

SEMINAR ON
***INPUT TAX CREDIT INCLUDING
BLOCKED CREDIT IN GST***

Organised by :- Pune Branch of WICASA of ICAI along with 22+ Branches of other WICASA

CA SWAPNIL MUNOT, PUNE



GST : Good and Simple Tax



Important Definitions

IMPORTANT DEFINITIONS

- **Input Tax Credit** [sec 2(63)] : It means credit of Input Tax.
- **Input Tax**[sec 2(59)] : In relation to registered person,

It Means	It Includes	It Excludes
<ul style="list-style-type: none"> ○ CGST ○ SGST ○ IGST ○ UTGST <p>Charged on any supply of goods or services to him</p>	<ul style="list-style-type: none"> ○ Tax payable under Reverse Charge on notified input goods/ input services ○ Tax payable under reverse charge On Purchases from unregistered dealer by registered dealer 	<ul style="list-style-type: none"> ○ Composition levy

IMPORTANT DEFINITIONS

➤ **Capital goods** [sec 2(19)] : means

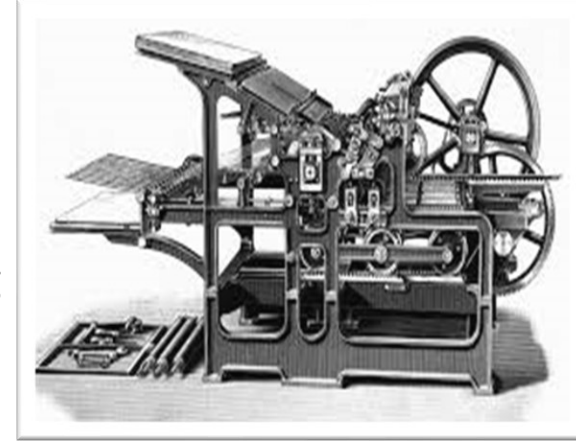
- Goods, the **value of which is capitalized in the books of accounts** of the person claiming the input tax credit and
- Which are used or intended to be used in the course or furtherance of business

➤ **Input** [sec 2(59)] : means

- Any goods other than capital goods,
- Used or intended to be used by a supplier for in the course or furtherance of business

➤ **Input Service** [sec 2(60)] : means

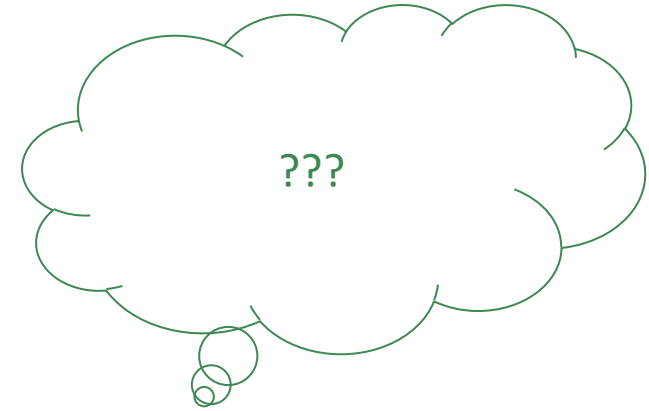
- Any service;
- used or intended to be used by a supplier in the course or furtherance of business



IMPORTANT DEFINITIONS

- **Outward supply** [sec 2(83)] : In relation to a taxable person, it means Supply of goods/services
 - Whether by sale, transfer, barter, exchange, license, rental, lease or disposal or any other mode
 - Made or agreed to be made by such person
 - In the course or furtherance of business,

- **Output tax** [sec 2(82)] : In relation to a taxable person, it means
 - CGST charged under this Act;
 - On taxable supply of goods/services made by him or by his agent
 - **Excludes tax payable by him on reverse charge basis**



ITC is allowed of

SEC 16(1): INPUT TAX CREDIT

- Every Registered Person, subject to Sec 49, Entitled to take credit of **INPUT TAX**
 - ✓ Charged on supply of Goods/Services
 - ✓ which are used or intended to be used **IN THE COURSE OR FURTHERANCE OF HIS BUSINESS** and
 - ✓ said amount shall be credited to the electronic credit ledger of such person

Machines

FOOD

R & d

EMPLOYEE INSURANCE

TRANSPORTATION

ANNUAL EVENT

DISTRUCTION

GARDEN MAINT.

SEC 2(17): MEANING OF BUSINESS

▪ BUSINESS INCLUDES:

- a) Any trade/commerce/manufacture/profession/vocation/adventure/wager/any other similar activity, whether or not for a pecuniary benefit
- b) Any activity/transaction **in connection with or incidental or ancillary to** sub-clause (a);
- c) Any activity or transaction in the nature of sub-clause (a), whether or not there is **volume/frequency/continuity/regularity;**
- d) Supply or acquisition of goods/capital goods/services **in connection with commencement or closure of business;**
- e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- f) admission, for a consideration, of persons to any premises;
- g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and
- i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities

SEC 16(2): INPUT TAX CREDIT

- credit of **INPUT TAX** is allowed to registered person, subject to below conditions:

Taxpayer is in possession of a Tax Invoice / Debit note / such other tax paying documents as may be prescribed

Details of the invoice / debit note has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice / debit note

Taxpayer has received the goods or services or both.

