPUTS OR INPUT SERVICES and reversal thereof

E = Exempt Turnover (excluding Excise duty / VAT / CST)
F = Total Turnover (excluding Excise duty / VAT / CST)

Exempt Supply & its Valuation [to be used for reversal of ITC]



Final computation at year end - Deficit to be paid with interest @ 18% and Excess reversal can be claimed as re-credit:

- **Σ (D1 + D2) will be computed for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year.**
- **If this amount is more than the amount already added to output tax liability every month, the differential amount will be added to the output tax liability in any of the month till September of succeeding year along with interest @ 18% from 1st April of succeeding year till the date of payment.**
- **If this amount is less than the amount added to output tax liability every month, the additional amount paid has to be claimed back as credit in GSTR 3 of any month till September of the succeeding year.**

Study Module

Question - - -

A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Solution - - -

Under section 16(2) of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

RTP – Nov 2018

✪ **Question - - -**

'All-in-One Store' is a chain of departmental store having presence in almost all metro cities across India. Both exempted as well as taxable goods are sold in such Stores. The Stores operate in rented properties. All-in-One Stores pay GST under regular scheme.
In Mumbai, the Store operates in a rented complex, a part of which is used by the owner of the Store for personal residential purpose.
All-in-One Store, Mumbai furnishes following details for the month of October, 20XX:

1) **Aggregate value of various items sold in the Store:**
   - **Taxable items – Rs 42,00,000**
   - **Items exempted vide a notification – Rs 12,00,000**
   - **Items not leviable to GST – Rs 3,00,000**
2) **Mumbai Store transfers to another All-in-One Store located in Goa certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is Rs 5,00,000. Such items are sold in the Mumbai Store at Rs 8,00,000.**
3) **Aggregate value of various items procured for being sold in the Store:**
   - **Taxable items – Rs 55,00,000**
   - **Items exempted vide a notification – Rs 15,00,000**
   - **Items not leviable to GST – Rs 5,00,000**
4) **Freight paid to goods transport agency (GTA) for inward transportation of taxable items – Rs 1,00,000**
5) **Freight paid to GTA for inward transportation of exempted items – Rs 80,000**
6) **Freight paid to GTA for inward transportation of non-taxable items - Rs 20,000**
7) **Monthly rent payable for the complex – Rs 5,50,000 (one third of total space available is used for personal residential purpose).**
8) **Activity of packing the items and putting the label of the Store along with the sale price has been outsourced. Amount paid for packing of all the items - Rs 2,50,000**
9) **Salary paid to the regular staff at the Store - Rs 2,00,000**

10) GST paid on inputs used for personal purpose – Rs 5,000
11) GST paid on rent a cab services availed for business purpose – Rs 4,000.
12) GST paid on items given as free samples – Rs 4,000

Given the above available facts, you are required to compute the following:
A. Input tax credit (ITC) credited to the Electronic Credit Ledger
B. Common Credit
C. ITC attributable towards exempt supplies out of common credit
D. Eligible ITC out of common credit
E. Net GST liability for the month of October, 20XX

Note:
(1) Wherever applicable, GST under reverse charge is payable @ 5% by All-in-One Stores. Rate of GST in all other cases is 18%.
(2) All the sales and purchases made by the Store are within Maharashtra. All the purchases are made from registered suppliers. All the other expenses incurred are also within the State.
(3) Wherever applicable, the amounts given are exclusive of taxes.
(4) All the necessary conditions for availing the ITC have been complied with.

Solution - - -
‘

Computation of ITC credited to Electronic Credit Ledger and Common Credit and Eligible Credit

Particulars		Amount (Rs)
Total Input tax in a tax period [Note 1]	T	11,57,000
Input tax on input services exclusively used for effecting supply of goods for personal use. ☛ *GST paid on monthly rent attributable to personal purposes [1/3 of Rs 99,000] = Rs 33,000 + GST paid on inputs used for personal purpose = Rs 5,000*	T1	38,000
Input tax on input exclusively used for effecting exempt supply of goods ☛ *GST paid under RCM on freight paid for transportation of exempted / non – taxable items [4,000 + 1,000]*	T2	5,000
Input tax availed on input which are ineligible under Section 17(5) ☛ *GST paid on rent a cab services availed for business purpose [Sec 17(5)(b)] – Rs 4,000* ☛ *GST paid on items given as free samples [Sec 17(5)(h)] - Rs 4,000*	T3	8,000
Amount of Input tax credited to the electronic credit ledger	C1 = T - [T1+T2+T3]	11,06,000
Less: Credit on inputs exclusively used for supplying taxable goods (including Zero rated supplies) ☛ *GST paid on taxable items = Rs 9,90,000* ☛ *GST paid under RCM on freight paid to GTA for inward transportation of taxable items = Rs 5,000*	T4	9,95,000
Common credit of input and input services used	C2=C1 - T4	1,11,000
Total inadmissible common credit as per Rule 42(1) [Working shown below]	D1 + D2	25,615
Net eligible common credit	C3=C2-[D1+D2]	85,385

Working Note: Calculation of amount of input tax credit towards exempt supplies and supply made for non business use:

Particulars	Amount (Rs)
⦿ Aggregate Value of Exempted supply of goods [E] = Rs 12,00,000 + Rs 3,00,000 = Rs 15,00,000	

Total Turnover [F] = Rs 42,00,000 + Rs 12,00,000 + Rs 3,00,000 + Rs 8,00,000 = Rs 65,00,000 *Note: Transfer of items to Store located in Goa is inter-State supply in terms of section 7 of the IGST Act, 2017 and hence includible in the total turnover. Such supply is to be valued as per rule 28 of the CGST Rules, 2017. However, the value declared in the invoice cannot be adopted as the value since the recipient Store at Goa is not entitled for full credit. Therefore, open market value of such goods, which is the value of such goods sold in Mumbai Store, is taken as the value of items transferred to Goa Store.*	
Credit attributable towards exempt supplies D1=[E/F] x C2 *= (15,00,000 ÷ 65,00,000) x 1,11,000*	Rs 25,615 (rounded off)
Credit attributable for supplies made for non business purpose as per Rule 42(1) [D2=5% xC2] *not required to be deducted as it has already been identified in T1 above and Credit of the same has not been taken*	0
Total inadmissible common credit as per Rule 42(1) [D1+D2]	Rs 25,615

Note 1

Computation of total input tax involved [T]

Particulars	(Rs)
GST paid on taxable items [Rs 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items - [Rs 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [Rs 80,000 x 5%]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [Rs 20,000 x 5%]	1,000
GST paid on monthly rent - [Rs 5,50,000 x 18%]	99,000
GST paid on packing charges [Rs 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III to CGST Act, 2017 and hence, no GST is payable thereon].	Nil
GST paid on inputs used for personal purpose	5,000
GST paid on rent a cab services availed for business purpose	4,000
GST paid on items given as free samples	4,000
Total input tax involved in a tax period (October, 20XX) [T]	11,57,000

Computation of Net GST liability for the month of October, 20XX

Particulars	GST (Rs)
GST liability under forward charge	
Taxable items sold in the store [Rs 42,00,000 x 18%]	7,56,000
Taxable items transferred to Goa Store [Rs 8,00,000 x 18%]	1,44,000
Total output tax liability under forward charge	9,00,000
Less: ITC credited to the electronic ledger [Rs 11,06,000 – Rs 25,615 reversed]	10,80,385
ITC carried forward to the next month	(1,80,385)
Net GST payable [A]	Nil
GST liability under reverse charge	
Freight paid to GTA for inward transportation of taxable items - [Rs 1,00,000 x 5%]	5,000
Freight paid to GTA for inward transportation of exempted items - [Rs 80,000 x 5%]	4,000

Freight paid to GTA for inward transportation of non-taxable items - [Rs 20,000 x 5%]	1,000
Total output tax liability under reverse charge [B]	10,000
Net GST liability [A] + [B]	

☛ *As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.*

CA Final – May 2019

Question - - -

X, a manufacturer of roofing sheets, has total input tax credit of Rs 1,60,000 as on 30-06-2018. He provides the following other information pertaining to June 2018:

(1) Input tax on raw materials in June is Rs 40,000.

(2) Input tax on account of Harvest caterers in connection with his Housewarming is Rs 10,000.

(3) Input tax on inputs contained in exempt supplies of Rs 2 lakh in June is Rs 20,000.

(4) GST paid on cosmetic and plastic surgery of CEO of the company is Rs 30,000.

(5) Total turnover (interstate, taxable @ 18%) for the month of June 2018 is Rs 60 lakh.

Compute the ITC available and his output tax liability for the month of June 2018.

Solution - - -

Computation of ITC available and output tax liability of X for June 2018

Particulars	Amount (Rs)
Output tax liability for June 2018	
GST on taxable turnover for June 2018 [Being inter-State supply, the same is leviable to IGST @ 18% = Rs 60,00,000 × 18%]	10,80,000
Add: Ineligible ITC [Refer working note below] [ITC out of common credit, attributable to exempt supplies shall be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017]	1,290
Total output tax liability	10,81,290
Total ITC available as on 30.06.2018	1,60,000

Working Note:

Computation of ineligible ITC to be added to output tax liability

Particulars	Amount (Rs)
Input tax on raw materials [Being used in the course or furtherance of business, input tax on raw materials is available as ITC and is credited to the Electronic Credit Ledger – Section 16(1) of the CGST Act, 2017]	40,000
Input tax on catering for housewarming [ITC on outdoor catering is blocked in terms of section 17(5) of the CGST Act, 2017 if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger – Rule 42 of the CGST Rules, 2017]	Nil
Input tax on inputs contained in exempt supplies [Not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42 of the CGST Rules, 2017]	Nil

Input tax on cosmetic and plastic surgery of CEO of company [ITC on cosmetic and plastic surgery is blocked in terms of section 17(5) of the CGST Act, 2017 if the same are not used for making the same category of outward supply or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger – Rule 42 of the CGST Rules, 2017]	Nil
Total ITC credited to the Electronic Credit Ledger in terms of rule 42	40,000
Common credit [ITC credited to Electronic Credit Ledger (Rs 40,000) – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies (Nil) – Rule 42 of the CGST Rues, 2017. It has been assumed that input tax on raw materials is attributable to both taxable and exempt activity]	40,000
ITC attributable towards exempt supplies [Common Credit x (Aggregate value of exempt supplies during the tax period / Total turnover during the tax period) – Rule 42 of the CGST Rules, 2017 = Rs 40,000 × Rs 2,00,000/ Rs 62,00,000 - (rounded off)]	1,290

Note: The information provided in the question leaves scope for multiple assumptions. The answer given above is based on one such assumption. Other assumptions can also be made to answer this question.

CA Final – May 2019

Question - - -

Vansh Shoppe is a registered supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vansh Shoppe has furnished the following details for the month of April, 2019;

Sr No	Particulars	Rs
1	Details of sales:	
	Sales of taxable goods	50,00,000
	Sales of goods not leviable to GST	10,00,000
2	Details of goods purchased for being sold in the shop:	
	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
3	Details of expenses:	
	Monthly rent payable for the shop	3,50,000
	Telephone expenses paid (Rs 30,000 for land line phone installed at the shop and Rs 20,000 for mobile phone given to employees for official use)	50,000
	Audit fees paid to a Chartered Accountant (Rs 35,000 for filing of income tax return & the statutory audit of preceding financial year and Rs 25,000 for filing of GST return)	60,000
	Premium paid on health insurance policies taken for specified employees of the shop. [Health insurance service is not to be mandatorily provided]	10,000
	Freight paid to goods transport agency (GTA) for inward transportation of non-taxable goods	50,000
	Freight paid to goods transport agency (GTA) for inward transportation of taxable goods	1,50,000
	GST paid on goods given as free samples	5,000

All the above amounts are exclusive of all kind of taxes, wherever applicable.
All the purchases and sales made by Vansh Shoppe are within Rajasthan. All the purchases are made from registered suppliers. All the other expenses incurred are also within Rajasthan.
Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases.
There is no opening balance in the electronic cash ledger or electronic credit ledger.
Assume that all the necessary conditions for availing the ITC have been complied with.
Ignore interest, if any.
You are required to compute the following:
(1) Input Tax Credit (ITC) credited to Electronic Credit Ledger
(2) Common credit
(3) ITC attributable towards exempt supplies out of common credit
(4) Net GST liability for the month of April, 2019

Solution - - -

(1) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) of the CGST Act, 2017 is not credited to electronic credit ledger [Sections 16 and 17 of the CGST Act, 2017].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vansh Shoppe is calculated as under:

Particulars	Amount (Rs)	CGST @ 6% (Rs)	SGST @ 6% (Rs)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since nontaxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600
GST paid on premium of health insurance policies [ITC on life insurance service is blocked as it is not mandatorily to be provided]	10,000	Nil	Nil
GST paid on goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5) of the CGST Act, 2017]	5,000	Nil	Nil

