



ITC

Are you taking it
correctly?



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<https://www.youtube.com/channel/UC86pyRhgmISgh5o4Npo9Shw>

WHAT IS



• GOODS & SERVICES TAX •



FAQ : It is a **destination based tax** on **consumption of goods and services**. It is proposed to be levied at all stages right from manufacture up to final consumption with **credit of taxes paid at previous stages available as setoff**. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

Capital Goods Sec 2(19)

- **means**
 - goods, the value of which is capitalised
 - in the books of accounts of the person claiming the credit and
 - which are used or intended to be used
 - in the course or furtherance of business

Services Capitalised
Software?



Input means

- any goods other than capital goods
- used or intended to be used by a supplier
- in the course or furtherance of business

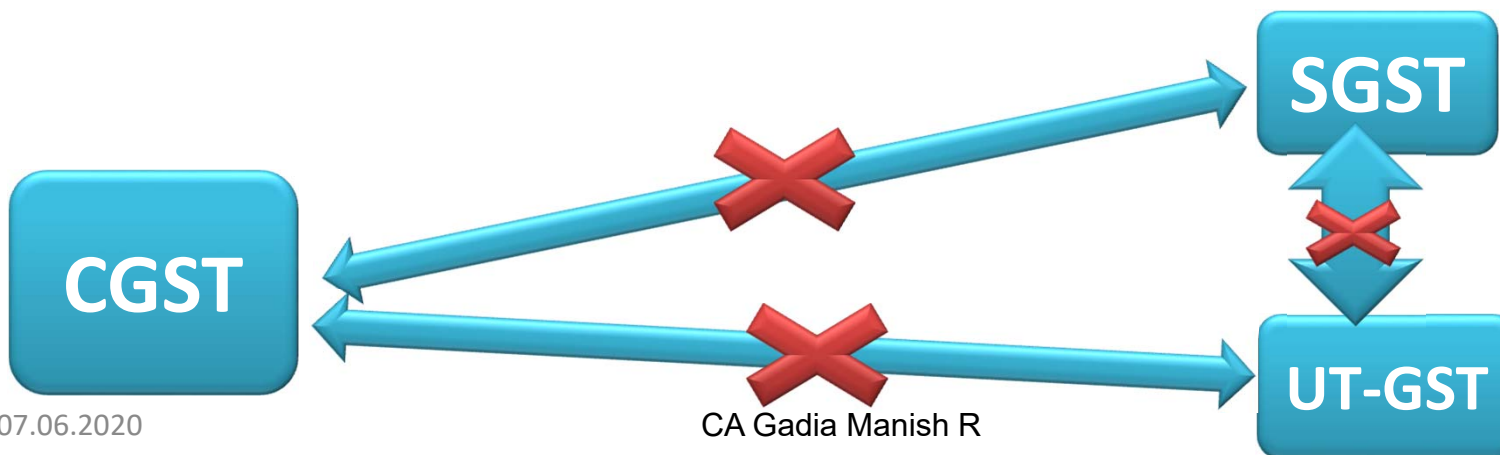
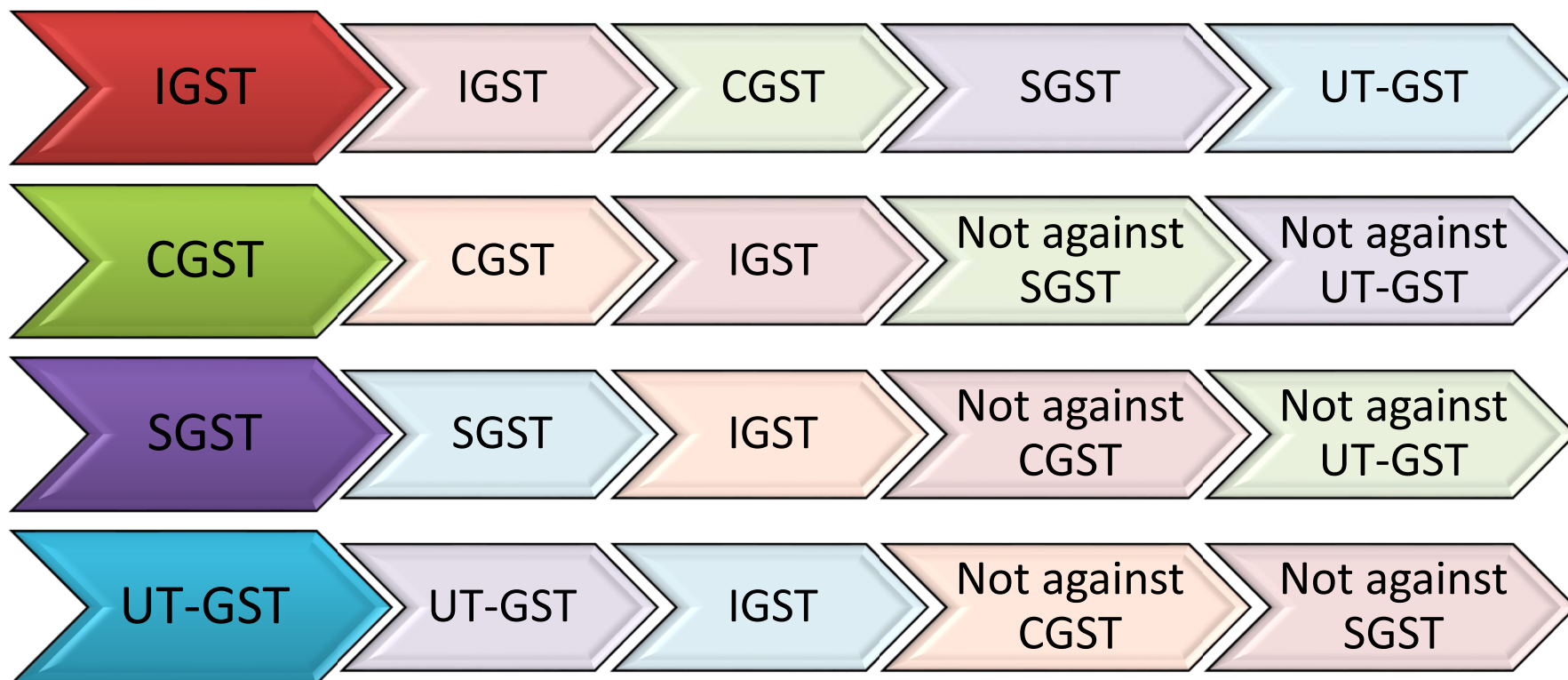
Input service means