Details of ITC in respect of the said supply communicated to such registered person u/s 38 has not been restricted

Tax charged in respect of such supply has been actually paid to the Govt., either in cash or through utilisation of ITC admissible in respect of the said supply

Taxpayer has furnished the return under section 39:

SEC 16(2): INPUT TAX CREDIT

■ **Deeming Fiction for Receipt of Goods:**

It shall be deemed that the registered person has received the goods or services

- ✓ where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person,
- ✓ Whether acting as an agent or otherwise,
- ✓ before or during movement of goods,
- ✓ either by way of transfer of documents of title to goods or otherwise

■ **Deeming Fiction for Receipt of Services:**

- ✓ where the services are provided by the supplier to any person on the direction of and on account of such registered person

SEC 16(2): INPUT TAX CREDIT

- **Receipt of Goods in Lots:**
 - ✓ Where the goods against an invoice are received in lots or instalments,
 - ✓ the registered person shall be entitled to take credit **upon receipt of the last lot or instalment**

- **Maximum Time limit for payment to supplier :**
 - ✓ Where a **RECIPIENT FAILS TO PAY** to the supplier of goods/services (other than the supplies on which tax is payable on reverse charge basis)
 - ✓ The **amount towards the value of supply along with tax payable thereon** within a period of 180 days **from the date of issue of invoice by the supplier,**
 - ✓ An amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon.
 - ✓ The recipient shall be entitled to avail of the credit of input tax, on payment made by him of the amount towards the value of supply of goods/services along with tax payable thereon.

SEC 16(3)/(4): INPUT TAX CREDIT

- **Sec 16(3) - ITC not allowed if depreciation is claimed on Tax Component as well:**

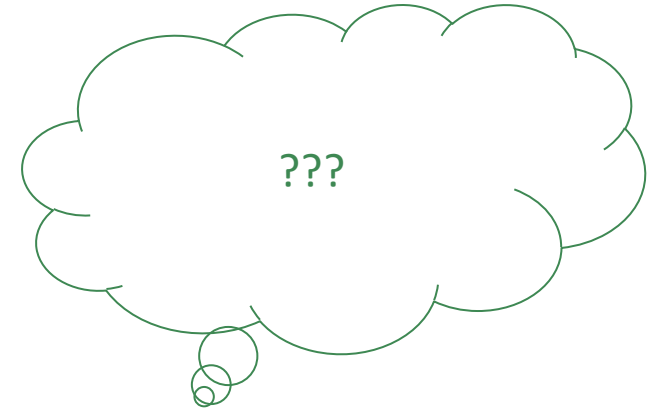
- ✓ Where the registered person has claimed depreciation
- ✓ on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961,
- ✓ the input tax credit on the said tax component shall not be allowed

- **Sec 16(4) - Maximum Time Limit to take credit of Input Tax:**

A registered person should take input tax credit in respect of **any invoice or debit note** for supply of goods/services

- ✓ before 30th November of next financial year or
- ✓ before Furnishing of relevant Annual Return

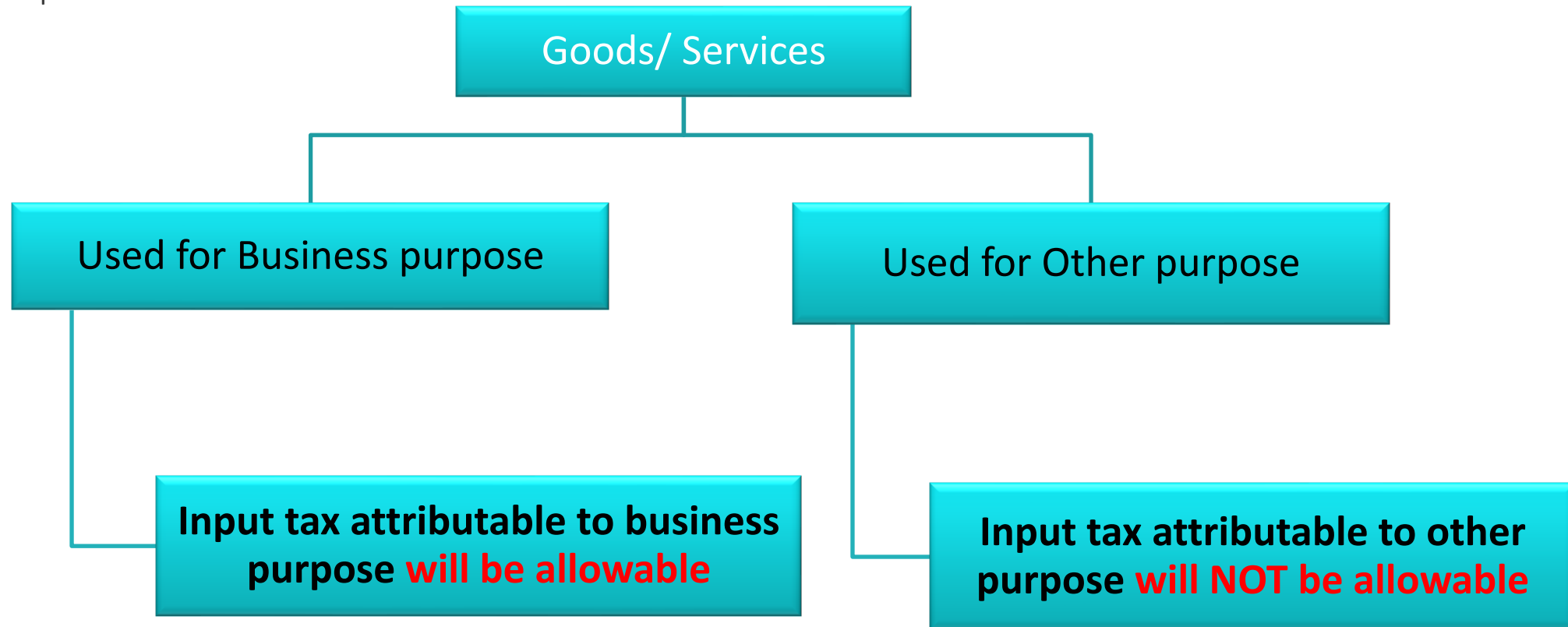
Whichever is earlier.