Particulars	Amount (Rs)	CGST @ 2.5% (Rs)	SGST @ 2.5% (Rs)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge *[Since definition of exempt supply u/s 2(47) of the CGST Act, 2017 specifically includes non-taxable supply, the*	50,000	Nil	Nil

input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]			
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350

<u>(2) Computation of common credit</u>

Common Credit = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

[Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (Rs)	SGST (Rs)
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less: ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	27,600	27,600

<u>(3) Computation of ITC attributable towards exempt supplies out of common credit</u>

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period / Total turnover during the tax period) [Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (Rs)	SGST (Rs)
ITC attributable towards exempt supplies [Rs 27,600 x (Rs 10,00,000/Rs 60,00,000)]	4,600	4,600

<u>(4) Computation of net GST liability for the month of April, 2019</u>

Particulars	CGST (Rs)	SGST (Rs)
<u>GST liability under forward charge</u>		
Sale of taxable goods [Rs 50,00,000 x 6%]	3,00,000	3,00,000
Add: Ineligible ITC [ITC out of common credit, attributable to exempt supplies]	4,600	4,600
Total output tax liability under forward charge	3,04,600	3,04,600
Less: ITC credited to the electronic credit ledger	3,01,350	3,01,350
Net GST payable [A]	3,250	3,250
<u>GST liability under reverse charge</u>		
Freight paid to GTA for inward transportation of taxable goods [Rs 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non - taxable goods [Rs 50,000 x 2.5%]	1,250	1,250
Total output tax liability under reverse charge [B]	5,000	5,000
Net GST liability [A] + [B]	8,250	8,250

Note :: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49 of the CGST Act, 2017]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Question - - -

PQR Ltd, a registered supplier, supplies taxable as well as exempted goods. The information regarding the turnover details made during the month of August, 2018 is not available. These exempted goods include the goods taxed at Nil rate worth Rs 9,00,000

Besides this, turnover of supply of goods during the month of August, 2018 includes:

Particulars	Rs
Value of taxable supply of goods	50,00,000
Value of Zero – rated taxable supply of goods	14,00,000
Value of supply of goods made for other than business use	10,00,000
Total	74,00,000

Details of Input tax credit for the month of August, 2018 are as under:

Particulars	CGST	SGST	IGST
Total ITC	1,80,000	1,80,000	2,16,000
The above ITC on input services includes the following:			
Credit on input goods exclusively used for supplying exempted goods	45,000	45,000	72,000
Credit on input services exclusively used for supplying taxable goods	63,000	63,000	23,400
Credit availed on inputs which are not eligible u/s 17(5)	42,000	42,000	48,000
Credit on input goods exclusively used for supplying goods for personal use	22,500	22,500	60,000

During the month of July, 2018 the value of supply of taxable goods was Rs 65,00,000 and value of supplies of exempted goods was Rs 10,00,000.

What would be the entitlement of ITC of PQR Ltd for month of August, 2018 and also determine the amount, if any, to be added to output tax liability of PQR Ltd during August, 2018.

Solution - - -

Computation of Input tax credit eligible for the tax period August, 2018:

	Particulars	CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
T	Total Input tax credit in a tax period	1,80,000	1,80,000	2,16,000
T1	Credit exclusively used for supply of services for personal use	22,500	22,500	60,000
T2	Credit on input goods exclusively used for exempt supply of goods	45,000	45,000	72,000
T3	Credit on input goods availed, on which ITC not allowed	42,000	42,000	48,000
C1	Input credit credited to electronic credit ledger [C1 = T – (T1 + T2 + T3)]	70,500	70,500	36,000
T4	Credit on input services exclusively used of supplying taxable services (including Zero rated supplies)	63,000	63,000	23,400
C2	Common credit used for providing supply [C2] C2 = C1 – T4	7,500	7,500	12,600

D1 + D2	Total Credit not admissible as per Rule 42(1) [D1 + D2] [See Note]	1,375	1,375	2,310
	Net eligible common credit C3 = C2 – [D1 + D2]	6,125	6,125	10,290
	Total credit eligible i.e. [T4 + C3]	69,125	69,125	33,690
	Amount to be added to output tax liability	1,375	1,375	2,310

Working Note – Attribution: Portion out of common credit used for exempted/personal/non-business use

	Particulars	CGST(Rs.)	SGST(Rs.)	IGST(Rs.)
E	Aggregate Value of Exempted supply of goods during July	10,00,000	10,00,000	10,00,000
F	Total turnover for July, 2018	75,00,000	75,00,000	75,00,000
D1	Credit attributable towards exempt supplies D1 = [E/F] × C2	1,000	1,000	1,680
D2	Credit attributable for supplies made for non business purpose as per Rule 42(1) is deemed at [D2 = 5% × C2]	375	375	630

ICAI Multi – Disciplinary Case

Question - - -
CURE Pharma Pvt. Ltd. provides taxable as well as exempted medicines. Turnover of CURE Pharma Pvt. Ltd. during the month of December, 2019 is as under:

Particulars	Rs.
Value of exempted supply of medicines	60,00,000
Value of taxable supply of medicines	1,28,00,000
Value of Zero rated taxable supply of medicines	32,00,000
Supply made for personal use	20,00,000
Total	2,40,00,000

Details of Input tax for the month of December, 2019 are as under:

Particulars	CGST (Rs)	SGST (Rs.)	IGST (Rs.)
Total Input tax available	4,32,000	4,32,000	2,16,000
The above Input tax on input includes the following:			
(i) Input tax on input exclusively used for supplying exempted medicines	72,000	72,000	28,800
(ii) Input tax on input of medicines exclusively used for supplying taxable medicines (including Zero rated supplies)	2,16,000	2,16,000	14,400
(iii) Input tax availed on inputs which are not eligible for credit u/s. 17(5)	72,000	72,000	25,200
(iv) Input tax on input exclusively used for supplying medicines for personal use.	43,200	43,200	21,600

Solution - - -

Computation of Input tax credit eligible for the tax period December, 2019

Particulars	CGST (Rs)	SGST (Rs.)	IGST (Rs.)
Total Input tax in a tax period [T]	4,32,000	4,32,000	2,16,000
Less:			
Input tax on input services exclusively used for effecting supply of goods for personal use. [T1]	43,200	43,200	21,600

Input tax on input exclusively used for effecting exempt supply of goods [T2]	72,000	72,000	28,800
Input tax availed on input which are ineligible under Section 17(5) [T3]	72,000	72,000	25,200
Amount of Input tax credited to the electronic credit ledger [C1] C1=T-[T1+T2+T3]	244,800	244,800	1,40,400
Less: Credit on inputs exclusively used for supplying taxable goods (including Zero rated supplies) [T4]	2,16,000	2,16,000	14,400
Common credit of input and input services used for providing supply of medicines [C2] C2=C1-T4	28,800	28,800	1,26,000
Total inadmissible common credit as per Rule 42(1) [D1 + D2] [Working shown below]	8,640	8,640	37,800
Net eligible common credit C3=C2-[D1+D2]	20,160	20,160	88,200
Total credit eligible i.e. [T4 + C3]	2,36,160	2,36,160	1,02,600
Amount to be added to output tax liability of CURE Pharma Pvt Ltd. is [D1+D2]	8,640	8,640	37,800

Working Note: Calculation of amount of input tax credit towards exempt supplies and supply made for non business use:

Particulars	CGST (Rs)	SGST (Rs.)	IGST (Rs.)
Aggregate Value of Exempted supply of goods [E] = Rs 60,00,000			
Total Turnover for December, 2017 [F] = Rs 2,40,00,000			
Credit attributable towards exempt supplies D1=[E/F] x C2	7,200	7,200	31,500
Credit attributable for supplies made for non business purpose as per Rule 42(1) [D2=5% xC2]	1,440	1,440	6,300
Total inadmissible common credit as per Rule 42(1) [D1+D2]	8,640	8,640	37,800

Sec 17 – Pro rata credit in case of PERSONAL USE OR EXEMPTED SUPPLY
Rule 43 – Manner of determination of ITC in respect of CAPITAL GOODS and reversal thereof in certain cases

Machinery		For computation of Common Credit	Ineligible Credit	Amount Credited to E – Credit Ledger
A	Exclusively Non – Business Use / Exempt Supply / Blocked Credits	---	xxx	---
B	Exclusively for Taxable Supply [including Zero – rated supply]	---	---	xxx
C	Partly for Taxable Supply [including ZRS] ; Partly Business Partly for Exempt Supply ; Partly Non – Business	xxx	---	xxx
D	Earlier, purchased for only Exempt Supply ∴ earlier credit not availed → <u>Now, use for Taxable and Exempt Supply</u> ITC to be availed = ITC on purchase – 5% for every quarter or part thereof	xxx	---	xxx
E	Earlier, purchased for only Taxable Supply ∴ earlier entire ITC availed → <u>Now, use for Taxable and Exempt Supply</u> ITC for common credit = ITC on purchase – 5% for every quarter or part thereof	xxx	---	---

Amount Credited to E – Credit Ledger → ITC allowed

For computation of Common Credit → Total Common Credit [X]

Common Credit for the tax period [Y] = X / 60

Common Credit attributable to exempt supply = Y x E/F → To be reversed

E = Exempt Turnover (excluding Excise duty / VAT / CST)
F = Total Turnover (excluding Excise duty / VAT / CST)

RTP – Nov 2018

Question - - -

Oberoi Industries is a manufacturing company registered under GST. It manufactures two taxable products 'X' and 'Y' and one exempt product 'Z'. The turnover of 'X', 'Y' and 'Z' in the month of April, 20XX was Rs 2,00,000, Rs 10,00,000 and Rs 12,00,000. Oberoi Industries is in possession of certain machines and purchases more of them. Useful life of all the machines is considered as 5 years.

From the following particulars furnished by it, compute the amount to be credited to the electronic credit ledger of Oberoi Industries and amount of common credit attributable towards exempted supplies, if any, for the month of April, 20XX.

Particulars	GST paid (Rs)
Machine 'A' purchased on 01.04.20XX for being exclusively used for non-business purposes	19,200
Machine 'B' purchased on 01.04.20XX for being exclusively used in manufacturing zero- rated supplies	38,400
Machine 'C' purchased on 01.04.20XX for being used in manufacturing all the three products – X, Y and Z	96,000
Machine 'D' purchased on April 1, 2 years before 01.04.20XX for being exclusively used in manufacturing product Z. From 01.04.20XX, such machine will also be used for manufacturing products X and Y.	1,92,000
Machine 'E' purchased on April 1, 3 years before 01.04.20XX for being exclusively used in manufacturing products X and Y. From 01.04.20XX, such machine will also be used for manufacturing product Z.	2,88,000

Solution - - -

'Computation is as follows ::

Particulars		For computation of Common Credit	Ineligible credit (Rs)	Amount to be credited to ECrL (Rs)
Machine 'A'	[Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]	-	19,200	-
Machine 'B'	[For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC is available]	-	-	38,400
Machine 'C'	[Commonly used for taxable and exempt supplies – Rule 43(1)(c) of the CGST Rules, 2017]	96,000	-	96,000
Machine 'D'	[Owing to change in use from exclusively exempt to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(c) of CGST Rules, 2017]	1,15,200	-	1,15,200

	= Rs 1,92,000 – Rs 76,800 (Rs 1,92,000 × 5% × 8 quarters)			
Machine 'E'	[Owing to change in use from exclusively taxable to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(d) of CGST Rules, 2017] = Rs 2,88,000 – Rs 1,72,800 (Rs 2,88,000 × 5% × 12 quarters)	1,15,200	-	-
	Total common credit	3,26,400	-	-

Total common credit	3,26,400
Common credit for the tax period (in the given case, a month) under rule 43(1)(e) of CGST Rules, 2017 = Rs 3,26,400÷ 60	5,440
Common credit attributable to exempt supplies in April, 20XX under rule 43(1)(g) of the CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover) × Common credit = (12,00,000/24,00,000) × Rs 5,440 [Such credit, along with the applicable interest, shall be added to the output tax liability of Oberoi Industries]	2,720
Amount to be credited to the electronic credit ledger of Oberoi Industries for the month of April, 20XX	2,49,600

RTP – May 2019

Question - - -

XYZ Pvt. Ltd. is a manufacturing company registered under GST in the State of Uttar Pradesh. It manufactures two taxable products 'Alpha' and 'Beta' and one exempt product 'Gama'. On 1st October 20XX, while product 'Beta' got exempted through an exemption notification, exemption available on 'Gama' got withdrawn on the same date. The turnover (exclusive of taxes) of 'Alpha', 'Beta' and 'Gama' in the month of October, 20XX was Rs 9,00,000, Rs 10,00,000 and Rs 6,00,000.