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

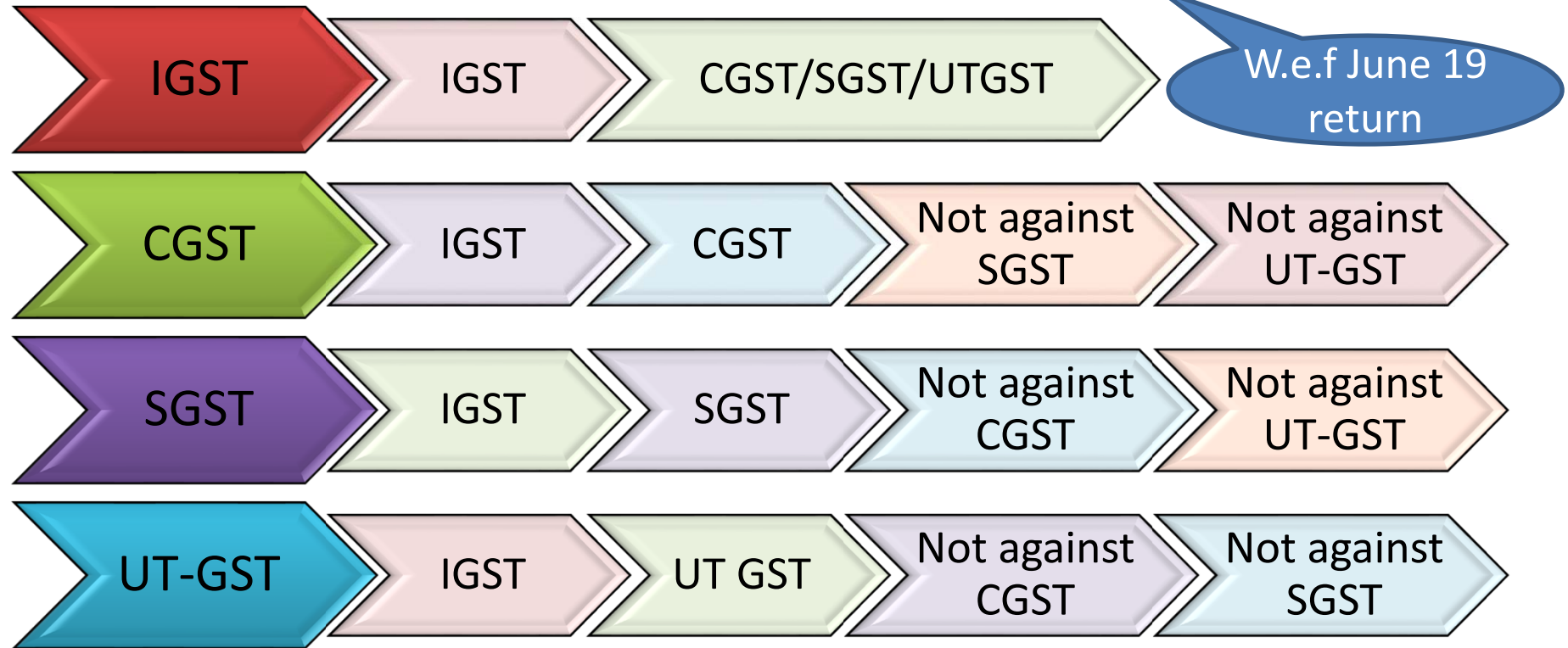
Eligibility and Condition for ITC – 16(1)

- Every registered taxable person
- subject to such conditions and restrictions
- entitled to take **credit of input tax** charged on any supply of goods or services to him
- which are used or intended to be used in the **course or furtherance of his business** and
- the said amount shall be credited to the **electronic credit ledger** of such person

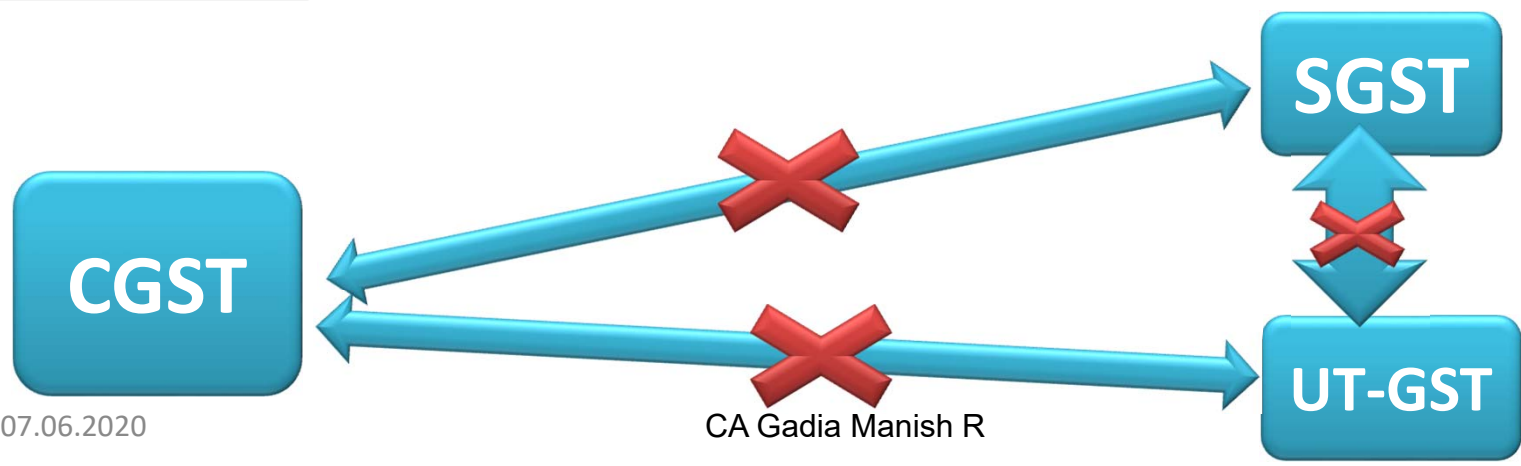
Manner of utilization of ITC- **OLD**



Manner of Utilization of ITC- **NEW** (Rule 88A)



W.e.f June 19 return



ITC wrongly availed

During the year 2018-19,

Inter-state purchases: Rs. 1,00,000

ITC on above: Rs. 18,000 (IGST)

ITC wrongly availed as Rs. 9,000 (CGST) and Rs. 9,000 (SGST)

The above error was identified while filing GSTR 9. How can the same be rectified?

The ITC wrongly availed under the head CGST and SGST shall have to be reversed with interest.

The correct ITC of IGST can not be claimed while filing GSTR 9, since the last date for availment of ITC for FY 2018-19 was 20th October, 2019.

When is ITC available 16(2) GMJ

Possession of a tax invoice, etc., issued by a **supplier registered** under GST



Received the goods and/or services

Bill to
Shipped to
Goods
& **Services**


The tax charged in respect of such supply has been **actually paid** to the credit of the appropriate Government,

How to
Know?

Furnished the return under section 39

Documents Required for Claiming ITC – Rule 36

GMJ

- Invoice issued as per Section 31 
- In case of reverse charge only after the payment of Tax
- Debit Note
- Bill of Entry or any other document as specified under Customs Act, 1962
- ISD Invoice or ISD Credit Note or any other document by an ISD.
- ITC is availed only if all particulars is furnished in FORM GSTR-2 by such person



ITC Shall not be available

- Any tax that 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. [Rule 36(3)]

10% w.e.f. 1st January, 2020

- ITC to be **availed** by a registered person in respect of **invoices or debit notes**, the details of which have not been uploaded by the supplier under sub-section (1) of section 37, **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 under sub-section (1) of section 37. [Rule 36(4)] inserted by notification 49/2019 CT Dtd. 9th October, 2019.