ITC is not allowed of

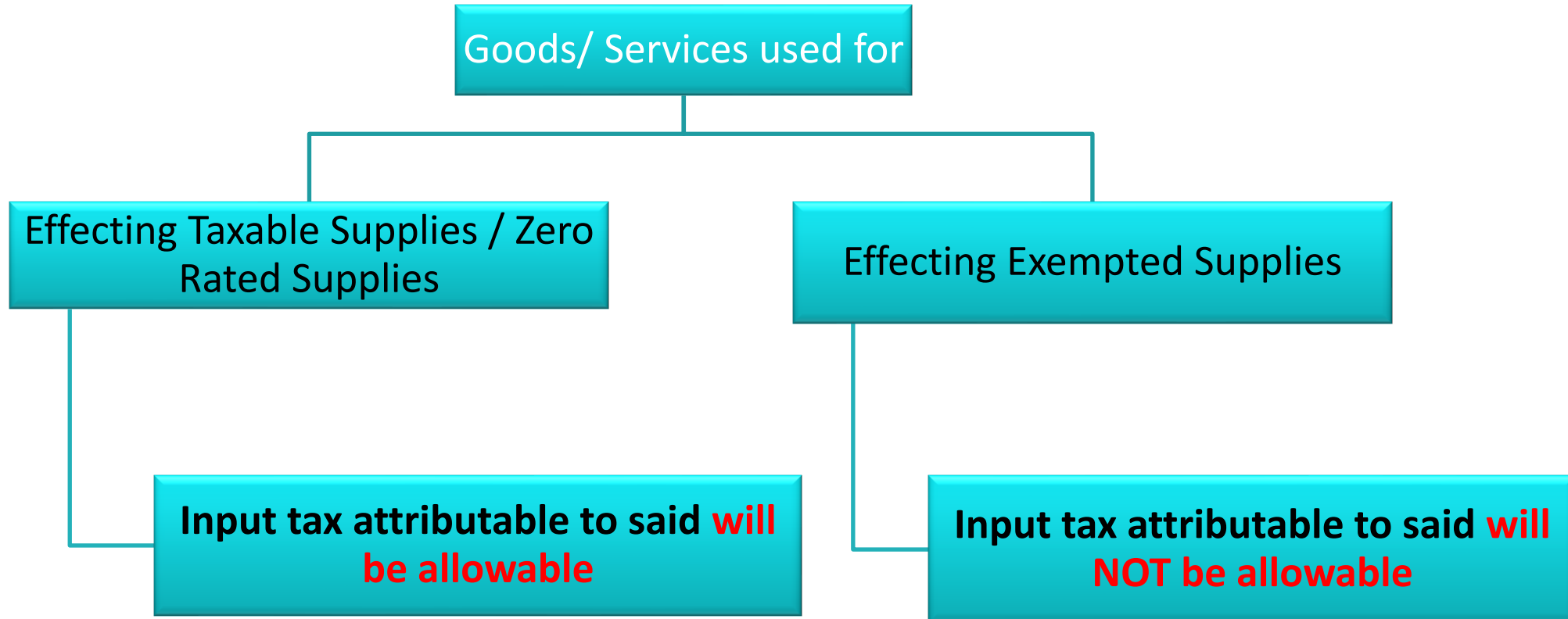
SEC 17(1): ELIGIBILITY OF ITC

- ITC allowed only if goods/services are used for business purpose only:
 - ✓ Where the goods or services or both are used by the registered person
 - ✓ partly for the purpose of any business and partly for other purposes,
 - ✓ the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.



SEC 17(2): ELIGIBILITY OF ITC

- ITC allowed only if goods/services supplied are taxable/zero rated:
 - ✓ Where goods/services or both are used by the registered person
 - ✓ Partly for effecting **taxable supplies including zero-rated supplies** and partly for effecting **exempt supplies**,
 - ✓ the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies



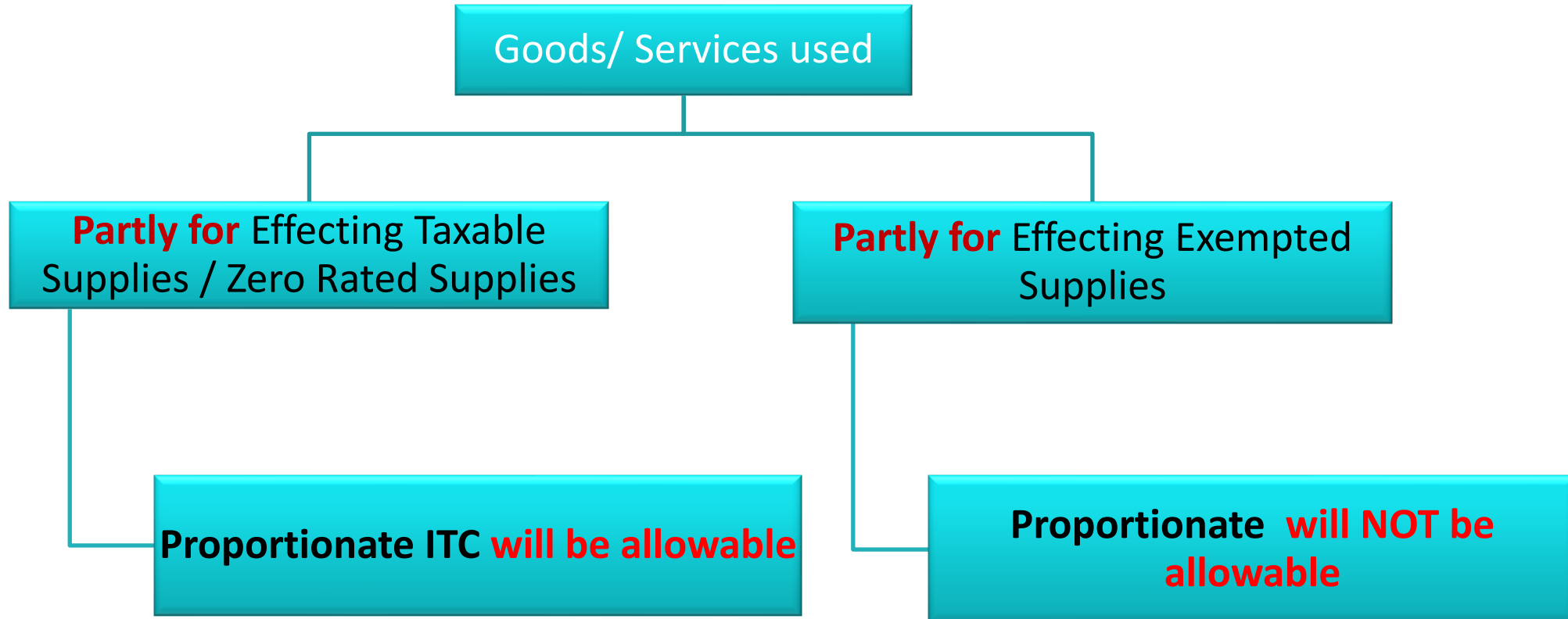
Sec 2: Definitions

- **Taxable supply means – Sec 2(108):**
 - ✓ Supply of goods or services or both
 - ✓ which is leviable to tax under this Act;
- **Meaning of EXEMPT SUPPLY - Sec 2(47):** It means
 - ✓ Supply of any goods/services which attracts **nil rate** of tax or
 - ✓ Which may be **wholly exempt** from tax, and
 - ✓ Includes **non-taxable supply**
- **Meaning of NON TAXABLE SUPPLY - Sec 2(78):** It means
 - ✓ 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
- **Zero rated supply means – Sec 16(1):**
 - ✓ export of goods or services or both; or
 - ✓ supply of goods or services or both to a SEZ developer or a SEZ unit.



SEC 17(2): ELIGIBILITY OF ITC

- ITC allowed only if goods/services supplied are taxable/zero rated:
 - ✓ Where goods/services or both are used by the registered person
 - ✓ Partly for effecting **taxable supplies including zero-rated supplies** and partly for effecting **exempt supplies**,
 - ✓ the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies



SEC 17(3): Value of Exempt Supply for Proportion Calculation

- Meaning of Exempt Supply for Sec 17 purpose :
 - ✓ The value of exempt supply under sub-section (2) shall be such as may be prescribed, and
 - ✓ **Shall include** supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and,
 - ✓ subject to clause (b) of paragraph 5 of Schedule II, sale of building

Explanation.—For the purposes of this sub-section, the expression “value of exempt supply”

- ✓ Shall not include the value of activities or transactions specified in Schedule III,
- ✓ except those specified in paragraph 5 of the said Schedule.

SEC 17: ELIGIBILITY OF ITC

NATURE OF SUPPLY MADE BY REGISTERED PERSON	CREDIT ADMISSIBLE
○ Wholly taxable supplies	Yes
○ Wholly zero-rated supplies	Yes
○ Both taxable and zero-rated supplies	Yes
○ Wholly non-taxable or exempt supply	No
○ Wholly for non-business purpose	No
○ Both business and non-business purpose	Proportionate credit
○ Both taxable and non-taxable supply	Proportionate credit

SEC 17(3): SPECIAL PROVISION W.R.T BANKS

- A banking company / Financial institution / NBFC, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the **option to either**:
 - ✓ **To comply with provisions of Sec 17(2)** [that is , take input credit only which is used for providing Taxable services] or
 - ✓ **Avail of, every month, an amount equal to 50 % of the eligible input tax credit** on inputs, capital goods and input services in that month and the rest shall lapse
 - Provided that the option once exercised **shall not be withdrawn during the remaining part** of the financial year
 - Provided further that **the restriction of 50% shall not apply to** the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

- **Input tax credit shall not be available in respect of the following, namely:**
 - a) Motor vehicles **for transportation of persons** having approved seating capacity of **not more than 13 persons** (including the driver), **Except** when they are used for making the following taxable supplies, namely
 - (A) Further supply of such motor vehicles; or
 - (B) Transportation of passengers; or
 - (C) Imparting training on driving such motor vehicles;
 - aa) Vessels and aircraft **Except** when they are used—
 - i) for making the following taxable supplies, namely:—
 - (A) Further supply of such vessels or aircraft; or
 - (B) transportation of passengers; or
 - (C) imparting training on navigating such vessels; or
 - (D) imparting training on flying such aircraft;
 - ii) For transportation of goods

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

- **Input tax credit shall not be available in respect of the following, namely:**

ab) **Services of general insurance, servicing, repair and maintenance** in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa): -

Provided that the input tax credit in respect of such services shall be available—

- (i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;
- (ii) where received by a taxable person engaged—
 - (I) in the manufacture of such motor vehicles, vessels or aircraft; or
 - (II) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

▪ **Input tax credit shall not be available in respect of the following, namely:**

b) Following supply of goods or services or both:—

i) **Food** and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, **renting or hiring of motor vehicles**, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, **life insurance and health insurance:**

○ Provided that the ITC in respect of such goods/services shall be available **where an inward supply of such goods/ services is used** by a registered person for making an outward taxable supply of the same category of goods or services or both **or as an element of a taxable composite or mixed supply;**

ii) Membership of a club, health and fitness centre; and

iii) travel benefits extended to employees on vacation such as leave or home travel concession:

○ Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide to its employees under any law for the time being in force.