XYZ Pvt. Ltd. has furnished the following details

S. No.	Particulars	Price (Rs)	GST (Rs)
(a)	Machinery 'U' purchased on 01.10.20XX for being used in manufacturing all the three products	2,00,000	36,000
(b)	Machinery 'V' purchased on 01.10.20XX for being used in manufacturing product 'Alpha' and 'Gama'	1,00,000	18,000
(c)	Machinery 'W' purchased on 01.10.20XX for being exclusively used in manufacturing product 'Beta'	3,00,000	54,000
(d)	Machinery 'X' purchased on October 1, three years before 01.10.20XX for being exclusively used in manufacturing product 'Gama'. From 01.10.20XX, such machinery will also be used for manufacturing product 'Beta'.	5,00,000	90,000
(e)	Machinery 'Y' purchased on October 1, four years before 01.10.20XX for being exclusively used in manufacturing product 'Beta'. From 01.10.20XX, such machinery will also be used for manufacturing product 'Gama'.	4,00,000	72,000

(f)	Machinery 'Z' purchased on October 1, two years before 01.10.20XX for being used in manufacturing all the three products	3,00,000	54,000
(g)	Raw Material used for manufacturing 'Alpha' purchased on 05.10.20XX	1,50,000	27,000
(h)	Raw Material used for manufacturing 'Beta' purchased on 10.10.20XX	2,00,000	36,000
(i)	Raw Material used for manufacturing 'Gama' purchased on 15.10.20XX	1,00,000	18,000

Compute the following for the month of October, 20XX:
(i) Amount of input tax credit (ITC) credited to Electronic Credit Ledger
(ii) Amount of common credit
(iii) Common credit attributable to exempt supplies
(iv) GST liability of the company payable through Electronic Cash Ledger
Note: Assume that all the procurements made by the company are from States other than Uttar Pradesh. Similarly, the company sells all its products in States other than Uttar Pradesh. Rate of IGST is 18%. All the conditions necessary for availing the ITC have been complied with. Ignore interest, if any and make suitable assumptions wherever required.

Solution - - -

'Computation is as follows ::

S. No.	Particulars	ITC (Rs)
	Computation of amount of ITC credited to Electronic Credit Ledger, for the month of October, 20XX	
(a)	**Machinery 'U'** ☛ *Used commonly for effecting taxable supplies and exempt supplies - credited to the electronic credit ledger*	**36,000**
(b)	**Machinery 'V'** ☛ *Used exclusively for effecting taxable supplies + zero rated supplies - credited to the electronic credit ledger*	**18,000**
(c)	**Machinery 'W'** ☛ *Used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger*	**-**
(d)	**Machinery 'X'** ☛ *Earlier only for exempted product – Now put in to common use – credit will be arrived at by reducing the ITC at the rate of 5% for every quarter or part thereof* ☛ *Thus, credit shall be computed as under-* *= Rs 90,000 – Rs 54,000 (Rs 90,000 × 5% × 12 quarters)* *= Rs 36,000*	**36,000**
(e)	**Machinery 'Y'** ☛ *Machinery 'Y' is being used for effecting both taxable and exempt supplies from 01.10.20XX. Prior to that it was exclusively used for effecting taxable supplies.* ☛ *Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.* ☛ *However, for computation of common credit – Rs 72,000 – 5% per quarter × 16 quarters = Rs 72,000 – 80% = Rs 14,400*	**-**
(f)	**Machinery 'Z'** ☛ *Machinery 'Z' is being used for effecting both taxable and exempt supplies from October 1, two years prior to 01.10.20XX.* ☛ *Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.* ☛ *However, for computation of common credit – Rs 54,000*	**-**

(g)	Raw Material used for manufacturing 'Alpha' ☛ *Product taxable, ∴ credit allowed*	27,000
(h)	Raw Material used for manufacturing 'Beta' ☛ *Product not taxable, ∴ credit not allowed*	-
(i)	Raw Material used for manufacturing 'Gama' ☛ *Product taxable, ∴ credit allowed*	18,000
ITC credited to Electronic Credit Ledger, for the month of October, 20XX		1,35,000

(ii) Computation of common credit for the month of October, 20XX		
(a)	Machinery 'Z'	54,000
(b)	Machinery 'U'	36,000
(c)	Machinery 'X'	36,000
(d)	Machinery 'Y'	14,400
Total common credit for the month of October, 20XX		1,40,400

(iii) Computation of common credit attributable to exempt supplies, for the month of October, 20XX		
(b)	Common credit for 1 month (Tr) ☛ *1,40,400 ÷ 60*	2,340
(c)	Common credit attributable to exempt supplies, for the month of October 20XX = Tr x $\frac{\text{Turnover of exempt supplies during October 20XX}}{\text{Total turnover of XYZ Pvt. Ltd. during October 20XX}}$ = 2,340 x (10,00,000 ÷ 25,00,000)	936

(iv) Computation of GST liability of the company for October 20XX payable through Electronic Cash Ledger	
IGST payable on 'Alpha' [Rs 9,00,000 x 18%]	1,62,000
IGST payable on 'Beta' [Exempt]	Nil
IGST payable on 'Gama' [Rs 6,00,000 x 18%]	1,08,000
Total IGST payable on outward supply	2,70,000
Common credit attributable to exempt supplies for the month of October, 20XX	936
Total output tax liability of October, 20XX	2,70,936
Less: ITC available in the Electronic Credit Ledger	1,35,000
IGST payable from Electronic Cash Ledger	1,35,936

Note ::

- *In the above solution, common credit of capital goods whose remaining useful life is less than 5 years has also been divided by 60 to compute the Tm on the basis of strict interpretation of rule 43(1)(e).*
- *Owing to such an interpretation, the time period for reversal of credit increases and the amount of reversal every month decreases.*
- *However, an alternative view can be to compute Tm by dividing the common credit pertaining to capital goods whose remaining useful life is less than 5 years with the number of months in their remaining useful life.*
- *If such view is adopted, the time period for reversal of credit will decrease and the amount of reversal to be made every month will increase.*

Question - - -

M Ltd, a registered supplier, supplies taxable as well as exempted goods. Turnover of M Ltd during the month of August, 2019 is as under

Particulars	Rs
Value of taxable supply of goods	12,00,000
Value of Zero – rated taxable supply of goods	5,50,000
Value of exempted supply of goods	5,00,000
Value of out of Scope Supply (Transaction in Security)	50,000
Total	23,00,000

Details of Input tax credit paid on Capital Goods for the month of August, 2019 are as under:

Particulars	CGST @ 9%	SGST @ 9%	Total
Credit on capital goods exclusively used for supplying exempted goods	10,800	10,800	21,600
Credit on capital goods exclusively used for supplying taxable goods (including zero rated supplies)	45,000	45,000	90,000
Credit on capital goods exclusively used for supplying services for non – business use	11,700	11,700	23,400

During Aug, 2019, following capital goods were used for both supply of taxable as well as exempt goods :

Capital Goods	Value of inward supplies (exclusive of CGST and SGST)	CGST @ 9%	SGST @ 9%	Date of inward supplies
A	5,60,000	50,400	50,400	12-01-2019
B	2,56,000	23,040	23,040	21-04-2019
C	4,56,000	41,040	41,040	25-08-2019

Determine the credit on capital goods attributable for tax period of August, 2019

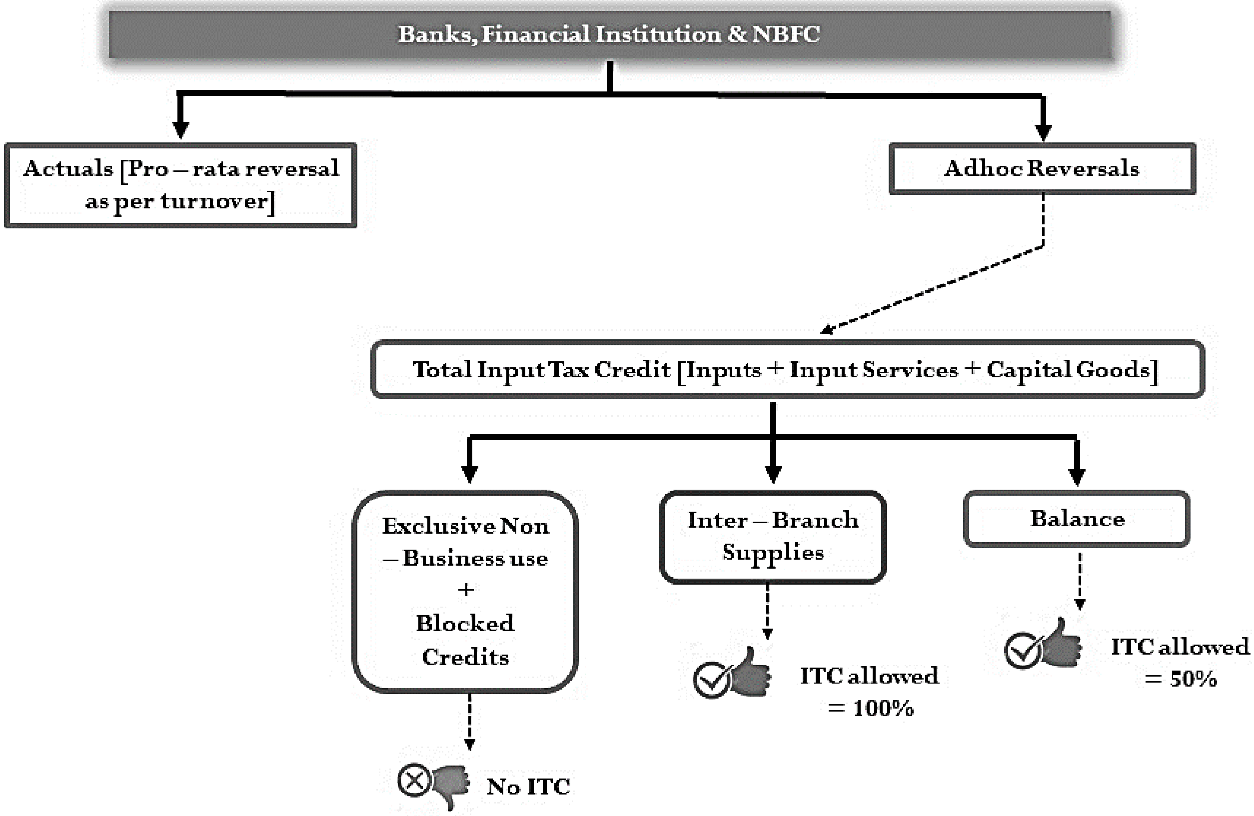
Solution - - -

1. Exclusive CG			
(a) Exclusively used for non-business purposes	23,400 (11,700 + 11,700)	ITC not Admissible	-
(b) Exclusively used for making exempt supply	21,600 (10,800 + 10,800)	ITC not admissible	-
(c) Exclusively used for taxable supply (including 0 - rating)	90,000 (45,000 + 45,000)	ITC Admissible	Credit to E-credit ledger
2. Common CG			
(a) Common Credit arising in tax period (out of New acquisitions for the tax period, Aug 2019)	82,080 (41,040 + 41,040)	ITC Admissible	Credit to E-credit ledger
(b) Attribution of Common Credit towards exempt Supply made in Aug, 2019	912 (456 + 456)	ITC Reversals	Add to output tax

			liability

		CGST	SGST
Total Common Credit attributable to the tax period, Aug 2019 (Credit of C / 60)	**Tm**	684 (41,040/ 60)	684 (41,040 / 60)
Common Credit attributable to other CG whose useful life remains during the tax period, Aug 2018 **(Credit of A / 60)** **(Credit of B / 60)**	 **Tm** **Tm**	 840 (50,400 / 60) 384 (23,040 / 60)	 840 (50,400 / 60) 384 (23,040 / 60)
Total Common ITC attributable to the tax period, of all capital goods whose useful life is remaining during the tax period, Aug 2018	**Tr = Σ (Tm)**	1,908	1,908
Total Common ITC attributable towards exempt supplies during the tax period, Aug 2018 **• TO of Exempted Supplies = 5,50,000** **• Total TO= (5,50,000 + 17,50,000)= 23,00,000**	**Te = Tr * [Ex TO / Total TO]**	456	456

BANKS, FI & NBFC - TWO OPTIONS [17(4)]



ICMAI - Study Module

Question - - -

OK Bank has availed credit of Rs 25,00,000 lacs in the month of October 2019. Total credit, out of which Rs 5,00,000 pertains to non-business purpose and Rs 7,00,000 pertains to services received from distinct establishment. Find the total input tax credit eligible to OK Bank.

Note: OK Bank opted to avail ITC an amount equal to 50% of eligible credit.