Circular No. 123/42/2019-GST

DT. 11th Nov, 2019

- Full ITC in respect of Import and ISD
- The restriction of 36(4) will be applicable only on the invoices, etc. on which credit is availed after 09.10.2019.
- The restriction imposed is not supplier wise
- The calculation would be based on only those invoices which are otherwise eligible for ITC
- The taxpayer may have to ascertain the same from his auto populated **FORM GSTR 2A as available on the due date of filing of FORM GSTR-1 under sub-section (1) of section 37.**

Calculation of Restrictions



Sr. No	Particulars		Before 09.10.19	09.10.19 to 31.12.19	On or after 01.01.20
1	Total ITC as per Books		55,00,000	55,00,000	55,00,000
2	Eligible ITC as per Books		50,00,000	50,00,000	50,00,000
3	Ineligible ITC as per Books	(1-2)	5,00,000	5,00,000	5,00,000
4	Total ITC as per GSTR-2A		35,00,000	35,00,000	35,00,000
5	Eligible ITC as per GSTR-2A		30,00,000	30,00,000	30,00,000
6	Ineligible ITC as per GSTR-2A	(4-5)	5,00,000	5,00,000	5,00,000
7	20% / 10% of the Eligible ITC as per Form GSTR-2A [Rule 36(4)]	(5*20%) (5*10%)	NA	6,00,000	3,00,000
8	Maximum Permissible ITC [As per Rule 36(4)]	(5+7)	NA	36,00,000	33,00,000
9	ITC allowable		50,00,000	36,00,000	33,00,000
10	Additional Cash Outflow / Impact [As per Rule 36(4)]			14,00,000	17,00,000

When can Balance ITC be claimed

- Can claim **proportionate ITC** in any of the succeeding months as and when details of some invoices are uploaded by the suppliers.
- The details of which are not uploaded remains under 20 per cent of the eligible ITC, the details of which are uploaded by the suppliers.

When can Balance ITC be claimed

Particulars	Formula	Amount
Balance ITC invoices Uploaded by the suppliers in the month of February		11,00,000
Fresh ITC Can be claimed in January	Amount of fresh invoices uploaded/1.1	10,00,000
Balance ITC invoices Uploaded by the suppliers in the month of March		9,00,000
Fresh ITC Can be claimed in February	Amount of fresh invoices uploaded/1.1	8,18,182
Maximum allowed (17,00,000-10,00,000)		7,00,000

Restriction on Availment of ITC

- It is Important to Reconcile GSTR 2-A with the Books of Accounts before filing of GSTR 3-B.
- If More than 20% (10% w.e.f. 01.01.2020) ITC is claimed, department may seek interest, Penalty on the same.
- Refund Applications may also be rejected on the said grounds.
- Some Suppliers may file Quarterly GSTR-1.
- To be calculated separately for CGST, SGST/UTGST and IGST

Gujrat HC admitted the writ challenging validity of Rule 36(4) in case of Society for Tax Analysis and Research

Restrictions of availment of ITC

- The rule 36(4) restricts the availment of ITC to 10% of the eligible ITC i.e. 10% of the ITC reflecting in GSTR-2A.
- Restriction of availing ITC shall apply cumulatively for the period February, March, April, May, June, July and August 2020.
- GSTR-3B of September 2020 shall be filed after making cumulative adjustment of the ITC as per the above condition.

Rule 36(4)



Return Period	GSTR 2A	ITC as per books	GSTR 3B	Excess/ (Short) Availed
Feb, 2020	100	115	115	15
March, 2020	140	170	170	30
April, 2020	130	140	140	10
May, 2020	90	90	90	0
June, 2020	120	110	110	-10
July, 2020	130	140	140	10
August, 2020	100	145	145	45
Sub-Total	810	910	910	100
September, 2020	125	155	25	(125)
Total	935		935	-


GSTR 3B of September 2020

- Amendments/Addition of invoices pertaining to FY 2019-20
- Debit notes & Credit notes pertaining to FY 2019-20
- ITC availment for the period pertaining to FY 2019 -20
- Reconciliation of GSTR-2A with GSTR-3B for the period from Feb 2020 to Aug 2020

Provided that

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

Reversal of ITC in case of non payment

- Payment not made to supplier of goods/service/both within 180 days from the date of issue of invoice:
Reverse the credit along with interest (Interest Shall be Applicable from the Date of availing Credit)
 - If Part payment is made and part not made beyond 180 days only the **proportionate** credit in respect of payment not made has to be reversed
 - In Case of **Supplies without Consideration** as specified in Schedule I - **Payment to Supplier is deemed to be made**  **No relaxation in the said provision for Covid 19**
 - Value of supplies on account of any amount added in accordance with the provisions of **section 15(2)(b)** **shall be deemed to have been paid**

Reversal of ITC on non payment (Rule 37)



Purchased goods worth Rs. 11800
(Rs.10000+ Rs. 1800 GST) on 30/04/2018.
ITC availed on 30/04/2018. →
Payment of Rs. 4720 made on 31/05/2018
and Rs. 7080 on 25/12/2018.



Since payment of Rs. 7080 is not made within 180 days, the recipient shall furnish the details of such supply, the amount of value not paid (Rs. 6000) and the amount of ITC availed of proportionate to such amount (Rs. 1080) not paid to the supplier in form GSTR 2 for the month immediately following the period of 180 days from the date of issue of invoice i.e. October

Time Limit for claiming ITC

GMJ

No Time Limit for Re-Credit

ITC of any invoice pertaining to a F. Y. (18-19) cannot be taken after



Due date of return for the month of September, 19

Earliest of

Form of return specified for sec 39 is GSTR 3 and not GSTR 3B. [AAP & Co v/s UOI, Guj HC

Filing of the relevant annual return of 18-19

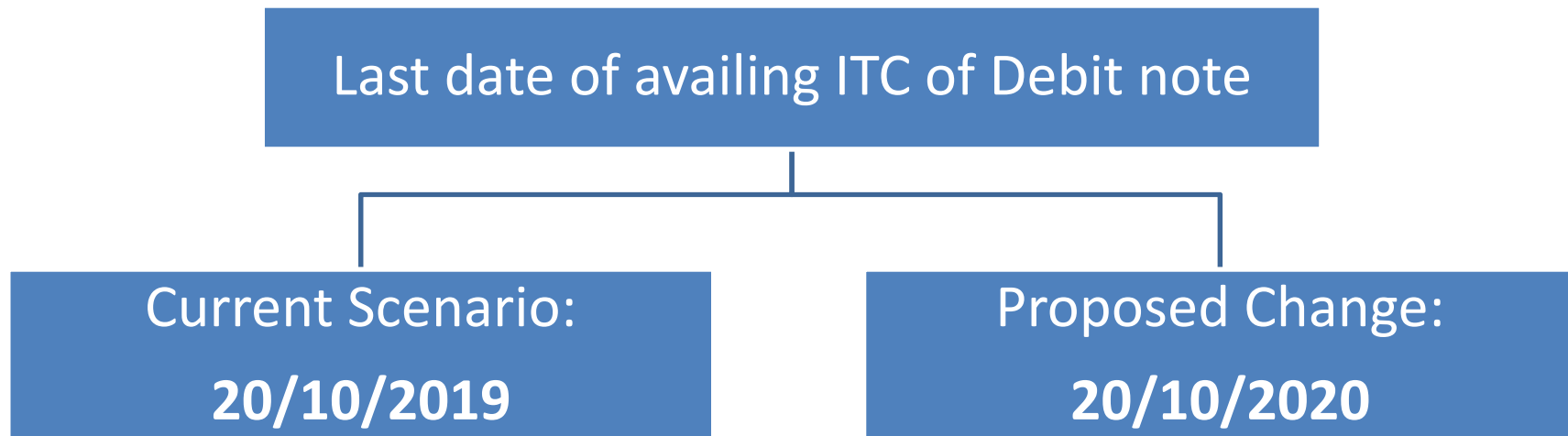
GSTR 3B Return?

- GSTR 3-B is declared to be a Return u/s 39 of the CGST Act, 2017 retrospectively, i.e. from 1st of July 2017.
- This amendment circumvents the Judgement of Gujarat High Court in case of AAP and Company which states that GSTR-3B is not a Return.
- Hence all the due dates, interest, penalty and restrictions on ITC will be in place even though only GSTR 3B is to be filed.