SEC 17(5)(b): Circular No. 172/04/2022-GST dated 6th July 2022

- **ISSUE:** Whether the proviso at the end of clause (b) of sub-section (5) of section 17 of the CGST Act is applicable to the entire clause (b) or the said proviso is applicable only to sub-clause (iii) of clause (b)?
 - ✓ **CLARIFICATION:** It is clarified that the proviso after sub-clause (iii) of clause (b) of sub-section (5) of section 17 of the CGST Act is **applicable to the whole of clause (b) of sub-section (5) of section 17 of the CGST Act**

- **ISSUE:** Whether the provisions of sub-clause (i) of clause (b) of sub-section (5) of section 17 of the CGST Act bar availment of ITC on input services by way of “leasing of motor vehicles, vessels or aircraft” or ITC on input services by way of any type of leasing is barred under the said provisions?
 - ✓ **CLARIFICATION:** It is clarified that “leasing” referred in Section 17(5)(b)(i) refers to leasing of motor vehicles, vessels & aircrafts only and not to leasing of any other items. Accordingly, availment of ITC is not barred under sub-clause (i) of clause (b) of sub-section (5) of section 17 of the CGST Act in case of leasing, other than leasing of motor vehicles, vessels and aircrafts

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

- **Input tax credit shall not be available in respect of the following, namely:**
 - c) **Works contract services** when supplied for construction of an immovable property (other than plant and machinery), Except where it is input service for further supply of works contract service.
 - d) **Goods/services 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 purpose of (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

*Sec 2(119) “works contract” means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning **of any immovable property**, wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract*

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

- Input tax credit shall not be available in respect of the following, namely:

Sec 2(119) "works contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property, wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract



SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

- ***Safari Retreats Pvt Ltd v Chief Commissioner of Central Goods & Service Tax [W.P. (C) 20463 of 2018]:***
- The Hon'ble High Court of Orissa, vide its order dated 17 April 2019 (Order), in has allowed availment of input tax credit (ITC) on goods and services used for construction of immovable property and used in the course or furtherance of **business of renting**.
- The principal argument taken in the petition was that Sec 17(5)(d) of the CGST Act **restricts the seamless flow of credit and that denial of ITC in is unjust, arbitrary, oppressive and contradictory to the basic rationale of GST**
- The counsel for the Government argued that the said provision should be given a literal interpretation and the restriction of Section 17(5)(d) of the CGST Act should apply accordingly to all circumstances
- **HC observed that The purpose of the CGST Act is to provide a uniform law for levy and collection of tax on intra state supply of goods and services, and to prevent multi taxation.** Section 17(5)(d) of the CGST Act is to be read down and a narrow interpretation of Section 17(5)(d) of the CGST Act is frustrating the objective of the CGST Act. If the petitioner is required to pay GST on rental income arising out of the investment on which he has paid GST, he is entitled to avail the ITC for the inputs and input services consumed by them

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

▪ **Input tax credit shall not be available in respect of the following, namely:**

e) Goods/services on which tax has been paid under section 10 [that is Composition Levy]

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

fa) *goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in Sec 135 of the Companies Act, 2013

[*Proposed to be inserted vide Finance Bill 2023]

g) Goods/services used for **personal consumption**;

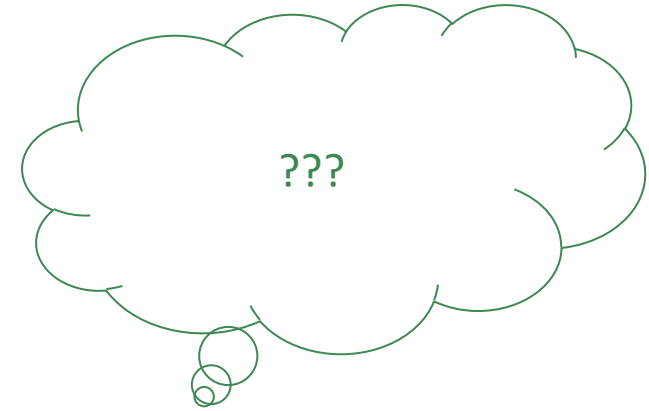
h) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

- **Explanation:** For the purpose of this chapter & Chapter VI : The expression “plant and machinery” means
- ✓ Apparatus, equipment, and machinery fixed to earth by foundation/ structural support that are used for making outward supply of goods/services and **Includes** such foundation and structural supports
- ✓ **But Excludes:**
 - land, building or any other civil structures;
 - telecommunication towers; and
 - pipelines laid outside the factory premises

SEC 17(5): INPUT TAX CREDIT NOT ELIGIBLE

CASE STUDIES: Whether ITC allowed in below case ?

- Motor Bus purchased for Transportation of Employee
- Motor Car purchased for Transportation of Director
- ABC Manufacturer Ltd, order food for clients
- Marketing employee of company, makes expenditure on lodging of Hotel Room
- Car taken on Rent for pick and drop of manager
- Insurance paid for Directors of company
- Fire insurance taken for office building
- Membership fee paid for Cement Manufacturer association by LMT Cement
- Servicing charges paid for motor vehicle servicing



Utilization of ITC

Sec 49(5) & Sec 49A: UTILIZATION OF INPUT TAX CREDIT

1st Use IGST Credit Fully as per Below

Then use CGST Credit Fully as per Below

Then Use SGST/UTGST Credit as per Below

Credit of IGST can be utilised for

- IGST Liability
- CGST Liability
- SGST Liability
- UTGST Liability

Credit of CGST can be utilised for

- CGST Liability
- IGST Liability

Credit of SGST can be utilised for

- SGST Liability
- IGST Liability

Credit of UT-GST Can be Utilised for

- UT-GST Liability
- IGST Liability

- ✓ *Cross Utilization among **CGST** & **SGST** is not allowed.*
- ✓ *IGST Credit left after utilization against IGST liability, can be used against, CGST/SGST liability, **in any proportion and in any manner.***