Solution - - -

Statement showing eligible ITC to OK Bank for the month of October 2019:

Particulars	ITC Amount in Rs	Remarks
ITC attributable to non-business purpose	Nil	ITC fully not allowed
ITC from its other establishment	7,00,000	ITC fully allowed.
Other ITC	6,50,000	(25,00,000 – 5,00,000 – 7,00,000) x 50%
Total ITC allowed	13,50,000	

Question - - -

Yes Bank, having a branch in Jaipur engaged in supply of services by way of accepting deposits and extending loans opted for the option to avail credit of 50% of input tax of the month to which input tax relates under Section 17(4). Its head office is in Mumbai and branch in Ahmedabad. Input tax Credit (CGST & SGST) available for the month August, 2019 is Rs. 90,000 which includes :

Total Input tax Credit includes credit relating to -

Particulars	Total GST
Services availed from its distinct establishment i.e., from Mumbai Head office	18,000
Outdoor catering services received for its employees	14,400
Goods that has obsolete and whose value has been written off in books	2,500
Auditing Services	22,500
Goods which are used for personal use of employees	6,500

Determine the amount of input tax credit of August, 2019 that can be availed by Yes bank.

Solution - - -

Statement showing eligible ITC for the month of August 2019:

Particulars	ITC Amount in Rs	Remarks
Total Input tax credit available	90,000	
Exclusive Non – business & Blocked credit • Outdoor catering services received for its employees • Goods that has obsolete and whose value has been written off in books • Goods received which are used for personal use	 14,400 2,500 6,500	ITC not allowed at all
ITC from its other establishment i.e from Mumbai Branch	18,000	ITC fully allowed [50% restriction not applicable]
Balance eligible ITC [90,000 – (14,400 + 2,500 + 6,500) – 18,000]	48,600	
ITC eligible = • Balance eligible ITC • ITC from its other establishment i.e from Mumbai Branch	 24,300 18,000	 50% of Eligible ITC shall be availed Fully allowed
Total	42,300	

Composition Scheme, New Registration & Transfer of Business

Section 18 provides for -
(1) Entitlement of ITC on inputs in stock and contained in finished goods or work - in - progress and capital goods (i) at the time of registration/voluntary registration, (ii) on coming into regular tax-paying status by exiting composition levy, (iii) on coming into tax-paying status on account of exempt supply becoming taxable supply (2) Reversal of ITC on inputs in stock and contained in finished goods or work - in - progress and capital goods a) at the time of exit from regular tax-paying status by opting for composition levy, b) at the time of exit from tax-paying status on account of taxable supply becoming exempt supply (3) Amount payable on supply of capital goods or plant and machinery on which ITC has been taken (4) Transfer of ITC on account of change in constitution of the registered person

Entitlement of ITC at the time of registration/voluntary registration or switching to regular tax paying status or coming into tax-paying status [Sec 18(1) and Sec 18(2) r.w Rule 40 of CGST Rules]

The credit on inputs held in stock and contained in semi-finished goods or finished goods held in stock and capital goods at the time of registration/voluntary registration or coming into regular tax/tax-paying status will be available in the following manner:

S. No.	Persons eligible to take credit	Goods entitled to ITC		Restriction / Conditions
		Inputs held in stock / capital goods	As on	
1.	Person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration	• Inputs held in stock and • Inputs contained in ⇒ Semi-finished or ⇒ Finished goods … held in stock	The day immediately preceding the date from which he becomes liable to pay tax	⇒ ITC to be availed within 1 year … from the date of the issue of the tax invoice by the supplier.
2.	Person who is not required to register, but obtains voluntary registration	• Inputs held in stock and • Inputs contained in ⇒ Semi-finished or ⇒ Finished goods … held in stock	The day immediately preceding the date of registration	

3.	**Registered person who ceases to pay Composition tax and switches to regular scheme**	• **Inputs held in stock and** • **Inputs contained in** ⇒ **Semi-finished or** ⇒ **Finished goods** **… held in stock** **And** • **CAPITAL GOODS**	**The day immediately preceding the date from which he becomes liable to pay tax under regular scheme**	⇒ **ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice.** ⇒ **ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier.** ⇒ **ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.**
4.	**<u>Registered person</u> whose exempt supplies become taxable supplies**	• **Inputs held in stock and** • **Inputs contained in** ⇒ **Semi-finished or** ⇒ **Finished goods** **… held in stock relatable to such exempt supply** **And** • **CAPITAL GOODS exclusively used for such EXEMPT supply**	**The day immediately preceding the date from which such supply becomes taxable**	

⇒ **Declaration in FORM GST ITC 1 must be filed within 30 days from the date of becoming eligible to input tax credit.**
⇒ **Rule 40 of CGST Rules, 2017 requires a declaration to be filed containing details of stocks and capital goods along with a certificate from a Chartered Accountant or Cost Accountant where the credit so claimed exceeds Rs.2 lakhs.**
⇒ **The supplier will not be entitled to credit of goods and/ or services or both after expiry of 1 year from date of tax invoice.**
⇒ **The credit on capital goods shall be reduced by five (5) percentage per quarter or part thereof from the date of invoice.**
⇒ **Such credits are subject to verification of details furnished by the supplier in GSTR – 1 or GSTR – 4 on the common portal.**

Entry into ITC

	Applied [within time limit] for first time registration Sec 18(1)(a)	Person obtaining Voluntary Registration Sec 18(1)(b)	Registered person who ceases to pay Composition tax and switches to regular scheme Sec 18(1)(c)	Exempt supply becoming Taxable Supply Sec 18(1)(d)
Credit of Inputs (either in Stock / WIP or FG)	ITC allowed	ITC allowed	ITC allowed	ITC allowed
Credit of Input Service	No ITC	No ITC	No ITC	No ITC
Credit of Capital Goods	No ITC	No ITC	ITC allowed Reduced by 5% per quarter or part thereof	ITC allowed Reduced by 5% per quarter or part thereof
Time Limit	Within 1 year from Date of Invoice	Within 1 year from Date of Invoice	Within 1 year from Date of Invoice	Within 1 year from Date of Invoice
Credit on day immediately preceeding	Date from which he becomes liable to pay tax	Date of registration	Date from which he becomes liable to pay tax under regular scheme	Date from which such supply becomes taxable

CA Final – Nov 2018

Question - - -

Quanto Ltd. is not required to register under CGST Act, 2017, but it wishes to obtain voluntary registration, so it applied for voluntary registration on 17th September, 2018 and registration certificate has been granted to it on 25th September, 2018. The CGST and SGST liability for the month of September, 2018 is Rs 24,000 each.

Quanto Ltd. provides the following information of inputs and capital goods held in stock on 24th September, 2018. It is not engaged in making inter-State outward taxable supplies.

Particulars	CGST	SGST	IGST
Input procured on 02-09-2018 lying in stock	4,500	4,500	-
Input received on 21-07-2018 contained in semi finished goods held in stock	7,500	7,500	-
Value of inputs contained in finished goods held in stock Rs 2,00,000 were procured on 19-09-2017	-	-	36,000
Inputs valued Rs 50,000 procured on 13-09-2018 lying in stock	-	-	9,000
Capital goods procured on 12-09-2018	12,000	12,000	-

You are required to compute the amount of tax to be paid in cash by Quanto Ltd. for the month of September, 2018. You are also required to mention reasons for treatment of all above items

Solution - - -

As per section 18(1)(b) of the CGST Act, 2017, A person who takes voluntary registration is entitled to take credit of input tax in respect of:

• inputs held in stock and
• inputs contained in semi-finished/ finished goods held in stock

on the day immediately preceding the date of grant of registration.

However, he cannot take ITC in respect of capital goods held on the day immediately preceding the date of grant of registration.

ITC on inputs needs to be availed within 1 year from the date of issue of the invoice by the supplier [Section 18(2) of the CGST Act, 2017].

In this case, since Quanto Ltd. has been granted voluntary registration on 25.09.2017, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24.09.2017. In view of the said provisions, eligible ITC for Quanto Ltd. is computed as follows:

Particulars	CGST	SGST	IGST
Input procured on 02-09-2018 lying in stock on 24th September, 2018 [Eligible]	4,500	4,500	-
Input received on 21-07-2018 contained in semi Finished goods held in stock on 24th September, 2018 [Eligible]	7,500	7,500	-
Inputs valued Rs. 2,00,000 contained in finished goods held in stock on 24th September, 2018 [Ineligible as purchase & invoice date 19-9-2017 is more than 1 year old from date of grant of registration viz. 25th Sept. 2018]	-	-	-
Input valued Rs. 50,000 procured on 13-09-2018 lying in stock [Eligible]	-	-	9,000
Capital Goods [Section 18(1)(b) does not allow credit of capital goods]	-	-	-
Total amount of CGST/SGST/IGST credit eligible on inputs	12,000	12,000	9,000
Output tax payable	24,000	24,000	
Less : IGST Credit first in any order	(4,500)	(4,500)	
Balance	19,500	19,500	

Less : CGST and SGST Credit	(12,000)	(12,000)	
Net payable in cash	7,500	7,500	0

Question - - -

ABC Traders paying tax under composition scheme crosses the threshold and becomes liable to pay tax under regular scheme on 01-04-2019. Can it avail ITC and if so calculate the amount of ITC available?
Break up of credit available with ABC Traders as on 31-03-2019:

Particulars	CGST	SGST
Inputs (invoice dated 12-03-2019) lying in stock	3,600	3,600
Capital goods procured on 25-09-2018 (invoice dated 25-09-2018)	7,200	7,200
Inputs lying in Semi - finished goods in stock (invoice dated 12-12-2018)	2,400	2,400

Solution - - -

As per Section 18(1)(c), where any registered person ceases to pay tax under Section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax u/s 9. Therefore, in given case, ABC traders shall be entitled from 01-04-2019 to avail credit available as on 31-03-2019.

As per Rule 40 of the CGST Rules, 2017 the capital goods credit is to be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.

Input tax credit available to ABC Traders in respect of inputs:

Particulars	CGST	SGST
Input lying in stock (full credit allowed)	3,600	3,600
Input lying in semi finished goods in stock (Invoice dated 12-12-2018 is within 1 year time-limit with reference to 1st April, 2019) (full credit allowed)	2,400	2,400
Capital goods credit [See Note]	6,120	6,120
Total Input tax credit available	12,120	12,120

Note: Input tax credit available to ABC Traders in respect of capital goods:

Particulars	CGST	SGST
Date of invoice of capital goods	25-09-2018	25-09-2018
Date from which ABC traders are liable to pay tax u/s 9	01-04-2019	01-04-2019
No. of quarters from date of invoice [July-Sep, Oct-Dec & Jan-March]	3	3
GST paid on capital goods procured on 25-09-2018	7,200	7,200
ITC to be reduced by 5% × 3 quarters = 15% of GST	1,080	1,080
Credit (CGST and SGST) available on capital goods	6,120	6,120

CA Final – Nov 2018

Question - - -

M/s XYZ a registered dealer engaged in supplying exempted goods to its customers. On 17-06-2019, exemption notification was rescinded and goods were liable for tax. M/s XYZ has to make e-payment of tax on the due date i.e on 20-07-2019.
Determine the eligible credit for the month of June, 2019 if the following information is provided:

Particulars	Value	CGST	SGST	IGST
Value of inputs lying in stock as on 16-06-2019. All inputs were procured after 01-03-2019	1,00,000	-	-	12,000

Value of inputs contained in semi – finished goods lying in stock as on 16-06-2019 but only inputs valuing Rs 85,000 in semi – finished goods were procured on or after 17-06-2018	1,35,000	8,100	8,100	-
Inputs received on 31-01-2019 lying in finished goods in stock on 16-06-2019	1,55,000	9,300	9,300	-
Capital goods procured in 10-12-2018 which was exclusively used in supplying exempted goods	8,00,000	-	-	96,000

Solution - - -

As per Section 18(1)(d), where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

As per Rule 40(1)(a) of CGST Rules, 2017, the input tax credit on capital goods, shall be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.

Computation of Input tax credit relating to CGST/SGST/IGST available to M/s. XYZ in respect of inputs and capital goods will be as follows:

Particulars	CGST	SGST	IGST	Total Credit
ITC on the value of inputs lying in stock *[Since all inputs were acquired within 1 year prior to the effective date on which the goods become taxable, hence entire ITC would be allowed.]*	-	-	12,000	12,000
Input tax credit on the value of input contained in semi finished goods *[only inputs purchased within 1 year before 17-06-2019 are eligible; hence, only credit of inputs valuing 85,000 is allowed]* Credit = 8,100 × 85,000 ÷ 1,35,000 = 5,100	5,100	5,100	-	10,200
Input tax credit on value of inputs lying in stock of finished goods stock *[full credit allowed, as purchase was within 1 year before]*	9,300	9,300	-	18,600
Credit (IGST) available on capital goods [See Note]	-	-	81,600	81,600
Total Input tax credit available	14,400	14,400	93,600	1,22,400

Note – Credit available in respect of capital goods

Date of invoice of capital goods	10-12-2018
Date from which the exempt goods become taxable	17-06-2019
No. of quarters or part thereof [Oct-Dec 2018 + Jan-March 2019 + April-June 2019]	3
Percentage points to be reduced (5% per quarter)	15%
IGST paid on the capital goods used exclusively in relation to goods exempted up to 16-06-2019	96,000
ITC to be reduced by 15%	14,400

RTP – May 2018

Question - - -

SNP Pvt. Ltd., Coimbatore exclusively manufactures and sells product ‘Z’ which is exempt from GST vide

notifications issued under relevant GST legislations. The company sells 'Z' only within Tamil Nadu. The turnover of the company in the PY was Rs. 55 lakh. The company expects the sales to grow by 20% in the current year.

Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery for manufacturing 'Z' on 01.07.2019. The purchase price of the capital goods was Rs. 20 lakh exclusive of GST @ 18%.

However, effective from 01.11.2019, exemption available on 'Z' was withdrawn by the CG and GST @ 12% was

imposed thereon. The turnover of the company for the half year ended on 30.09.2019 was Rs. 40 lakh.

(a) The Board of Directors of SNP Pvt. Ltd. wants to know whether they have to register under GST?

(b) In case in the above question, <u>SNP Pvt. Ltd. is already registered with respect to certain taxable supplies being made by it along with manufacture of exempt product 'Z'</u>, other facts remaining the same, can it take input tax credit on additional machinery purchased exclusively for manufacturing 'Z'? If yes, then how much credit can be availed?

Advice SNP Pvt. Ltd. on the above issues with reference to the provisions of GST law.

<u>Solution - - -</u>

- **Applicable registration limit = Rs 40 lakhs**
- **Therefore, turnover of 'Z' will be considered for determining the limit of Rs. 40 lakh even though the same was exempt from GST.**
- **Therefore, the company needs to register within 30 days from 01.11.2019 (the date on which it becomes liable to registration).**
- **Further, the company cannot avail exemption of Rs. 40 lakh from 01.11.2019 as the GST law does not provide any threshold exemption from payment of tax but threshold exemption from obtaining registration (which in this case had been crossed)**

<u>ITC Eligibility -</u>

- **Rule 43(1)(a) of the CGST Rules, 2017 disallows input tax credit on capital goods used or intended to be used exclusively for effecting exempt supplies.**
- **However, as per section 18(1)(d) of the CGST Act, 2017, where an exempt supply of goods and/or services by a registered person becomes a taxable supply, such person gets entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.**
- **Rule 40(1)(a) of the CGST Rules, 2017 lays down that the credit on capital goods can be claimed after reducing the tax paid on such capital goods by 5% per quarter of a year or part thereof from the date of the invoice.**
- **Therefore, in the given case, SNP Pvt. Ltd. could not claim credit on machinery till the time the supply of product 'Z' for which said machinery was being used was exempt. However, it can claim credit from 31.10.20XX - the day immediately preceding the date from which the supply of product 'Z' became taxable (01.11.20XX).**
- **The credit will be available for the remaining useful life of the machinery and will be computed as follows**

Date of purchase of machinery	01.07.20XX
Date on which credit becomes eligible	31.10.20XX
Number of quarters for which credit is to be reduced	2 (including part of quarter)
GST paid on machinery [Rs 20,00,000 x 18%]	Rs 3,60,000
Credit to be reduced [Rs 3,60,000 x 5% x 2]	Rs 36,000
Amount of credit that can be taken [Rs 3,60,000 – Rs 36,000]	Rs 3,18,000

<u>RTP – Nov 2019</u>

Question - - -

LMN Pvt. Ltd., Coimbatore exclusively manufactures and sells product 'X' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'X' only within Tamil Nadu. The turnover of the company in the previous year was Rs 45 lakh. The company expects the sales to grow by 30% in the current year. The company purchased additional machinery for manufacturing 'X' on 01.07.20XX. The purchase price of the capital goods was Rs 30 lakh exclusive of GST @ 18%.
However, effective from 01.11.20XX, exemption available on 'X' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30.09.20XX was Rs 45 lakh.
(a) Examine the above scenario and advise LMN Pvt Ltd. whether it needs to get registered under GST.
(b) If the answer to the above question is in affirmative, advise LMN Pvt. Ltd. whether it can avail input tax credit on the additional machinery purchased exclusively for manufacturing "X"?

Solution - - -

- **Section 22(1) of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019 inter alia provides that every supplier who is engaged in intra-State exclusive supply of goods is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds Rs 40,00,000.**
- **However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.**
- **Further, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of section 23(1)(a) of CGST Act, 2017.**
- **In the given case, the turnover of the company for the half year ended on 30.09.20XX is Rs 45 lakh which is more than the applicable threshold limit of Rs 40 lakh. Therefore, as per above mentioned provisions, the company should be liable to registration. However, since LMN Pvt. Ltd. supplied exempted goods till 31.10.20XX, it was not required to be registered till that day; though voluntary registration was allowed under section 25(3) of the CGST Act, 2017.**
- **However, the position will change from 01.11.20XX as the supply of goods become taxable from that day and the turnover of company is above Rs 40 lakh. It is important to note here that in terms of section 2(6) of the CGST Act, 2017, the aggregate turnover limit of Rs 40 lakh includes exempt turnover also.**
- **Therefore, turnover of 'X' will be considered for determining the limit of Rs 40 lakh even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 01.11.20XX (the date on which it becomes liable to registration) in terms of section 25(1) of the CGST Act, 2017.**

ITC Eligibility -

- **Section 18(1)(a) of the CGST Act, 2017 provides that a person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act.**
- **Thus, LMN Pvt. Ltd. cannot avail credit for additional machinery purchased exclusively for manufacturing X as input tax credit of only inputs is allowed when a person gets registered for the first time.**

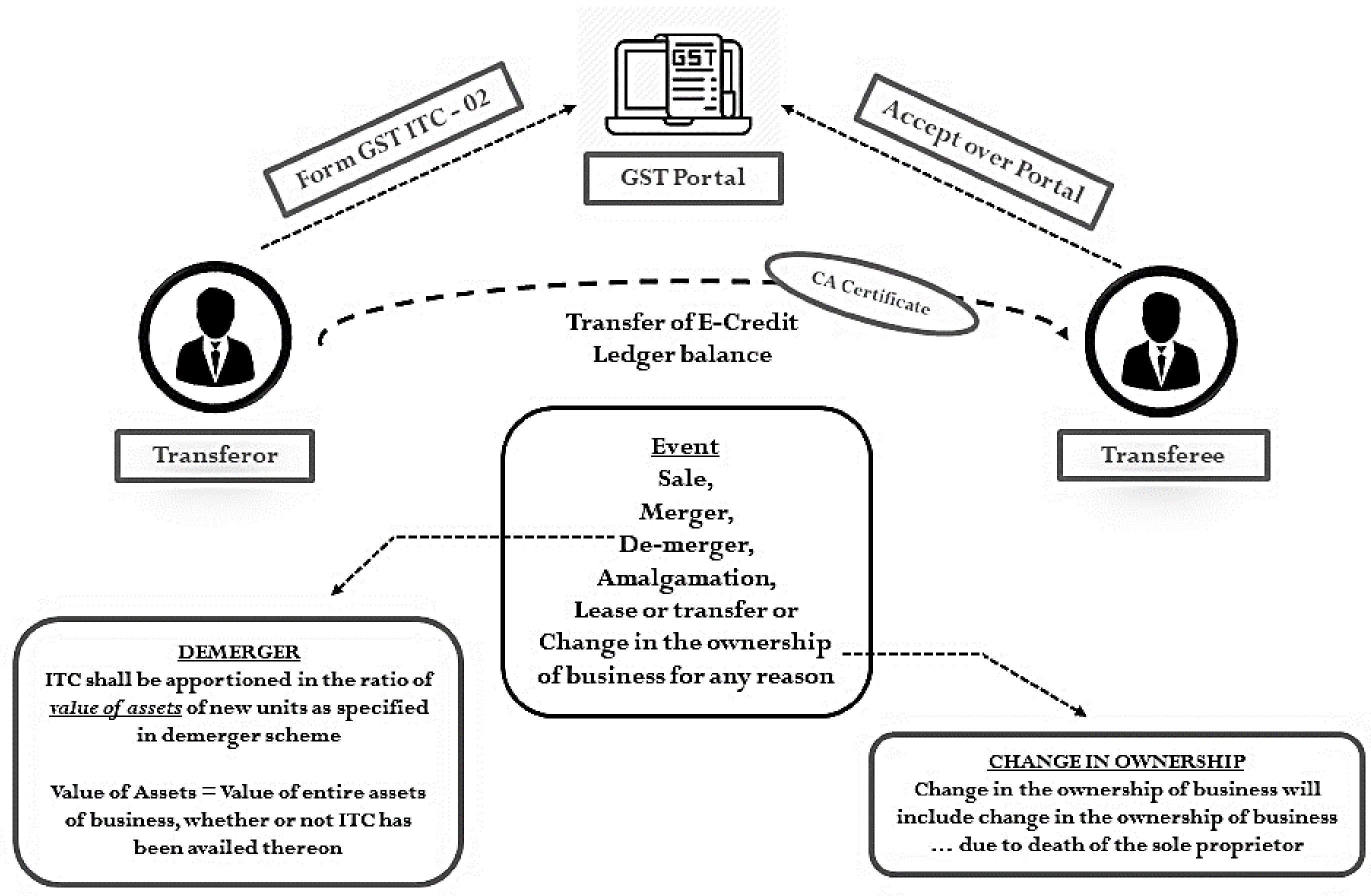
Note the microscopic difference between earlier question and this question

➔ **If a supplier of taxable as well as exempted product is already registered (due to supply of other taxable products) - - - Exemption notification gets withdrawn - - - REGISTERED PERSON becomes eligible for claiming ITC as per Sec 18(1)(d)**

➔ **Unregistered supplier (supplying only exempted products) - - - Exemption notification get withdrawn - - - Unregistered person becomes eligible for claiming ITC as per Sec 18(1)(a) [Sec 18(1)(d) applies only to REGISTERED PERSON]**

Sec 18(3) = Transfer of credit in case of change in Constitution, Amalgamation, etc.

- **Where there is a change in the constitution of a registered person**
- **on account of sale, merger, demerger, amalgamation, lease or transfer of the business WITH THE SPECIFIC PROVISIONS FOR TRANSFER OF LIABILITIES,**
- **the said registered person shall be allowed to transfer the ITC which remains unutilized in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business**
- **in such manner as may be prescribed.**



Question - - - R Ltd, a registered manufacturer, demerged its entity into RX Cement Ltd and RY Steel Ltd. The total value of assets of R Ltd is Rs 25,00,000 and unutilized ITC on account of CGST, SGST and IGST amounted to Rs 60,000, Rs 45,000 and Rs 84,600 respectively. The value of assets of RX Cement Ltd and RY Steel Ltd is Rs 12,00,000 and Rs 13,00,000 respectively obtained as per the scheme. Discuss the eligibility of credit transferred to new units on account of Demerger.
Solution - - - • RX Cement Ltd :: CGST – Rs 28,800; SGST – Rs 21,600; IGST – Rs 40,608 • RY Cement Ltd :: CGST – Rs 31,200; SGST – Rs 23,400; IGST – Rs 43,992

Transfer of credit on obtaining separate registrations for multiple places of business within a State / Union territory [New rule 41A inserted in the CGST Rules]

[Notification No. 03/2019 CT dated 29.01.2019]

- Consequent to the introduction of enabling provisions for obtaining separate registrations for multiple places of business in a State/ Union territory, a new rule 41A has been inserted in the CGST Rules to prescribe provisions for transfer of ITC in such situations. The rule has become effective from 01.02.2019.
- The new rule lays down that a registered person (transferor) who has obtained separate registration for multiple places of business and who intends to transfer, either wholly or partly, the unutilised ITC lying in his electronic credit ledger to any or all of the newly registered place of business, should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations.