Time limit for availing ITC of debit notes- Section 16(4)

Date of Debit Note: **24/08/2019** Date of invoice linked to debit note: **19/02/2019**

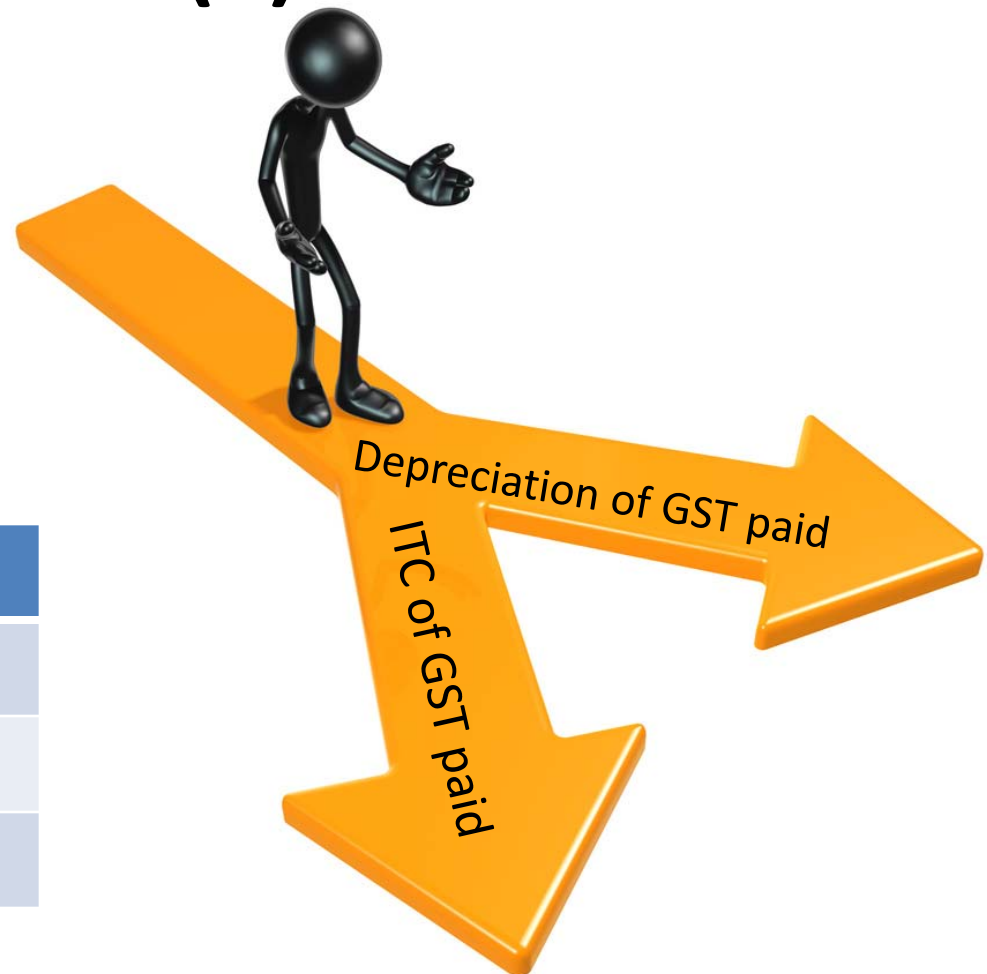


A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or ~~invoice relating to such~~ debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Eligibility and Condition for ITC **GMJ**

Sec 16(3)

- No ITC on tax component of capital goods for which depreciation claimed under the IT



Particulars	Amount
Cost of M/C	1,00,000/-
Tax @ 18%	18,000/-
Total	1,18,000/-

If ITC is taken of 18,000/-, Depreciation shall be allowed only on 1,00,000/- under Income Tax

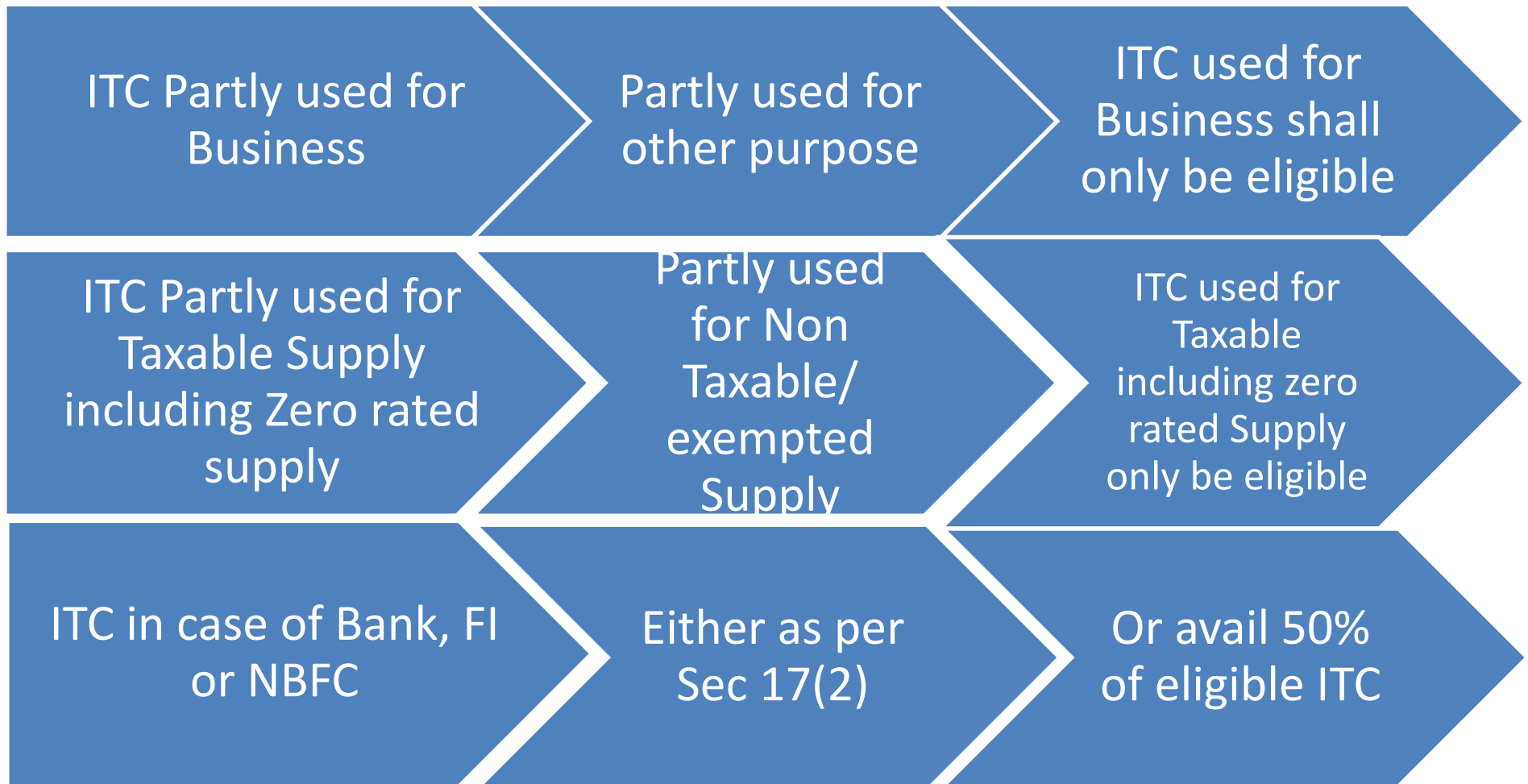
Capital Goods -18(6)