Sec 49(5) & Sec 49A: UTILIZATION OF INPUT TAX CREDIT

ITC UTILIZATION MATRIX – AS PER NEW METHOD

BY CA SWAPNIL MUNOT, Pune

ITC on Account of	IGST Liability	CGST Liability	SGST Liability
IGST ITC	1	2 - In any order and manner between CGST/SGST, till IGST is completely exhausted	
CGST ITC	4	3	x - Not Permitted
SGST ITC	6	x - Not Permitted	5

Sec 49(5) & Sec 49A: UTILIZATION OF INPUT TAX CREDIT

Below is example to understand ITC Utilization, as per New Method : - ABC Pvt Ltd is having below ITC and Output liability for the month of June 2019:

Liability / ITC Head	Output Liability	Input Tax Credit
IGST	5,000	6,500
CGST	1,500	1,000
SGST	1,500	1,000
Total	8,000	8,500

Below are the various ways in which we can utilize ITC. Same is explained as under:

☞ OPTION I:

ITC on Account of	IGST Liability	CGST Liability	SGST Liability	ITC Carried Forward to Next Month	Total
IGST ITC	5,000	750	750	-	6,500
CGST ITC	-	750	* - Not Permitted	250	1,000
SGST ITC	-	* - Not Permitted	750	250	1,000
Total	5,000	1,500	1,500	500	

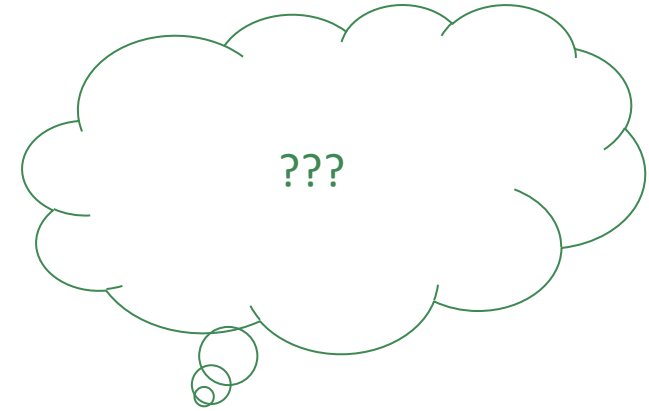
Sec 49(5) & Sec 49A: UTILIZATION OF INPUT TAX CREDIT

OPTION II:

ITC on Account of	IGST Liability	CGST Liability	SGST Liability	ITC Carried Forward to Next Month	Total
IGST ITC	5,000	1,000	500	-	6,500
CGST ITC	-	500	* - Not Permitted	500	1,000
SGST ITC	-	* - Not Permitted	1,000	-	1,000
Total	5,000	1,500	1,500	500	

OPTION III:

ITC on Account of	IGST Liability	CGST Liability	SGST Liability	ITC Carried Forward to Next Month	Total
IGST ITC	5,000	500	1,000	-	6,500
CGST ITC	-	1,000	* - Not Permitted	-	1,000
SGST ITC	-	* - Not Permitted	500	500	1,000
Total	5,000	1,500	1,500	500	



ITC RESTRICTION



ITC RESTRICTION – Rule 36(4)

PERIOD : From -To	Relevant Notification	ADDITIONAL ITC ALLOWED THAN GSTR 2B
9 th Oct 19 to 31 st Dec 19	N/N No 49/2019 CT dt 9 th Oct 2019	20%
1 st Jan 2020 to 31 st Dec 2020	N/N 75/2019 CT dated 26.12.2019	10%
1 st Jan 2021 to 31 st Dec 2021	N/N 94/2020 CT dated 22.12.2020	5%
1 st Jan 2022 Onwards	N/N. 40/2021- CT dt 29.12.202	0%

- Rule 36(4) of CGST Rule 2017** – No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under Sec 37(1) unless,-
 - the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility; and*
 - the details of 4[input tax credit in respect of] such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.]*

ITC RESTRICTION – Rule 36(4)

▪ CIRCULAR NO 123/42/2019– GST DATED 11TH NOVEMBER 2019

- ✓ **Suo-moto Calculation** - 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 sub-rule (4) of rule 36 of CGST Rules shall be done on self-assessment basis by the tax payers
- ✓ **Import / RCM ITC** - taxpayers may avail full ITC in respect of IGST paid on import, documents issued under RCM, credit received from ISD etc. which are outside the ambit of sub-section (1) of section 37
- ✓ **Applicability**- Restriction of 36(4) will be applicable only on the invoices / debit notes on which credit is availed after 09.10.2019.
- ✓ **Supplier wise calculation or total ITC calculation ?** - The restriction imposed is not supplier wise. The credit available under sub-rule (4) of rule 36 is linked to total eligible credit from all suppliers against all supplies whose details have been uploaded by the suppliers.