Rule	Rule 41-A
Applicable for	A registered person who has obtained separate registration for multiple places of business in accordance with the provisions of rule 11 and … who intends to transfer, either wholly or partly, the unutilized input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business
Furnish	- FORM GST ITC-02A
Time limit	- within a period of 30 days from obtaining such separate registrations
Ratio of transfer	Transfer of ITC in ratio of value of assets held by them at time of registration Value of entire assets of the business to be used, even if no ITC has been availed thereon
Acceptance by transferee and credit to his account	The newly registered person (transferee) shall accept the details so furnished by transferor [on common portal] … and, upon such acceptance, the unutilized input tax credit specified in FORM GST ITC-02A shall be credited to his electronic credit ledger.
Example	For example *A taxable person has registration at Delhi – Krishna Nagar (for entire Delhi). Now, he wants to take separate registration for Laxmi Nagar premise. His credit at Delhi-Krishna Nagar will be apportioned between Krishna Nagar (Delhi) and Laxmi Nagar (Delhi) in ratio of value of assets held by Krishna Nagar (Delhi) and Laxmi Nagar (Delhi) at time of registration at Laxmi Nagar (Delhi) and so on.*

Section 18(4) – Exit from ITC	
Event	⇒ **When any registered person opts for Composite Tax u/s 10, or,** ⇒ **Where his supplies become Exempt [earlier taxable]**
Pay an amount	⇒ **Equivalent to ITC i.r.o** **(1) INPUTS held in stock, and** **(2) INPUTS contained in WIP or FG held in stock and** **(3) on CAPITAL GOODS (reduced ITC),** Illustration: • 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 • Input tax credit taken on such capital goods = C. • Input tax credit attributable to remaining useful life = C multiplied by 5/60
Pay by	⇒ **Debit in the E-Credit ledger or E-Cash ledger** *[After payment of such amount, balance of ITC, if any, lying in his E-Credit ledger shall lapse]*
ITC on which date	⇒ **Day immediately preceding date of exercising of option to pay tax under Composition scheme or date of exemption**
Furnishing details	⇒ **Details of the amount shall be furnished in -** ⇒ **FORM GST ITC - 03, for person opting for Composition Scheme and** ⇒ **FORM GSTR – 10, for cancellation of registration**
CA Certificate	⇒ **It should be duty certified by Practicing Chartered Accountant or Cost Accountant**

<u>Question - - -</u>

PQR Ltd, a registered person supplying taxable goods in Jaipur has opted to pay tax on composition scheme under section 10 with effect from 1-4-2019. It provides following information relating to balance of ITC lying as on 31-03-2019.

a) Inputs lying in stock as such valued at Rs. 1,68,000 (inclusive of CGST and SGST @ 12%).
b) Inputs contained in finished goods where tax invoice is not available relating to such inputs but it is known that market price of such inputs (inclusive of CGST and SGST @ 12%) on 1-4-2019 is Rs 89,600.
c) The credit on capital goods lying in stock is Rs 72,000 (total). These goods were purchased on 25-11-2018.
d) The balance in Electronic Credit Ledger is Rs. 1,10,000 (total).

Determine whether PQR Ltd is eligible for ITC on 27-02-2019.

<u>Solution - - -</u>

ITC balance in electronic credit ledger	=	Rs 1,10,000
Amount payable by Royal Ltd.	=	(Rs 93,600)
Excess ITC	=	Rs 16,400

Excess ITC in electronic credit ledger of Rs 16,400 shall lapse.

ICMAI – June 2019

Question - - -

The goods manufactured by Royal Ltd. have been exempted from GST with effect from 15th November 2018. Earlier these goods were liable to tax @18%. Its inputs were liable to GST @12%. Following information is supplied on 15th November 2018:

(i) The inputs costing Rs 1,44,720 are lying in stock.
(ii) The inputs costing Rs 77,184 are in process.
(iii) The finished goods valuing Rs 4,82,400 are in stock, the input cost is 50% of the value.
(iv) The balance in electronic credit ledger account shows credit balance of Rs 2,79,104.
(v) Royal Ltd. also purchased capital goods for Rs 2,00,000 by paying GST 28% (invoice dated 10th July 2018).

The department has asked Royal Ltd. to reverse the credit taken on inputs referred above. However, Royal Ltd. contends that credit once validly taken is indefeasible and not required to be reversed. Decide.

What would be your answer if the balance in electronic credit ledger receivable account as on 15th November 2018 were Rs 29,104?

Solution - - -

As per Section 18(4), where any registered person who has availed input tax credit and the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods taking useful life of capital goods 5 years, on the day immediately preceding the date of such exemption. The balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

Accordingly, Royal Ltd. will have to pay an amount computed as follows:

Sl. No.	Particulars	Amount to be paid (Rs)	Workings
(i)	Inputs lying in stock	17,366.40	Rs 1,44,720 x 12/100 = Rs 17,366
(ii)	Inputs in process (i.e. Work in Progress)	9,262.08	Rs 77,184 x 12/100 = Rs 9,262
(iii)	Inputs contained in finished goods lying in stock	28,944.00	Rs 4,82,400 x 50% x 12/100 = Rs 28,944
(iv)	Capital goods	51,333.33	Useful life as per rule 44(1)(b) = 5 years (i.e. 60 months). No. of months capital goods have been in use = 4 months 5 days (i.e. 5 months) The useful remaining life in months = 55 months 2,00,000 x28%x 55/60 = Rs 51,333
	Amount to be paid by Royal Ltd. = Rs 1,06,906.00 (Rounded off)		

ITC balance in electronic credit ledger	=	Rs 2,79,104
Amount payable by Royal Ltd.	=	(Rs 1,06,906)
Excess ITC	=	Rs 1,72,198

Excess ITC in electronic credit ledger of Rs 1,72,198 shall lapse as on15th November 2018.

If the balance in electronic credit ledger as on 15th November 2018 is Rs 29,104, then amount payable is as follows:

Amount payable by Royal Ltd. = Rs 1,06,906
Less: ITC balance in electronic credit ledger = Rs (29,104)
Amount payable = Rs 77,802

Section 18(6) – Removal of Capital Goods	
1. Supply of capital goods or P&M, on which ITC has been taken	**Higher of :** **a) ITC taken on capital goods or P&M reduced by 5% for every quarter or part thereof from date of invoice or** **b) Tax on the transaction value determined u/s 15**
2. If refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap	**⇒ Pay tax on transaction value determined under section 15**

CA Final – Nov 2018

Question - - -

On 25th August, 2017, M/s Agarwal & Agarwal Ltd., a registered supplier of textile products located in Bengaluru (Karnataka) purchased one machine for Rs 12,39,000 including IGST, from one supplier of Maharashtra who issued invoice on the same date. M/s Agarwal & Agarwal Ltd. put the machinery to use on the same day and availed input tax credit for the eligible amount.

M/s Agarwal & Agarwal Ltd. sold this machine after using the machine in the process of manufacture of taxable goods for Rs 7,50,000 excluding lGST, to Mr. Suresh Kumar of Andhra Pradesh on 20th August 2018.

During purchase as well as sale of the machinery, the lGST rate applicable was 18%.

Is M/s Agarwal & Agarwal Ltd., required to pay GST? If yes, calculate the amount of tax payable under GST Laws at the time of sale of the machine. Also briefly state the relevant statutory provisions.

Note: Assume that there was no change in legal position after August, 2017.

Solution - - -

As per section 18 of the CGST Act, 2017, if capital goods/ plant and machinery on which input tax credit (ITC) has been taken are supplied outward by a registered person, he must pay an amount that is higher of the following:

(a) ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or

(b) tax on transaction value.

Accordingly, the amount payable on supply of machinery by M/s Agarwal & Agarwal Ltd. shall be computed as follows:

Particulars	Rs
ITC taken on the machinery (Rs 12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine (i) For the year 2017-18 = (Rs 1,89,000 × 5%) × 3 quarters (ii) For the year 2018-19 = (Rs 1,89,000 × 5%) × 2 quarters	 28,350 18,900
Amount required to be paid (A) **	1,41,750
Duty leviable on transaction value (Rs 7,50,000 × 18%) (B)	1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,41,750
Thus, M/s Agarwal & Agarwal Ltd. is required to pay GST amounting to Rs 1,41,750 at the time of sale of machinery.	

** In the above solution, amount payable towards disposal of machine has been computed on the basis of provisions of section 18(6) of the CGST Act, 2017 read with rule 40(2) of the CGST Rules, 2017 [wherein ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice].

However, the said amount can also be computed in accordance with the provisions of section 18(6) of the CGST Act, 2017 read with rule 44(6) of the CGST Rules, 2017 [wherein ITC involved in the remaining useful life (in months) of the capital goods/machine will be reversed on pro-rata basis, taking the useful life as 5 years].

CA Inter – May 2018

Question - - -

Bharat Associates Pvt. Ltd. purchased machinery worth Rs 9,00,000 (excluding GST) on 20-07-2017 on which it paid GST @ 18% and availed the ITC. On 05-03-2018, it sold the machinery for Rs 7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017 ?

Solution - - -

Particulars	Rs
ITC taken on the machinery (Rs 9,00,000 × 18%)	1,62,000
Less: ITC pertaining to the period of usage of the capital goods = (Rs 1,62,000 × 5%) × 3 quarters	24,300
Amount of reduced ITC based on percentage points (A) **	1,37,700
Duty leviable on transaction value (Rs 7,00,000 × 18%) (B)	1,26,000
Amount payable towards disposal of machinery is higher of (A) and (B)	1,37,700

****Note: In the above solution, amount of ITC to be paid (amount of reduced ITC based on percentage points) has been computed on the basis of provisions of rule 40(2) of the CGST Rules, 2017 [ITC reduced by 5% for every quarter or part thereof from the date of the issue of invoice].**
However, the said amount can also be computed on the basis of provisions of rule 44(6) of the CGST Rules, 2017 [ITC of remaining useful life in months computed on pro rata basis, taking the useful life as 5 years].

Job – Work and Input Tax Credit

Job – Work [Sec 2(68)]	"Job work" means - • any treatment or process • undertaken by a person • on goods belonging to another REGISTERED person and • the expression "job worker" shall be construed accordingly; *Note: Such another registered person is called "Principal"*
Supply of Service	• As per Schedule II of the CGST Act, Job-work is deemed to be a service.
Liable for registration	• Job worker is liable to register if his aggregate turnover all over India [intra – state or inter – state] exceeds Rs 20 Lakhs / Rs 10 Lakhs
Job-worker may apply his own goods also	• Job worker may use his own goods for carrying out the job work and can claim ITC on such goods.
Job-worker need not be registered	• There is no requirement that job-worker should be a registered person.
Principal must be a registered person	• However, Principal must be a registered person. Benefits of job-work cannot be claimed while dealing with an unregistered principal.
TOS	• Job – worker will issue invoice for job – work services at time of supply u/s 13
Value of Job – work services	• The value of service is determined u/s 15 Value = Services charges + Value of any goods or services used by him for supplying the job – work services, if recovered extra from the Principal + Apportioned value of moulds and dies, jigs and fixtures or tools which have been provided by the Principal to the job worker and have been used by the job worker for providing job work services, if not already included / factored in service charges

Sec 143 r.w. Sec 19 - Job Work Procedure	
Intermediate goods	• Input includes Intermediate Goods (IG = goods arising from any treatment or process carried out on the inputs by the principal or the job worker)
Supplying Input / CG without tax	• Input or Capital goods may be sent without tax to job-worker and to another job - worker
Return or Onward supply within 1 year/3 years	The principal shall, - a) Option 1 - Return back without tax: bring back - ⇒ Inputs, after completion of job work or otherwise, within 1 year of their being sent out, ⇒ Capital goods, other than moulds and dies, jigs and fixtures, or tools, within 3 years of their being sent out, ... to any of his place of business, ... without payment of tax;

<table>
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OR
b) <u>Option 2 - Direct Supply from job-worker's premises:</u>
<u>Supply</u> such -
⇒ Inputs, after completion of job work or otherwise, within 1 year of their being sent out,
⇒ Capital goods, other than moulds and dies, jigs and fixtures, or tools, within 3 years of their being sent out,
⇒ from the place of business of a job worker –
… on payment of tax within India, or
… with or without payment of tax for export, as case may be:

⦿ <u>Direct Supply is permitted only, if job-worker is registered, or principal declares job-worker's premises as his additional place of business</u>

⦿ <u>Further, direct supply is added to supplies of Principal. Time & Place of Supply and Value to be determined from angle of Principal</u>
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<tr><td>New proviso - - - ></td><td>
• Provided further that the period of 1 year and 3 years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 1 years and 2 years respectively.
[There were cases where the period of 1 year specified was not adequate in respect of job works such as hull construction/fabrication of vessels (for defence purposes), since these processes complete in a period of around 14 to 16 months.