In case of supply of capital goods on which input tax credit has been taken, payment is required to be made, higher of

- for an amount equal to ITC reduced by 5% per quarter or;
- tax on the transaction value of such capital goods
- Refractory, bricks, moulds and dies, jigs and fixtures supplied as scrap, tax on transaction value

Reversal of ITC [17(1)(2)(3)&(4)]



- Exempted supplies include recipient liable pay under RCM, transaction in securities, land, building

Credit not allowed 17(5)(a)&(aa)

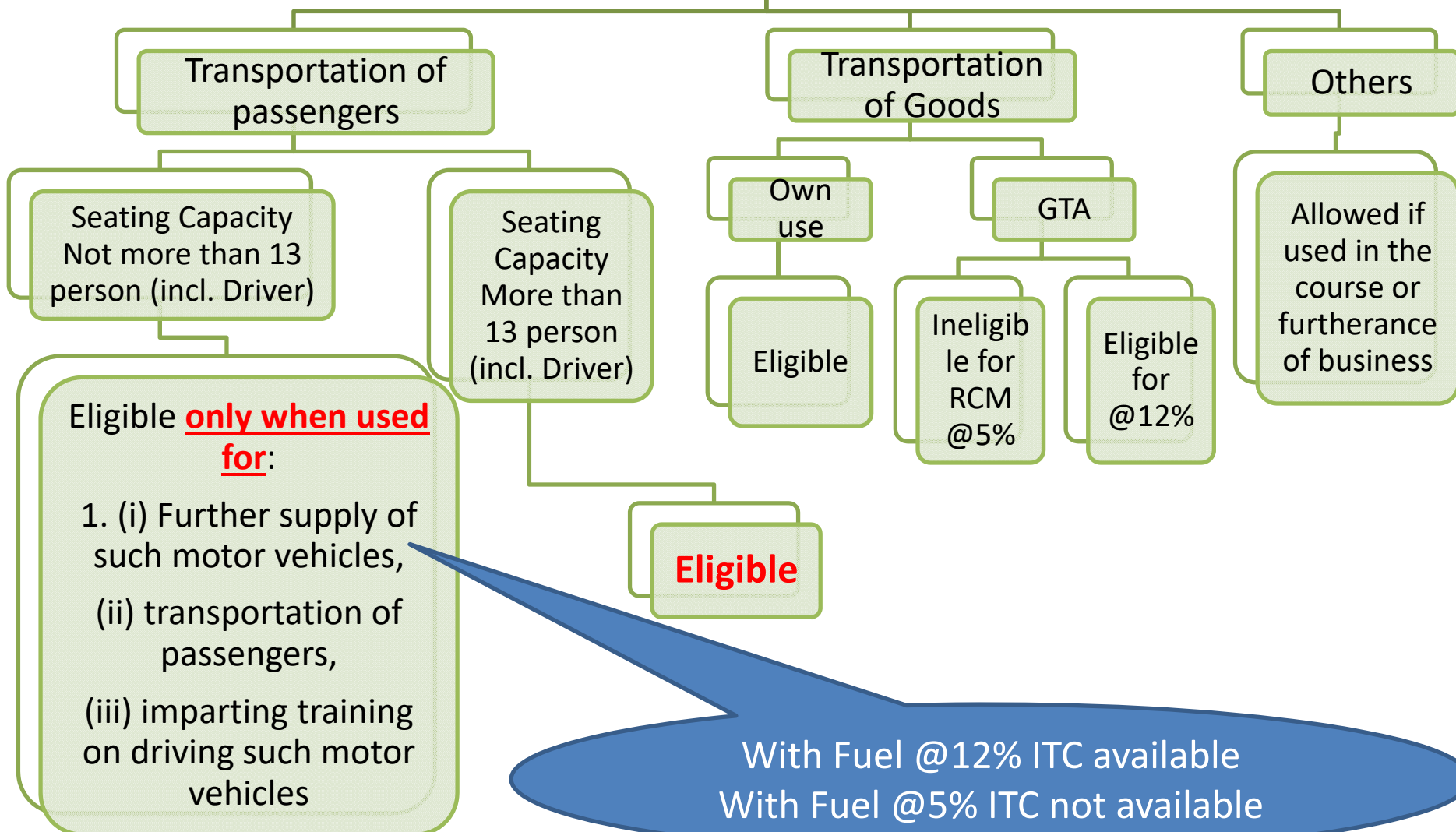
GMJ

In relation

- ITC shall not be available in respect of
- motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), vessels and aircraft except when they are used for making the following taxable supplies, namely
 - further supply of such vehicles or conveyances
 - transportation of passengers
 - imparting training on driving such motor vehicles, navigating such vessels or flying such aircraft
 - Vessels and aircraft used for transportation of **Goods**



ITC on motor vehicles



ITC of Motor Vehicles

ITC of Motor Vehicle for Transportation of Money by Banking Co. or Financial Institution

Money =
Neither Goods
Nor Services

Up to
31.01.2019

W.e.f 01.02.2019

Ineligible as
per sec 17(5)

Eligible as per
sec 17(5)



17(5) – ITC of Dumper, Work Trucks, Other Special Purpose Motor Vehicles



Person A



Sale of Construction Vehicles to Person B



Purchase from Person A



Person B

Up to 31st Jan, 19

Input Tax Credit

Ineligible as per Section 17(5)(a)

W.e.f 1st Feb, 19

Input Tax Credit

Eligible

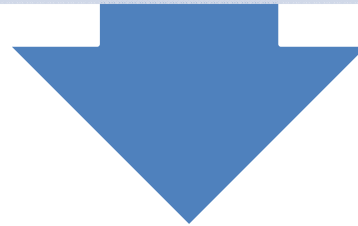
- Repair and maintenance, servicing, general insurance relating to motor vehicles, vessels or aircraft shall not be available except where
 - Motor vehicles, vessels or aircraft are used for the purpose specified
 - Above services are received by a taxable person engaged in the manufacture of such motor vehicles, vessels or aircraft; or in the supply of general insurance services in respect of such motor vehicles, vessel or aircraft insured by him

Credit not allowed 17(5)(b)



Allowed only for outward supply of same category or as element of composite/mixed supply If obligatory for employer to provide its employee under any law for the time being in force

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



Membership of

club, health and fitness centre



Travel benefits

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

Credit not allowed 17(5)(c) & (d)

- Works contract services when supplied for construction of immovable property,
 - other than plant and machinery,
 - except where it is an input service for further supply of works contract service;
- goods or services received by a taxable person for construction of an immovable property other than plant and machinery, on his own account incl. when used for furtherance of business
- **Construction** includes re-construction, renovation, addition, alteration, repair - to the extent of capitalization to said immovable property
- **'Plant and Machinery'** means apparatus, equipment, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation and structural supports **but excludes** land, building or any other civil structures, telecommunication tower, pipeline laid outside factory premises



Credit not allowed 17(5)(e)(f)(g) and (h)

- Tax paid under Composition
- Received by Non-resident taxable person except on goods imported by him
- Used for personal consumption
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- ITC wrongly availed or utilised by reason of fraud etc.
- Detention, seizure and release of goods and conveyances in transit
- Confiscation of goods and/or conveyances



Clarifications based on Circular No. 92/11/2019-GST dt. 7th March, 2019

- ITC in relation to gifts or free samples distributed without consideration **shall be available** where such distribution is covered under Schedule I.
- ITC in relation to supply of goods or services as part of **‘Buy One Get One Free’** offers shall be eligible as it shall be treated as supplying 2 goods for the price of one.
- In case of **“Buy more, Save more”** scheme and **post supply/volume discounts** established **before or at the time of supply**, the supplier shall be entitled to avail the ITC in relation to supply of goods or services on such discounts.