ITC RESTRICTION – Rule 36(4)

- **CIRCULAR NO 123/42/2019– GST DATED 11TH NOVEMBER 2019**
 - ✓ **Only Eligible ITC to be considered** - Further, the calculation would be based on only those invoices which are otherwise eligible for ITC. Accordingly, those invoices on which ITC is not available under any of the provision (say under sub-section (5) of section 17) would not be considered for calculating 20 per cent. of the eligible credit available

 - ✓ **ISD-** The ceiling of 20% on availing ITC will also not apply on Input Service Distributors (ISD), these are those businesses that receive invoices on behalf of the services used by their branches and subordinate offices (This is quoted from - <http://www.cbic.gov.in/resources//htdocs-cbec/gst/GST-Update16112019.pdf;jsessionid=425FFE4E53B358FE36D6427EBF2A89B5>)

ITC RESTRICTION – Rule 36(4)



CBIC ✓
@cbic_india

Replying to @GubbiGirish @hegde_raghav and 5 others

Quarterly filers contribute about 7% of GST whereas 100% credit can be availed if 83.33% of eligible credit is reported in GSTR-2A.

7:15 AM · Nov 12, 2019 · Twitter Web App

12 Retweets 27 Likes



VNFINSERV @vnfinserv · Nov 12, 2019

Replying to @cbic_india @GubbiGirish and 6 others

If my 100% purchases are from suppliers who file GSTR1 quarterly, then I can't claim any ITC under this new rule till January. Please explain and provide solution

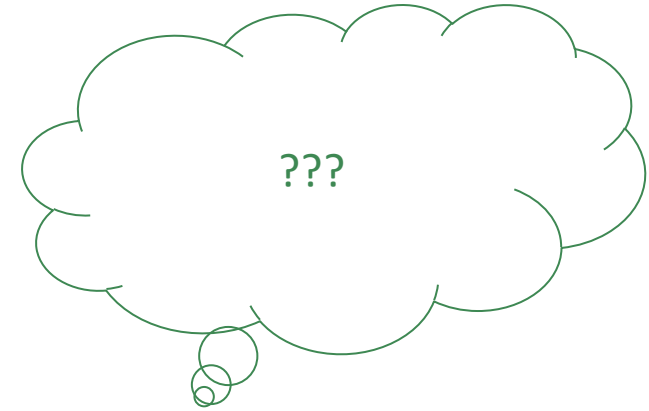
@dineshwadera @SHALAKHANDI @sudhirgparmar @haldiaarpit @JainTax @NeeleshTax @joseph11345 @SaurinShahCA @CaHimalaya

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ITC Related Rules

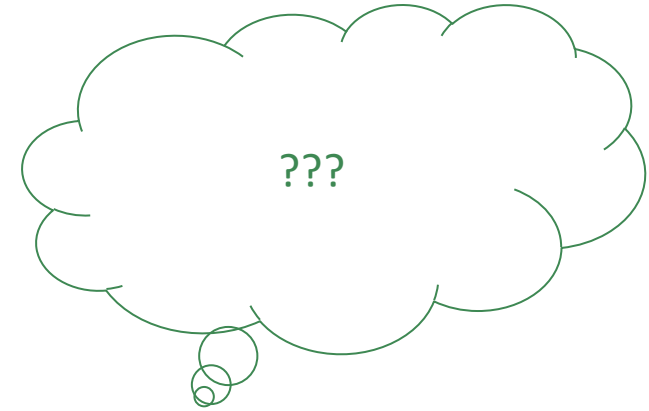
Rule 36: Documentary Requirements and conditions for claiming ITC

- **ITC shall be availed by a registered person, including ISD, on the basis of any of the following documents:**
 - ✓ **Invoice** issued by the supplier of goods/services in accordance with the provisions of section 31;
 - ✓ Invoice issued in accordance with Sec 31(3)(f), subject to the payment of tax [**RCM Invoice**];
 - ✓ **Debit note** issued by a supplier in accordance with the provisions of section 34;
 - ✓ **Bill of entry** or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;
 - ✓ **Input Service Distributor** invoice or Input Service Distributor credit note or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54.
- **ITC Not allowed:**
 - ✓ No ITC shall be availed by a registered person in respect of
 - ✓ Any tax that has been paid in pursuance of any order
 - ✓ **where any demand has been confirmed on account of any fraud, will full misstatement or suppression of facts.**

Rule 37: Reversal of ITC in case of non payment of consideration

- **Schedule I Supplies:** 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)
- **Deemed addition in value:** The value of supplies on account of any amount added in accordance with the provisions of Sec 15(2)(b) **shall be deemed to have been** paid for the purposes of the second proviso to Sec 16(2).]
- **Interest:** The registered person shall be liable to pay interest at the rate notified under Sec 50(1) ~~for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability, as mentioned in sub-rule (2), is paid~~ for the tax period immediately following the period of 180 days days from the date of the issue of the invoice:
[Interest Rate **18%** - as notified by Notification No 13/2017 CT dated 28th June 2018]
- **Time limit for re-claim of credit:** The time limit specified in Sec 16(4) **shall not apply** to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.

BLOCKED



ITC BLOCKING

BLOCKED

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Business

GST credits of over 2,000 firms worth Rs 40,000 crore blocked for mismatch in filings, returns

Updated : January 28, 2020 08:05 AM IST

› The move is meant to help government curb fake credit claims.



- **Rule 86A of CGST Rules 2017 - Conditions of use of amount available in electronic credit ledger**

[Inserted by Notification No 75/2019 CT dated 26th Dec 2019]

(1) The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, **having reasons to believe that** credit of **input tax** available in the electronic credit ledger has **been fraudulently availed or is ineligible in as much as-**

(a) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-

i. **issued by a registered person who has been found non-existent** or not to be conducting any business from any place for which registration has been obtained; or

ii. **without receipt of goods or services or both;** or

(b) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, **the tax charged in respect of which has not been paid to the Government;** or

- **Rule 86A of CGST Rules 2017 - Conditions of use of amount available in electronic credit ledger**

(c) the registered **person availing the credit of input tax has been found non-existent or not to be conducting any business** from any place for which registration has been obtained; or

(d) the registered person availing any credit of input tax is **not in possession of a tax invoice** or debit note or any other document prescribed under rule 36,

→ may, for reasons to be recorded in writing, **not allow debit of an amount equivalent to such credit in electronic credit ledger** for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

(2) The Commissioner, or the officer authorised by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.