Accordingly, second proviso has been inserted to section 143(1) of CGST Act, to provide that the period of 1 year and 3 years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 1 year and 2 years respectively]
</td></tr>
<tr><td>Deemed supply to job-worker, if goods not returned / supplied in 1 or 3 years [Tax payable with interest]</td><td>
Where -
• Inputs sent for job work, or
• Capital goods, other than moulds and dies, jigs and fixtures, or tools, sent for job work
are not received back or are not supplied within 1 year or 3 years aforesaid, then,
⦿ it shall be deemed that such inputs/capital goods had been supplied by principal to job workers
⦿ on day when inputs/capital goods were sent out.
<hr>
• Thus, if the inputs or capital goods are neither returned nor supplied from the job worker's place of business / premises within the specified time period, the principal would issue an invoice for the same and declare such supplies in his return for that particular month in which the time period of 1 year / 3 years has expired.
• The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker and interest for the intervening period shall also be payable on the tax.
• If such goods are returned by the job worker after the stipulated time period, the same would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is liable for registration in accordance with the provisions contained in the CGST Act read with the rules made thereunder.
• Further, there is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned.
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Responsibility of accounting is on PRINCIPAL	• **Responsibility for keeping proper accounts shall lie with the PRINCIPAL.**
Direct receipt of Inputs or CG at job-worker's premises	• **Where the inputs or capital goods are sent directly to a job worker, … the period of 1 year or 3 years shall be counted from the date of receipt of inputs by the job worker.**
Direct supply of waste from job-worker's premises	• **Any waste and scrap generated during the job work may be supplied -** • **By Job worker directly from his place of business on payment of tax, if such job worker is registered, or** • **By Principal, if the job worker is not registered.**

Section 19 - Taking ITC in respect of inputs and capital goods sent for job work

- **Principal eligible for credit on Input / Capital Goods sent for job – work**
- **ITC is allowed even if the Inputs / Capital Goods are directly delivered at job-worker's premises**

Rule 45 – Challan to be issued for I / CG sent to Job - worker	
(1)	***Challan:*** **The inputs, semi-finished goods or capital goods shall be sent to the job worker UNDER THE COVER OF A CHALLAN issued by the Principal, including where such goods are sent directly to a job worker;** • **where the goods are sent from one job worker to another job worker, the challan may be issued either by the principal or the job worker sending the goods to another job worker.**
	Simplification of sending of goods on job work basis **a) The challan may be issued either by the principal or the job worker for sending goods to another job worker** **b) The challan issued by the principal may be endorsed by the job worker indicating the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.** **c) The challan endorsed by the job worker may be further endorsed by another job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.**
(2)	***Details in challan – as per Rule 55:***
(3)	***Inclusion of details in return:*** **The details of challans in respect of** • **goods dispatched to a job worker or** • **received from a job worker** **during a quarter** **shall be included in FORM GST ITC - 04** ***… on or before the 25th day of the month succeeding the said quarter or within extended period***
(4)	***Deemed supply on non - return to be shown in return in*** **FORM GSTR - 1 and Principal shall be liable to pay the tax along with applicable interest.**

ICAI – Practice Questions

Question - - -

M/s Voguish Furnitures has purchased log woods upon payment of Rs. 20,00,000 including taxes and has directed the supplier to directly send the same to Mr. Ramlal for sawmilling process on job work basis. Give your opinion as to whether M/s Voguish Furniture can avail input tax credit in respect of log woods directly sent to Mr. Ramlal?

Solution - - -

- Section 19 of CGST Act, 2017 inter alia provides that principal shall be entitled to take credit of taxes paid on inputs sent to a job worker whether sent after receiving them at his place of business or even when such the inputs are directly sent to a job worker without their being first brought to his place of business.
- However, the inputs, after completion of job work, are required to be received back or supplied from job worker's premises, as the case may be, within a period of 1 year [+ extension of 1 year] of their being sent out.
- Thus, in view of the above mentioned provisions, M/s Voguish Furniture can avail ITC in respect of log woods directly sent to Mr. Ramlal provided log woods are received back or supplied from Ramlal's premises, as the case may be, within a period of 1 year of their being sent out.

ICAI – Practice Questions

Question - - -

Mr. X, a registered person supplied the following goods to Miss Neetu for further processing on job work basis.
Goods P - Taxable under GST
Goods Q - Exempted vide an exemption notification under CGST Act
Goods R - Non-taxable under GST

Solution - - -

Provisions of job work are not applicable to "Q" being an exempted good and "R" as the same is not taxable good. Thus, job work provisions will apply only to "P", the same being taxable good.

Study Module

Question - - -

Genie Engineers had a mould delivered directly to a job worker from the supplier for making certain precision parts for use in the factory of Genie Engineers. As per agreement, the mould was to remain with the job worker as long as work was being sent to him.
After four years a departmental audit team that visited the job worker noticed the mould and traced it to Genie Engineers. GST was demanded from Genie Engineers for taking ITC without receiving the mould and furthermore for not bringing the mould back after three years of delivery to the job worker.
How should they respond to this?

Solution - - -

Sec 19 provides that time limit of 3 years for bringing back the capital goods from the job worker does not apply to moulds. Hence, Genie Engineers have correctly taken ITC on moulds.

CA Final -MTP – May 2018

Question - - -

Alok Pvt. Ltd., a registered manufacturer, sent steel cabinets worth Rs. 50 lakh under a delivery challan to M/s Prem Tools, a registered job worker, for job work on 28.01.20XX. The scope of job work included mounting the steel cabinets on a metal frame and sending the mounted panels back to Alok Pvt. Ltd. The metal frame is to be supplied by M/s Prem Tools. M/s Prem Tools has agreed to a consideration of Rs. 5 lakh for the entire mounting activity including the supply of metal frame. During the course of mounting activity, metal waste is generated which is sold by M/s. Prem Tools for Rs. 45,000. M/s Prem Tools sent the steel cabinets mounted on the metal frame to Alok Pvt. Ltd. on 03.12.20XX.

Assuming GST rate for metal frame as 28%, for metal waste as 12% and standard rate for services as 18%, you are required to compute the GST liability of M/s Prem Tools. Also, give reason(s) for inclusion or exclusion of the value of cabinets in the job charges for the purpose of payment of GST by M/s Prem Tools

Solution - - -

- As per para 3 of Schedule II to the CGST Act, any treatment or process which is applied to another person's goods is a supply of services and accordingly is subject to GST rate applicable for services.
- In the given case, M/s Prem Tools (job worker) undertakes the process of mounting the steel cabinets of Alok Pvt. Ltd. (principal) on metal frames. In view of para 3 of Schedule II to the CGST Act, the mounting activity classifies as service even though metal frames are also supplied as a part of the mounting activity. Accordingly, the job charges will be chargeable to rate of 18%, which is the applicable rate for services.
- Further, the value of steel cabinets will not be included in the value of taxable supply made by M/s Prem Tools as the supply of cabinets does not fall within the scope of supply to be made by M/s Prem Tools.
- M/s Prem Tools is only required to mount the steel cabinets, which are to be supplied by Alok Pvt. Ltd., on metal frames, which are to be supplied by it.
- As regards sale of waste generated during the job work, since M/s Prem Tools is registered, the tax leviable on the supply will have to be paid by it in terms of section 143(5) of the CGST Act. Such supply will be treated as supply of goods and subject to GST rate applicable for metal waste.

Accordingly, the GST liability of M/s Prem Tools will be computed as under:

Particulars	Amount (Rs)
Job charges	5,00,000
GST @ 18% (A)	90,000
Sale of metal waste	45,000
GST @ 12% (B)	5,400
Total GST payable (A) + (B)	95,400

CA Final -MTP – May 2018

Question - - -

Sabhayataa Manufacturers received some inputs on 15-7-2019 and immediately availed input tax credit of the CGST and SGST of Rs.1,32,000 paid on those inputs. On 20-7-2019, it sent the inputs to a job worker outside its factory for carrying out machining on the inputs and same were received by the Job worker on 22-7-2019. The job worker returned the inputs on 15-7-2020 after carrying out the machining work on the inputs. Discuss whether Sabhayataa Manufacturers is required to take any further action with respect to the Input tax credit availed by it.
What would your answer be if such inputs were received back from Job worker on 5-8-2020.

Solution - - -

Case 1: In the given case, the goods sent on 20-07-2019 should have been received back latest by 20-07-2020. Here, since the inputs have been received back from the job worker within 1 year, Subhayataa Manufacturers is not required pay any amount.
Case 2: In case it receives the inputs after machining on 05-08-2020, since inputs have not been received within 1 year of their being sent out, it will be deemed that inputs have been supplied by manufacturer to Job worker on the day when they were sent to Job worker i.e. on 20-07-2019. So, Sabhayataa Manufacturer is required to pay tax on such deemed supply of inputs along with interest.

Input Service Distributor

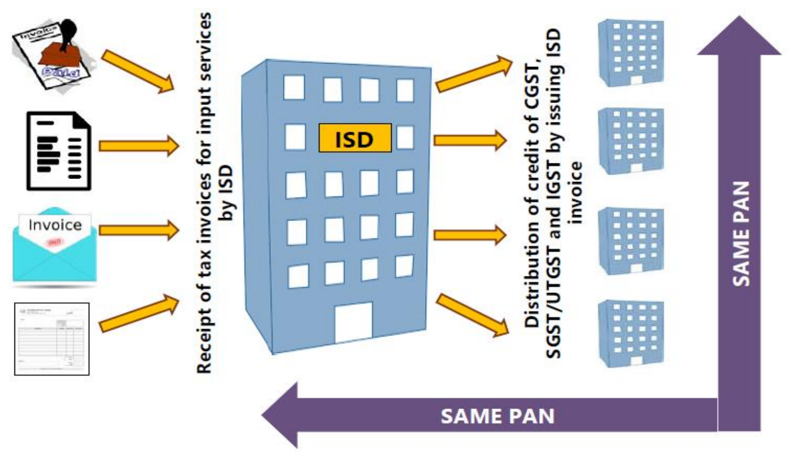
Section 20 – Distribution by ISD

Input Service Distributor

⇒ **"Input Service Distributor" means an office of the supplier of goods or services or both which -**

- **receives tax invoices issued u/s 31 towards the receipt of INPUT SERVICES and**
- **issues a prescribed document for the purposes of distributing -**
  a. **Credit of CGST, SGST, IGST or UTGST paid on the said services**
  b. **To a supplier of taxable goods or services or both having same Permanent Account Number as that of said office;**

Credit can be distributed only in respect of Input Services
There is no limit on the number of offices that can be registered as ISD [a single company may choose to have multiple regional offices as its ISD]



Distribution of Credit by ISD

⇒ **To whom credit will be distributed – Recipient of credit**
[Recipient of credit = Supplier of goods or services or both having the same PAN as that of the ISD]

⇒ **Eligible / Ineligible ITC – Both to be distributed separately**

⇒ **Manner of Distribution**

Input tax paid on Input Service	*Recipient and ISD located in same State / UT*	*Recipient and ISD located in different State / UT*
IGST	*Distribute as IGST*	*Distribute as IGST*
CGST	*Distribute as CGST*	*Distribute as IGST*
SGST / UTGST	*Distribute as SGST / UTGST*	*Distribute as IGST*

⇒ **In case of exempted unit, credit distributed to exempted unit = Credit to be distributed × Exempted Turnover ÷ Total Turnover**

Supporting document

⇒ **ISD Invoice *(against Supplier's Tax Invoice / Debit Note)***
⇒ **ISD Credit Note *(against Supplier's Credit Note)***

Other Conditions

⇒ **Distribution cannot exceed credit**
⇒ **Specific to Specific distribution**

	⇒ **Credit of "more than one" unit to be apportioned to "them" in turnover ratio of last year, if operational in current year** ⇒ **Credit of "all" units to be apportioned to "all" in turnover ratio of last year, if operational in current year**
Wrong Distribution [Sec 21]	⇒ **Excess distribution to recipient of credit –** **Excess distributed credit recoverable from recipient of credit with interest @ 18% p.a** *Excess ITC Distribution by ISD – Manner of Recovery [Circular No 71/45/2018]* • *Recovery from recipient unit [Recovery with interest and penalty]* • *Such Unit can make Voluntarily payment [Form GST DRC – 03]* • *If not paid voluntarily, then proceedings shall be initiated [Form GST DRC – 07]* *Any action on ISD who has wrongly distributed excess ITC* • *General Penalty leviable under section 122(1)(ix) [Minimum Rs 10,000 but upto amount of tax involved]*
Returns	⇒ **Month – wise distribution with details in return Form GSTR – 6**
Credit Note	⇒ **In case of reduction of credit, credit note will be issued by ISD and credit will be reduced in same ratio in which it was distributed**

Study Module

Question - - -

XYZ Ltd, having its head Office at Mumbai, is registered as ISD. It has three units in different cities situated in different States namely 'Mumbai', 'Jabalpur' and 'Delhi' which are operational in the current year.

M/s XYZ Ltd furnishes the following information for the month of July 20XX:

1. **CGST paid on services used only for Mumbai Unit: Rs 3,00,000/-**
2. **IGST, CGST & SGST paid on services used for all units: Rs 12,00,000/-**

Total turnover of the units for the previous financial year are as follows: -

Unit	Turnover (Rs)
Total Turnover of three units	Rs 10,00,00,000
Turnover of Mumbai unit	Rs 5,00,00,000
Turnover of Jabalpur unit	Rs 3,00,00,000

Determine the credit to be distributed by XYZ Ltd. to each of its three units.