ITC on Registration



ITC of Inputs held in Stock, semi-finished, finished goods

Applied for registration within 30 days of becoming liable, ITC of stock held immediately preceding the date from liable to pay tax	Applied for Voluntary Registration, ITC of stock held immediately preceding the date of registration	Switched from Composition to Normal Levy , ITC of stock held and Capital goods immediately preceding the date from liable to pay tax	Where exempt supply by RTP becomes taxable supply, ITC of stock held and Capital goods exclusively used for such exempted supply immediately preceding the date from which supply becomes taxable
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No Credit after the expiry of 1 year from the date of issue of invoice for such supply

Manner of Claiming Credit in special circumstances Rule 40

- Within 30 days to becoming eligible for ITC, file Form GST ITC-01 specifying inputs in stock, semi/finishes goods, CG
 - Held on day preceding the date from which liable to pay GST
 - Held on day preceding the date of grant of registration (for voluntary registration)
 - Held on day preceding the date from which liable to pay under normal levy instead of composition
 - Held on day preceding the date from which exempt supplies become taxable
- **Form ITC-01 to be certified by practicing CA/Cost Accountant if claim of CGST, SGST, IGST exceeds 2 lakhs**
- ITC claimed shall be verified with GSTR-1 of supplier

Composition Levy  Normal Levy

ITC on CG reduced by 5% per
quarter/part thereof

Exempt Supply  Taxable Supply

Change in the Constitution 18(3) **GMJ**

on account of

sale, merger, demerger, amalgamation, lease or transfer of the business

As per Circular No. 96/15/2019-GST dt. 28th March, 2019 transfer of business includes transfer by reason of death of proprietor

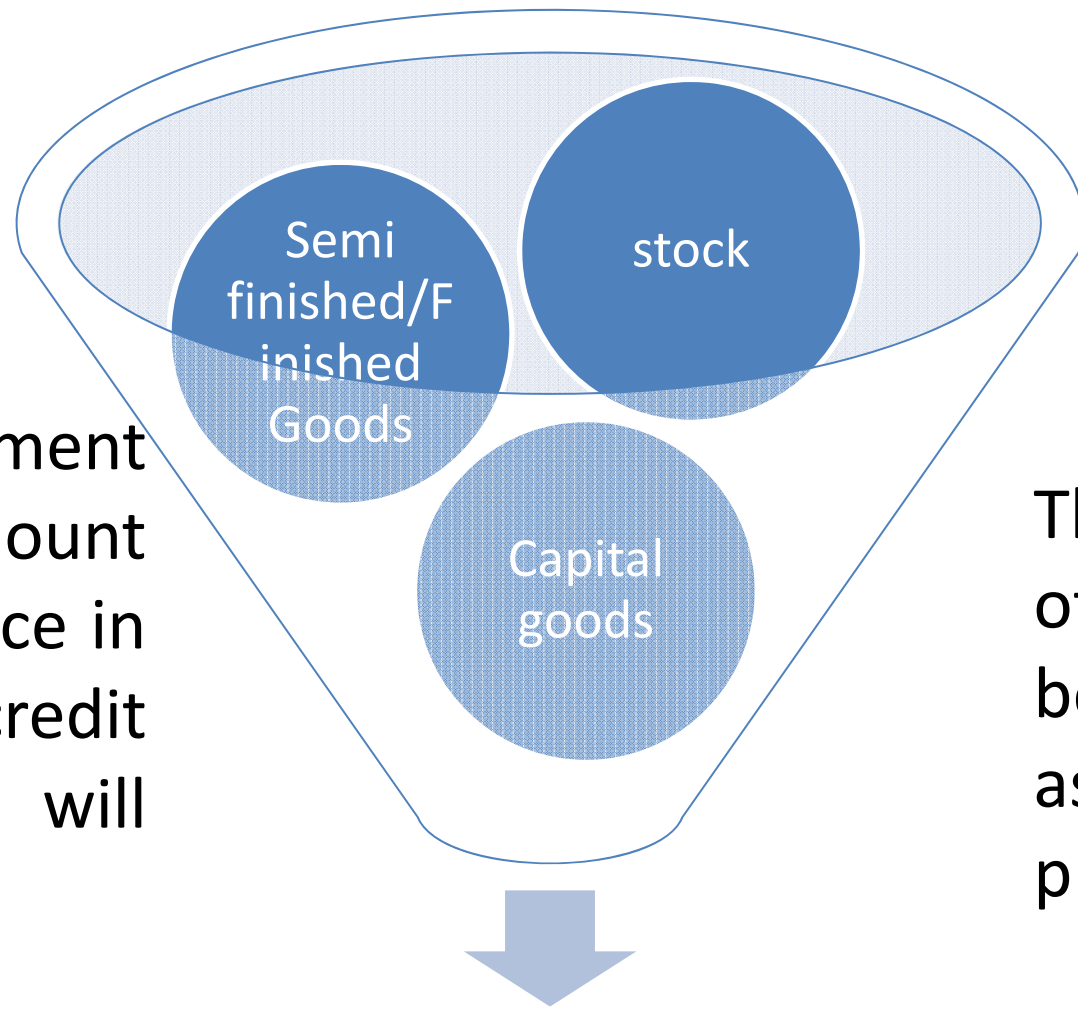
for transfer of liabilities

allowed to transfer the unutilised ITC in the manner prescribed

Rule 41

- Registered Transferor shall file **Form GST ITC-02** with request to transfer unutilized ITC lying in electronic credit ledger to transferee
- In case of de-merger, ITC to be apportioned in ratio of value of assets of new units specified in demerger scheme
- **Transferor to submit certificate from practicing CA/CS that sale/merger/de-merger, etc. done with specific provision for transfer of liabilities**
- Transferee shall accept ITC-02 on common portal
- Inputs and CG transferred to be accounted for by the transferee in his BOA

Switch to Composition / Exemption



After payment of such amount if any balance in electronic credit register it will lapse