(3) Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction



DIRECTORATE GENERAL OF GST INTELLIGENCE (HQRS)

2nd floor, West Block 8, Wing 6, Sector 1, R.K. Puram, New Delhi

F.No. 587/CE/167/Pol/2019/11219-11269

Dated: 13.01.2020

All Principal Chief Commissioners/ Chief Commissioners, CGST
All Director Generals, DGGI, North/South/West and East.
All Principal ADG's/ ADG's, Zonal units, DGGI

Sir/Madam

Subject: Blocking of Input Tax Credit under rule 86A(1)(a) of CGST Rules, 2017- reg.

Attention is drawn to the provisions of Rule 86A(1)(a) of the Central Goods and Service Tax Rules, 2017 which empowers the CGST officers to block input tax credit (ITC) under certain circumstances.

2. All the Zonal Chief Commissioners have the facility to block/unblock ITC availed in a situation covered under Rule 86A(1)(a) of the CGST Rules, 2017 i.e. against fake invoices or against invoices without receipt of goods or services or both, if such availers of credit are located in their jurisdiction. To implement this provision, all the CGST Zones are required to make a list, GSTN-wise of fake credit availers and block their ITC under Rule 86A(1)(a) for the entities located in their jurisdiction. If, however, there are certain entities which are located outside their jurisdiction, they should forward a list of such

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Electronic Credit Ledger

Financial Year	Month	ITC Balance As On Date : 19-02-2020
2019-2020	February	12,91,31,745.00

1. Electronic Credit Ledger
2. Provisional Credit Balance : 0.00
3. Blocked Credit Balance : 1,26,15,408.00



Period: From -01/11/2019 To - 31/01/2020

Sr.No	Date	Reference No.	Tax period, if any	Description	Transaction Type [Debit (DR) / Credit (CR)]	Credit/Debit (₹)					Balance Available(₹)				
						Integrated Tax	Central Tax	State Tax	CESS	Total	Integrated Tax	Central Tax	State Tax	CESS	Total
-	-	-	-	Opening Balance	-	-	-	-	-	-	0.00	91,89,017.00	73,08,732.00	0.00	1,64,97,749.00
1	06/11/2019	AA320919451457S	Sep-19	ITC accrued through - Inputs	Credit	3,19,522.00	62,10,309.00	62,10,309.00	0.00	1,27,40,140.00	3,19,522.00	1,53,99,326.00	1,35,19,041.00	0.00	2,92,37,889.00
2	06/11/2019	DI3211190010152	Sep-19	Other than reverse charge	Debit	3,19,522.00	37,40,391.00	37,40,391.00	0.00	78,00,304.00	0.00	1,16,58,935.00	97,78,650.00	0.00	2,14,37,585.00
3	29/11/2019	AA321019369007D	Oct-19	ITC accrued through - Inputs	Credit	1,36,871.00	26,95,469.00	26,95,469.00	0.00	55,27,809.00	1,36,871.00	1,43,54,404.00	1,24,74,119.00	0.00	2,69,65,394.00
4	29/11/2019	DI3211190196244	Oct-19	Other than reverse charge	Debit	1,36,870.00	43,79,910.00	43,79,910.00	0.00	88,96,690.00	1.00	99,74,494.00	80,94,209.00	0.00	1,80,68,704.00
5	03/01/2020	AA321119402440V	Nov-19	ITC accrued through - Inputs	Credit	6,15,447.00	23,80,484.00	23,80,484.00	0.00	53,76,415.00	6,15,448.00	1,23,54,978.00	1,04,74,693.00	0.00	2,34,45,119.00
6	03/01/2020	DI3201200006146	Nov-19	Other than reverse charge	Debit	6,15,448.00	45,33,028.00	45,33,028.00	0.00	96,81,504.00	0.00	78,21,950.00	59,41,665.00	0.00	1,37,63,615.00
7	25/01/2020	BL3201200000041	Jan-20	Temporary blocking of credit by Department	Debit	0.00	78,21,950.00	59,41,665.00	0.00	1,37,63,615.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	Closing Balance	-	-	-	-	-	-	0.00	0.00	0.00	0.00	0.00

ITC BLOCKING



Goods and Services Tax

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Dashboard Ledger

Blocked Credit Balance

Date	Amount of blocked credit balance (₹)				
	Integrated Tax	Central Tax	State Tax	CESS	Total
05-02-2020	0.00	78,492.00	78,492.00	0.00	1,56,984.00

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ITC OF TAX PAID UNDER RCM

✓ In case of Tax paid under RCM, ITC is to be availed on the basis of which document ?

=> **Tax Payment Challan** or **RCM Invoice** issued under Sec 31(3)(f)?

▪ Rule 36(1)(b) of CGST Rules 2017: *The ITC shall be availed by a registered person, on the basis of*

✓ *Invoice issued in accordance with the provisions of Sec 31(3)(f), subject to the payment of tax*



ITC OF COMPENSATION CESS

- ✓ Whether ITC of Compensation Cess is allowed ?

- Proviso to Sec 11(2) of The Goods And Services Tax (Compensation To States) Act, 2017:
- ✓ *Input tax credit in respect of cess on supply of goods and services leviable under Sec 8*
- ✓ *Shall be utilised only towards payment of said cess on supply of goods and services leviable under the said section.*

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“Every Big Change is HARD at first,

MESSY in the Middle and

GORGEIOUS at the End”

– Robin Sharma



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Thank You.

PRESENTED BY

CA SWAPNIL MUNOT

