

SCHEME OF SECTION 16: INPUT TAX CREDIT

- A) Persons eligible to take credit
 - Existing tax payers
 - New registrants
 - Switch over from exempt dealers to RTP
 - Switch over from CTP to RTP
- B) Conditions and eligibility for claim of ITC
- C) Spread over of credit in respect of pipelines/telecommunications towers embedded to earth by structural foundation

SCHEME OF INPUT TAX CREDIT

- Conditions for claim of ITC [**Sub Section(2)**]
- 1) Tax invoice, debit note, supplementary invoice
- 2) Receipt of goods or services
- 3) The tax charged by the supplier has been paid to the appropriate Government
- 4) furnished return under Section **34**
- 5) one invoice -goods are received in instalments, ITC allowed upon the receipt of the last instalment
- **Notwithstanding but subject to Section 36**

SCHEME OF INPUT TAX CREDIT

- Conditions for claim of ITC[Sub Section(2)]
- SECOND PROVISO TO SUB-SECTION:
- **Failure by recipient to pay the invoice amount with tax element within 3 months from date of invoice**
- **ITC availed will be added to output tax liability with interest**

SCHEME OF INPUT TAX CREDIT

- **SECTION 17(1),(2)(3)**
- **Apportionment of ITC to partly taxable supplies:**

- **Special Treatment to banking Company, Financial Institution including NBFC :**
- **Can apportion the credit as described in Sub Section (2)**
- **OR**
- **Can avail 50% of eligible ITC on Inputs, capital goods,input services**

- **Once option is exercised, cannot be withdrawn in a year**

SCHEME OF INPUT TAX CREDIT

- SUB-SECTION (3)
- when a registered person has claimed depreciation on the tax component of the cost of capital goods under the Income Tax Act, ITC will not be allowed on the tax component

SCHEME OF INPUT TAX CREDIT

- **SECTION 17(1),(2)(3)**
- **Apportionment of ITC to partly taxable supplies:**
- (a) Partly taxable and partly for other purposes : restriction in ITC
- (b) Partly taxable and partly non-taxable supplies excluding zero rated supplies but including exempt supplies
- **Explanation: Exempt Supplies to include RCM**
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Blocked credit: Section 17(4)

• Exceptions

- a) motor vehicles

- a) supply in the course of business
- b) provision of taxable services of transportation of goods/passengers
- c) imparting motor driving training

Blocked Credit : Section 17(4)

• CATEGORIES

- (4)(b)(i):
 - Food & Beverages,
 - outdoor catering,
 - beauty treatment,
 - cosmetic and plastic surgery,
 - Health services
- (4)(b)(ii): club membership, and fitness centre

• EXCEPTIONS

Where the inward supply is used for making an outward supply of same category of goods/services

Where services are obligatory for employer to provide to its employees by Government Notification

Blocked Credit : Section 17(4)

CATEGORIES

- (4)(c):
- c) works contract services supplied for construction of immovable property other than plant and machinery (acquired by principal)
- (4)(d):
- Goods/services received by a taxable person for construction on his own account, other than plant and machinery, even when used in the course of business

EXCEPTIONS

When it is an input service for further construction activity

- 2 Explanations : 'construction' and 'plant and machinery'

Persons eligible to take credit

- **Section 18:**
- **Persons eligible for credit :**
- Registered taxable person
- **Section 18: availability of credit in special circumstances:**
- (1) Person liable for registration and has applied for it within 30 days from the date of commencement of liability: on all inputs in stock/WIP/FG held the day preceding the day on which the liability arose
- (2) Person voluntarily taking registration: on all inputs in stock/WIP/FG held the day preceding the date of registration
- Composition tax payer becoming Regular tax payer: on all inputs in stock/WIP/FG/capital goods held the day he becomes liable as RTP
- Exempt tax payer becoming RTP: on all inputs in stock/WIP/FG/capital goods held the day he becomes liable as RTP

Persons eligible to take credit

- **Section 18:**
- Change in Constitution of a registered taxable person:[Section 16(8)]
- A) merger
- B) Demerger
- C) Amalgamation
- D) lease , transfer, Sale
- Unutilized ITC can be transferred to the transferee company.
- CONDITION: There should be specific provision for transfer of liabilities

Persons eligible to take credit

- **Section 18:**
- When RTP switches to CTP
- Where goods/services become exempt absolutely under Section 11:
- REVERSAL of ITC equivalent to credit attributable to Inputs in stock/WIP/FG/Capital goods
- Balance : Lapse
- REMOVAL OF CAPITAL GOODS:
- Removal of capital goods:
 - The taxable person has to pay an amount equal to amount of ITC taken minus the percentage point specified in this behalf or the transaction value of the capital goods which ever is higher.
- **PROVISO:** In case of supply of jigs/ refractory bricks/ moulds/dies as scrap:

TIME LIMIT FOR AVAILMENT OF ITC- GST

- **Section 16**: A taxable person is not entitled to ITC on an invoice after the filing of the return for the month of September subsequent to the end of the financial year or filing of annual return whichever ever is earlier.[Section16(4)]”
- **Persons falling under Section18**:
- Time limit is before the expiry of one year from the date of invoice relating to the supply

MANUFACTURER vis-à-vis JOB

WORKER

- Principal allowed to take credit:
 - All inputs/ capital goods sent to job worker
 - All inputs/capital goods sent directly to job worker

CONDITIONS:

Inputs sent for job work to be received back within **one year** (180 days)

Capital goods sent to be received back within **3 years** (2 years)

INPUT SERVICE DISTRIBUTOR: Section 21

- **Credit of IGST :**
- For payment of
 - IGST
 - CGST
 - SGST
- **Credit of CGST**
- for payment of