The amount of credit shall be computed as may be prescribed

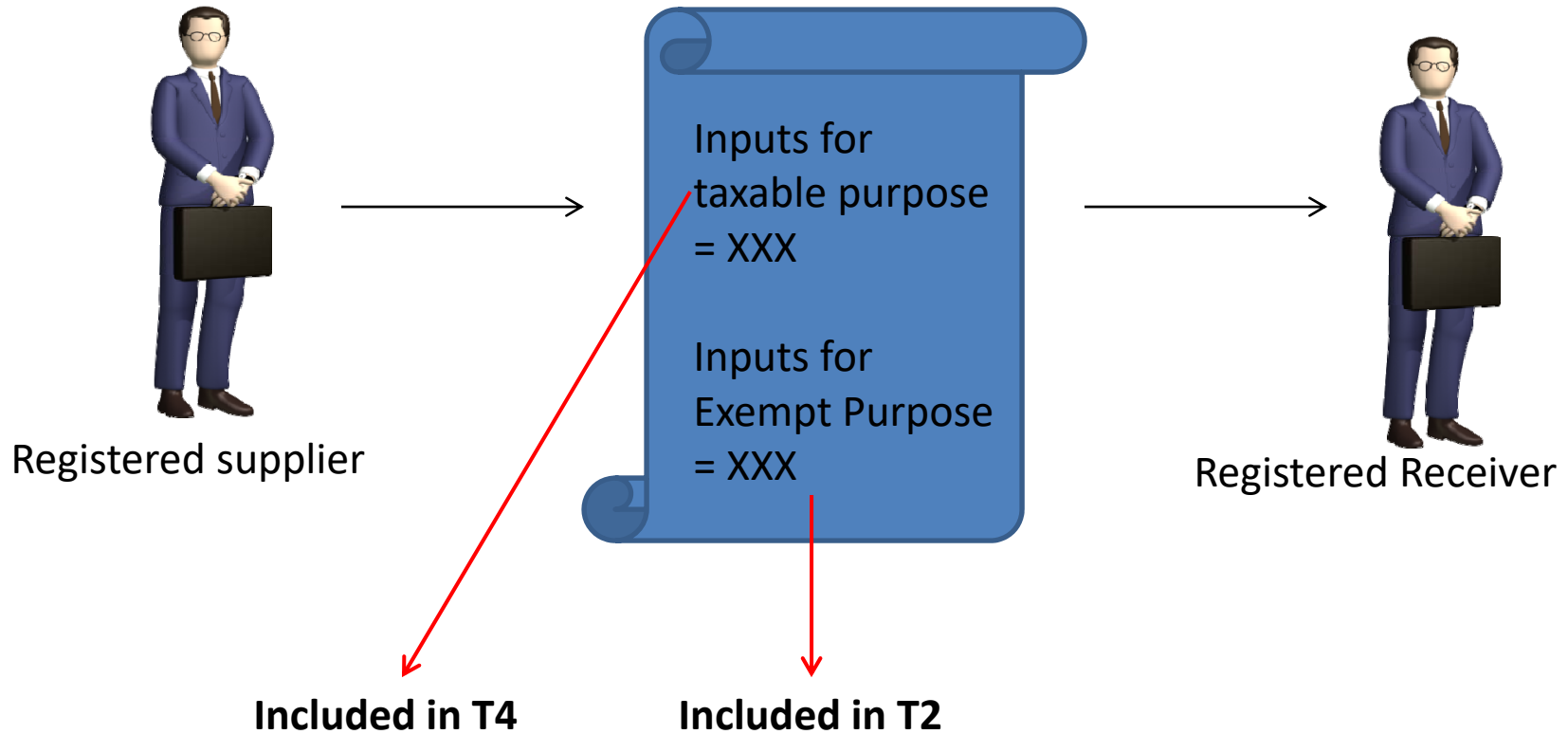
Debit electronic cash / credit ledger amount equivalent to credit of input tax in respect of inputs held in

Rule 41A



- A registered person who has **obtained separate registration for multiple places of business** in accordance and who **intends to transfer**, either wholly or partly, the unutilized ITC to any or all of the **newly registered place of business**, shall furnish within a period of thirty days from obtaining such separate registrations, the details in FORM GST ITC-02A
- The ITC shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration.
- The newly registered person (transferee) shall, on the common portal, **accept the details** so furnished by the registered person (transferor)

Invoice level segregation



Reversal of Inputs and Input Services Rule 42

Particulars	Notation	Action	Amount
Total Credit	T		1,00,000
ITC for non business purpose	T1	Reversal	10,000
ITC for exempt supply	T2	Reversal	7,500
ITC ineligible [17(5)]	T3	Reversal	5,000
ITC for table supply used for business purpose	T4	Allowed	70,000
Balance ITC – Common Credit	C2		7,500
ITC partly used for non business out of common credit (5%of C2)	D2	Reversal	375
ITC partly used for exempt supply out of common credit (c2*ES/TT)	D1	Reversal	1,500
Common Credit available [C2 – (D1 + D2)]	C3	Allowed	5,625
Total available credit for Off Set liability (C2+C3)		Allowed	75,625
Total turnover in the state	TT		1,00,00,000
Exempt supply	ES		20,00,000

Exempt Supply

- “**exempt supply**” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes 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

Exempt Supplies:

- ATF, HSD, Petroleum Crude, Petrol, Natural Gas?
- Alcoholic liquor for human consumption?
- ENA?

Exempt Supply shall exclude

GMJ

- ~~Supply of Service to Nepal or Bhutan against payment in INR. (Omitted vide Notf No. 03/2019-CT dt. 29.01.2019 wef 1st Feb, 2019)~~
- Interest other than Interest earned by Bank, NBFC, FI.
- Transportation of Goods in vessel for export
- Aggregate value of Exempt supplies and total turnover shall exclude Excise, VAT etc. Alcohol, Petroleum products etc.
- Schedule III (except Sale of Land & Building) (Inserted by CGST Amendment Act, 2018, wef 1st Feb, 2019)

Month	Taxable supplies	Exempt supplies
July	100,000	50,000
August	0	100,000
Purchases In August towards	75,000	25000



Here even if there are no taxable supplies in August, ITC of 75,000 can be taken

In case 75000 is common credit, the same can be availed by applying ratio of July

Final settlement of ITC in September

C3 shall be again calculated for the entire year on or before 20th October of the succeeding year.

In case C3 calculated every month is greater than Final C3 for that year

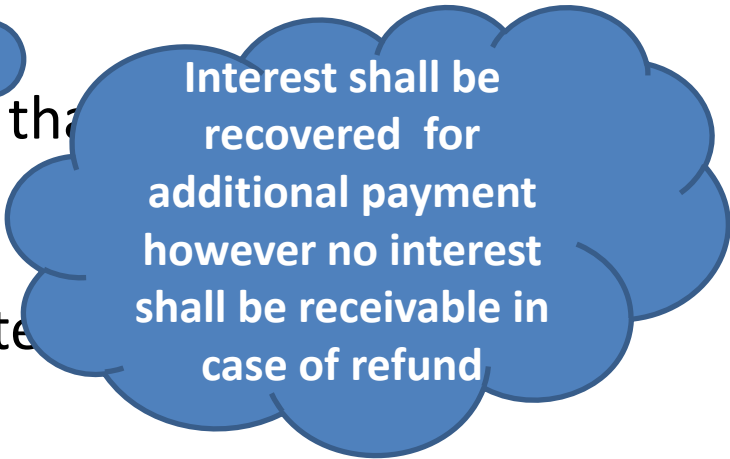


Reversed not later than 20th October of succeeding year along **with interest** from April of the succeeding year