Solution - - -

Computation of credit

Particulars	Credit distributed to all units (Rs.)			
	Total	Mumbai	Jabalpur	Delhi
CGST paid on services used only for Mumbai Unit	3,00,000	3,00,000	0	0
IGST, CGST & SGST paid on services used for all units Distribution on pro rata basis to all units which are operational in the current year [5 Cr : 3 Cr : 2 Cr]	12,00,000	6,00,000	3,60,000	2,40,000
Total	15,00,000	9,00,000	3,60,000	2,40,000

Study Module

Question - - -

Ceramity Ltd. has following units:

A : Factory in Hassan, Karnatka; closed from 2018-19 onwards, no turnover.

B : Factory in Tumkur, Karnataka; turnover of Rs. 27 crores in 2018 - 19;

C : Service centre in Hyderabad, Telangana; turnover of Rs 1 crores in 2018 - 19;

D : Service centre in Chennai, Tamil Nadu; turnover of Rs 2 crores in 2018 - 19;

Ceramity Ltd.'s corporate office functions as ISD. It has to distribute ITC of Rs. 9 lakh for December, 2019. Of this an invoice involving tax of Rs. 3 lakh pertains to technical consultancy for Tumkur unit. What should be the distribution of the credit

Solution - - -

As per rule 39(d) of CGST Rules relating to ITC, –

- **Rs. 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.**
- **Of the remaining Rs. 6 lakh, Hassan unit will not be entitled to any credit as ITC is distributed to only those recipients which supply goods and / or services.**
- **Rs. 6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2017-18.**

Tumkur unit will get (27 crore / 30 crore) × Rs 6 lakh = Rs. 5.4 lakh;
Hyderabad service centre will get (1 crore / 30 crore) × Rs 6 lakh = Rs. 20,000; and
Chennai service centre will get (2 crore / 30 crore) × Rs 6 lakh = Rs. 40,000.

Study Module

Question - - -

Total Credit Available to ISD is Rs.15,00,000/- & the credit should have been distributed equal to all the units as all units had equal turnover, however credit distributed as: Delhi Rs.7,00,000, Jaipur Rs. 6,00,000, Gujarat Rs. 2,00,000. What will be the consequence?

Solution - - -

The excess credit of Rs. 2,00,000 (Rs. 7,00,000 – Rs. 5,00,000) shall be recovered from Delhi and Rs. 1,00,000 (Rs. 600,000 - Rs. 5,00,000) shall be recovered from Jaipur along with interest and the provisions of section 73 or 74 shall apply mutatis mutandis for effecting such recovery.

Question - - -

XYZ Ltd, a registered supplier of goods having head office at Delhi, also registered as ISD, furnishes the following information for month of July, 2019 and asks you to distribute the credit to various units:

Unit I is located in Delhi whereas units II, III and IV are located in Mumbai, Rajasthan and Gujarat respectively.

Input Service	Particulars	CGST	SGST	IGST	Total
"A"	Used exclusively in Unit – III	27,000	27,000	-	54,000
"B"	Used in Unit – I, II and III	-	-	36,000	36,000
"C"	Used in Unit – I, II, III and IV	12,600	12,600	-	25,200
"D"	Used in Unit I – (Input service "D" is availed for employee on vacation during the month to its Unit I)	1,080	1,080	-	2,160
Total amount of credit		40,680	40,680	36,000	

Total Turnover of the units for the year ending 31st March, 2019 are as under:

Unit - I	-	25,00,000
Unit – II	-	15,00,000
Unit – III	Not registered as exclusively engaged in supply of exempt goods	75,00,000
Unit – IV	-	50,00,000
Total turnover of XYZ Ltd		1,65,00,000

All units are operational during the current year. Compute credit attributable to each of the units.

Solution - - -

Particulars	Total Credit available				Unit: I Credit to be distributed as:			Unit II	Unit III	Unit IV
	CGST	SGST	IGST	Total	CGST	SGST	IGST	IGST	IGST	IGST
Input Service A [WN-1]	27,000	27,000	-	54,000	-	-	-	-	54,000	-
Input Service B [WN-2]	-	-	36,000	36,000	-	-	7,826	4,696	23,478	-
Input Service C [5:3:15:10]	12,600	12,600	-	25,200	1,909	1,909	-	2,291	11,455	7,636
Input Service D (Ineligible ITC) [WN-3]	1,080	1,080	-	2,160	1,080	1,080	-	-	-	-
Total credit distributed					2,989	2,989	7,826	6,987	88,933	7,636

Working Notes:

(1) The credit of input tax attributable as input service to a particular unit shall be distributed only to that unit. Further as per Rule 39(1)(d) of CGST Rules, 2017, no differentiation is to be made whether the unit is registered or not, and therefore, credit attributable to Unit III is distributed to that unit although it is not registered, which implies, it is a loss of credit.

(2) As per Section 20(2)(b), the credit of tax attributable as input service to more than one unit but not to all the units shall be distributed only amongst such units to which the input service is attributable and such distribution shall be pro rata on the basis of the turnover of such units, to the total turnover of all such units during the relevant period. Hence, the credit of input service "B" is distributed to Unit-I, II and III.

(3) Given that the service availed for employee on vacation during the month would not be eligible input services under Section 17(5), the taxes relating to Invoice D should be distributed as ineligible input tax (Rs. 1,080 + Rs. 1,080), and the distribution must be done separately for CGST and SGST. Since the service is wholly attributable to Unit I, hence distributed only to such unit.

Note: The 'turnover in State' is arrived at a value for the 'relevant period'. Since all the 4 units were operational during the preceding financial year, the relevant period would be the preceding financial year.

Question - - -

What would be your answer be if in the preceding illustration, Unit IV started its operations in April, 2019 and following details of Turnover of units for April, 2019 to June, 2019 are as under:

Unit - I	-	2,55,000
Unit – II	-	3,89,000
Unit – III	Not registered as exclusively engaged in supply of exempt goods	6,10,000
Unit – IV	-	4,12,000
Total turnover of XYZ Ltd		16,66,000

Solution - - -

Computation of Input tax Credit to be distributed for month of July, 2019 to various units as per Rule 39 of the CGST Rules, 2017 (amounts in Rs.) :

Particulars	Total Credit available				Unit: I Credit to be distributed as:			Unit II	Unit III	Unit IV
	CGST	SGST	IGST	Total	CGST	SGST	IGST	IGST	IGST	IGST
Input Service A	27,000	27,000	-	54,000	-	-	-	-	54,000	-
Input Service B	-	-	36,000	36,000	-	-	7,321	11,167	17,512	-
Input Service C [5:3:15:10]	12,600	12,600	-	25,200	1,929	1,929	-	5,884	9,227	6,232
Input Service D (Ineligible ITC)	1,080	1,080	-	2,160	1,080	1,080	-	-	-	-
Total credit distributed					3,009	3,009	7,321	17,051	80,739	6,232

Note- -
(i) if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; or
(ii) in any other case, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed.

Since the detail of turnover of year 2018-19 of IV unit is not available we will consider the turnover details of last quarter previous to the month for which credit is to be distributed i.e. for the quarter from April 2019 to June 2019.

Question - - -
Suppose in the above Illustration, Supplier of input service "C" issued credit note to ISD located in Delhi for services provided in July, 2019 in the month of August, 2019 to Rs 55,000 (CGST and SGST – Rs 9,900 total thereon). What would be the treatment of such credit in light of the following additional information provided for available ITC to be distributed for the month of August, 2019:

Input Service	Particulars	CGST	SGST	IGST	Total
"P"	Used exclusively in Unit – IV	12,000	12,000	-	24,000
"Q"	Used in Unit – I and II	-	-	15,000	15,000
"R"	Used in Unit – I, II, III and IV	3,000	3,000	-	6,000
Total amount of credit		15,000	15,000	15,000	

Total Turnover of the units for the year ending 31st March, 2019 are as under:

Unit - I	-	25,00,000
Unit – II	-	15,00,000
Unit – III	Not registered as exclusively engaged in supply of exempt goods	75,00,000
Unit – IV	-	50,00,000
Total turnover of XYZ Ltd		1,65,00,000

Compute credit attributable to each of the units and show impact of issuance of credit note in the month of August, 2019

Solution - - -
Continuation of Input tax Credit to be distributed for month of August, 2019 to various units as per Rule 39 of CGST Rules, 2017 (amounts in Rs.):

Particulars	Total Credit available				Unit: I Credit to be distributed as:			Unit II	Unit III	Unit IV
	CGST	SGST	IGST	Total	CGST	SGST	IGST	IGST	IGST	IGST
Input Service P	12,000	12,000	-	24,000	-	-	-	-	-	24,000
Input Service Q	-	-	15,000	15,000	-	-	9,375	5,625	-	-
Input Service R	3,000	3,000	-	6,000	455	455	-	545	2,727	1,818
Total credit distributed	15,000	15,000	15,000	45,000	455	455	9,375	6,170	2,727	25,818
Less: Reduction due to issuance of credit note on input service 'e' in ratio 5:3:15:10 to Units I, II, III & IV	-4,950	-4,950	-	-9,900	-750	-750	-	-900	-4,500	-3,000
Net Credit distributed	10,050	10,050	15,000	35,100	-295	-295	9,375	5,270	-1,773	22,818

Working Note: As per Rule 39 of CGST Rules, 2017, any input tax credit required to be reduced on account of issuance of a credit note to the Input Service Distributor by the supplier shall be apportioned to each recipient in the same ratio in which input tax credit contained in the original invoice was distributed. Here, credit note has been issued relating to input service "C" so the amount is required to be reduced in the ratio of 5 : 3 : 15 : 10 among the Units –I, II, III & IV (as the input tax credit in the original invoice was distributed to these units).

CA Final – May 2018

Question - - -

Sarani Weavers at Mumbai is an input service distributor and intends to distribute input tax credit u/s 20 of the CGST Act, 2017, for the month of March 2019. The following are the details available for such distribution :

Branch	Turnover of the last quarter (Amt. in Rs.)	ITC specifically applicable to the branch (Amt. in Rs.)
Ganganagar Branch	10,00,000	IGST – Rs. 12,000 CGST – Rs. 3,000 SGST – Rs. 3,000
Madhugiri Branch	5,00,000	Nil
Kosala Branch	15,00,000	Nil
Mumbai HO	20,00,000	IGST – Rs. 1,50,000 CGST – Rs. 15,000 SGST – Rs. 15,000

Inputs/Input services used commonly by all branches against which ITC available is :
CGST – Rs. 60,000
SGST – Rs. 60,000
IGST – Rs. 1,20,000

ITC (IGST) of December 2018, Rs. 10,000 which was inadvertently left out, whether same can be considered for distribution in March, 2019.
Madhugiri branch uses inputs to manufacture exempted products.
All branches are outside Maharashtra.
Turnover excludes duties & taxes payable to Central and State Government.
Determine the input tax distribution.

Solution - - -

As per section 20 of the CGST Act read with rule 39 of CGST Rules, 2017:

i) Total GST credit (CGST+ SGST + IGST) of Rs. 18,000 specifically attributable to Ganganagar Branch will be distributed as IGST credit of` 18,000 only to Ganganagar Branch. [since recipient and ISD are located in different states.]

ii) IGST credit of Rs.1,50,000, CGST credit of Rs.15,000 and SGST credit of Rs.15,000 specifically attributable to Mumbai HO will be distributed as IGST credit of Rs. 1,50,000, CGST credit of Rs.15,000 and SGST credit of Rs. 15,000 respectively, only to Mumbai HO. [since recipient is located in the same State in which ISD is located.]

iii) CGST credit of Rs. 60,000, SGST credit of Rs. 60,000 and IGST credit of Rs. 1,20,000 have to be distributed among the three branches and Mumbai HO in proportion of their turnover of the last quarter.
Ganganagar Branch will get – Rs. 48,000 [Rs. 2,40,000 x (10,00,000/50,00,000)] as IGST credit
Madhugiri Branch will get - Rs. 24,000 [Rs. 2,40,000 x (5,00,000/50,00,000)] as IGST credit
The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.
Kosala Branch will get – Rs. 72,000 [Rs. 2,40,000 x (15,00,000/50,00,000)] as IGST credit
Mumbai HO will get -
Rs. 24,000 [60,000 x (20,00,000/50,00,000)] as CGST credit,
Rs. 24,000 [60,000 x (20,00,000/50,00,000)] as SGST credit and
Rs. 48,000 [1,20,000 x (20,00,000/50,00,000)] as IGST credit.

iv) ITC of Rs. 10,000 of December, 2017 cannot be distributed in March 2018 as ITC available for distribution in a month is to be distributed in the same month.

Note:
(1) In the above answer, Mumbai HO has been assumed as a Branch for the purpose of distribution of credit. However, it is also possible to answer the question by not assuming Mumbai HO as the branch for the purpose of distribution of credit. In that case, common credit will be distributed among Ganganagar, Madhugiri and Kosala branches.
(2) The aggregate amount of input tax credit for inputs / input services used commonly by all the branches is assumed to be the ITC pertaining to only input services.