– CGST

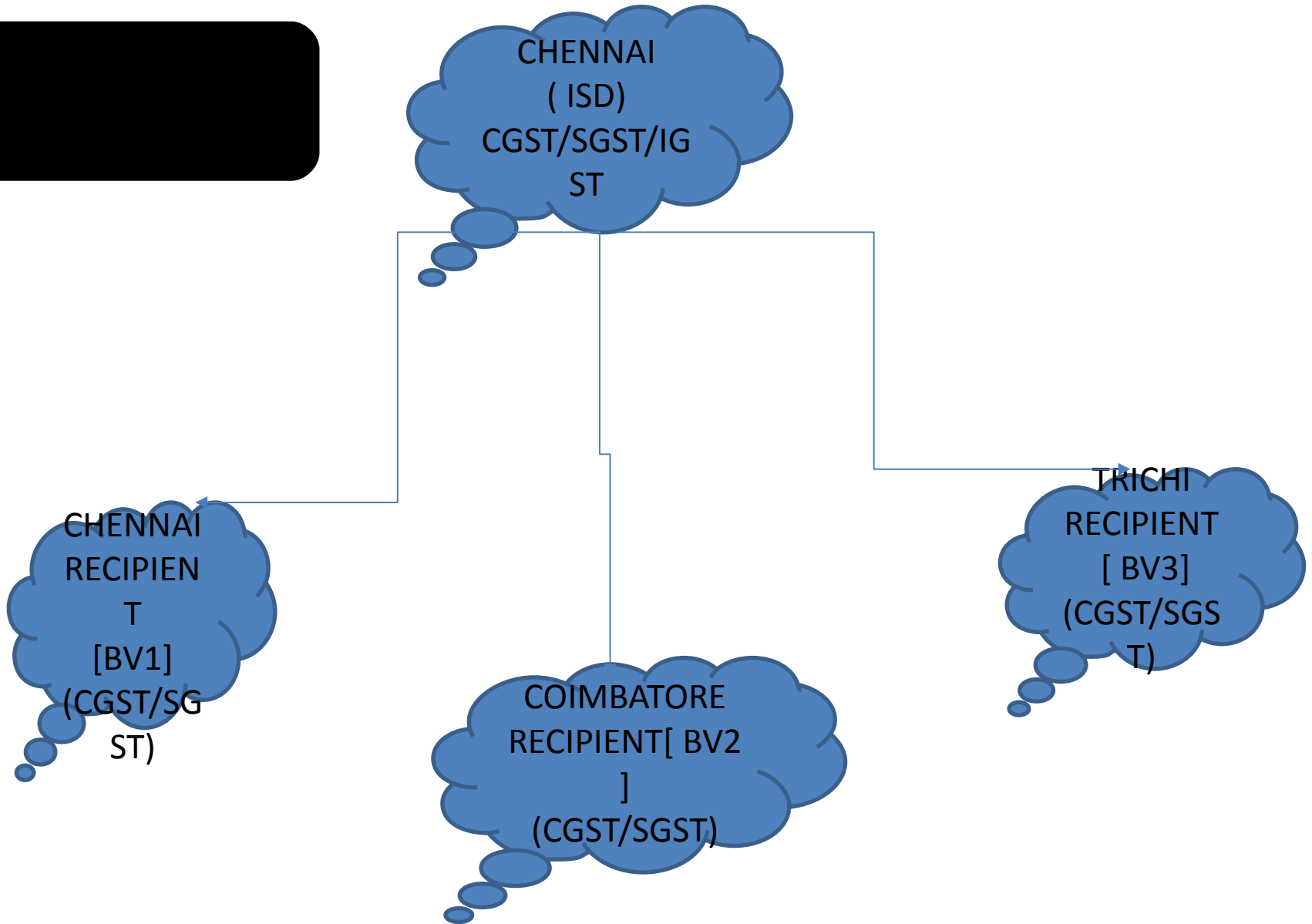
INPUT SERVICE DISTRIBUTOR: Section 21

- **WHEN ISD AND RECIPIENTS ARE IN SAME STATE:**

- **CGST CREDIT: distributed as CGST**
- **SGST CREDIT: distributed as SGST**
- **IGST CREDIT: distributed as CGST/SGST**

INPUT SERVICE DISTRIBUTOR: Section 21

- Business Vertical: section 2(18):
 - distinguishable component of an enterprise
 - engaged in supplying an individual/ group of related product or service
 - subject to risks and returns that are different from those of other business verticals
 - Factors to be considered:
 - (a) the nature of the products or services
 - (b) the nature of the production processes
 - (c) the type or class of customers for the products or services
 - (d) the methods used to distribute the products or provide the services; and



INPUT SERVICE DISTRIBUTOR: Section 21

- **WHEN ISD AND RECIPIENTS ARE IN DIFFERENT STATES:**
- **IGST CREDIT: distributed as IGST**
- **CGST CREDIT: distributed as IGST**
- **SGST CREDIT: distributed as IGST**

INPUT SERVICE DISTRIBUTOR: Section 21

- Manner of distribution:
- A) distribution against specified documents
- B) Amount of credit distributed not to exceed available credit
- C) credit attributable to a recipient of credit to be distributed only to that recipient
- D) when credit is attributable to more than one recipient:
 - (i) to be distributable as is attributable
 - (ii) *pro rata* on the basis of turnover in the State of the recipient to the aggregate turnover of all such recipients
- When Distribution of credit exceeds the available credit/ credit is distributed to a recipient more than what is attributable:

» THANK YOU