In case C3 calculated every month is less than Final C3 for that year

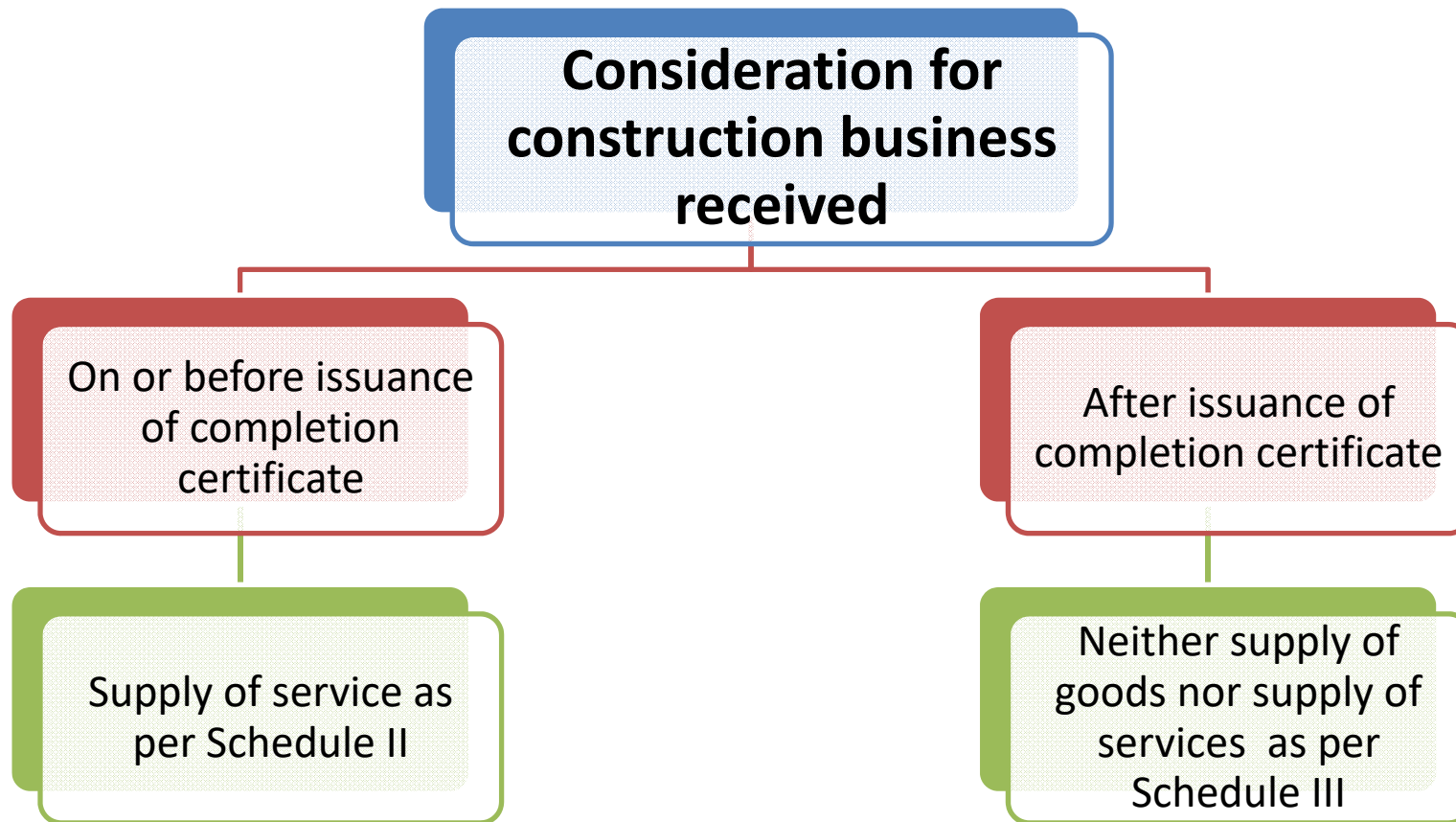


Added to electronic credit ledger not later than 20th October of succeeding year



Interest shall be recovered for additional payment however no interest shall be receivable in case of refund

Reversal under Rule 42 for construction business **GMJ**



Since there are above two probabilities in case of construction services, Rule 42 has been amended vide Notification No. 16/2019-CT dated 29/03/2019 wef 01/04/2019

How ITC has to be Reversed?

PROJECT START DATE

YEAR	ITC AVAILED	FLATS SOLD	CONSIDERATION RECEIVED	OC PAID
2018-19	0.5 CR		-	
2019-20	1		15CR	Cr. After izing ITC
2020-21	1.3		55 CR	Cr. After izing ITC
2021-22	2.5	10	85 CR	10.2 Cr. By ng ITC. ce ITC
2022-23	2.5 CR	10	85+80=165 CR	
TOTAL	8.0CR	50		01 3.8 Cr

Since Part of Consideration is received before OC hence entire will be Non-Taxable

Since entire Consideration is received after OC hence entire will be Non-Taxable

What about ITC? Balance Of 1.3Cr Availed in C.Y. 2.5 Cr Total 3.8 Cr. Taxable

80Crs. Is Not-Taxable

TOTAL NUMBER OF FLATS- 50

OC Received 01.04.2022

Each flat is Sold at 6Crs. After OC Each Flat is sold for 8Crs

Which method to be followed?

If as per Turnover 22-23

Total Credit = **2.5 cr**

Taxable T/o = 85Cr.

Exempt T/o = 80Cr.

Credit to be Reversed =
 $2.5 \times 80/165 = \text{Rs } 1.21 \text{ cr}$

If as per Area

Total Credit = 20 Cr.

Sold Before OC = 40

Sold after OC = 10

Credit to be Reversed =
 $20 \times 10/50 = \text{Rs. } 4\text{Cr.}$

How is IT to be

If as per Total Value

Total Credit =
Total
Total S
Cr.
Cred
 $20 \times 80/320 =$

The value to be
calculated for each
project separately
w.e.f 1st April, 19

W.e.f 1st April, 2019
for other than
residential project
and for residential
if continued in old
scheme for ongoing
project

Upto 31st
Mar, 2019

Reversal of credit of Capital Goods Rule

43

	Particulars		Treatment
Add:	Total Input Tax Credit on CG	T	
Less:	Exclusive for other than business/exempt supplies		No credit in elec. credit ledger
Less:	Exclusive for taxable supplies		Full credit in elec. credit ledger
	Net Common Credit of CG	Tc	Avail equally every month for 60 months
Less:	Credit attributable to exempt supplies – reverse in t/o ratio	Te	Reverse every month for 60 months

From the date of Invoice

- **Change of use of CG from exempt/non-business/taxable to common use or vice versa, reduce ITC of CG by 5% / quarter**

ITC relating to common use		month	July	August	Sept	Total
Computer	Pur	60	10,000			10,000
Furniture	Pur	60		20,000		20,000
Add : ITC on change of use	Added	30			2,500	2,500
Total of ITC of CG relating to common use			10,000	20,000	5,000	32,500
ITC for the Tax Period						
Computer	Tr		167	167	167	500
Furniture	Tr			333	333	667
Add : ITC on change of use	Tr				83	83
Total of ITC of CG relating to common use for a tax period	Tm		167	500	583	1,250
Total Turnover	F		10,00,000	11,00,000	12,10,000	
Exempt Supplies	E		1,00,000	95,000	90,250	
Total of ITC of CG relating to exempt supplies	Te		17	43	44	103
Interest on (Te)			-	3	10	13
Total Amount to be added to output liability			17	46	54	116

Example

Particulars	Amount
Cost of Machinery	1,00,000/-
Tax @ 18%	18,000/-
Total	1,18,000/-

However, if ITC is taken of 18,000/-, Depreciation shall be allowed only on 1,00,000/- under Income Tax

Suppose this machinery is used for providing taxable as well as exempt supply, proportion of credit shall be reversed as per rule 43.

Reversal ratio	10%
Reversal amount	1,800
Available credit	16,200



Hence in the above case, person has lost ITC of Rs 1,800/- and also depreciation on Rs 1,800/- since he claimed the entire credit.

Final settlement of ITC

- The amount T_e along with the applicable interest shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit.



Rule 44



Inputs, semi finished goods and finished goods

Proportionately on the basis of corresponding invoices on which credit had been availed

Prevailing Market Price

Capital Goods

ITC on remaining useful life computed on pro rata basis taking useful life 5 years

- ➔ Shall be determined separately for CT, ST, UT, IT,
- ➔ File form GST ITC – 04 for Composition / Taxation & GSTR 10 for cancellation of Reg
- ➔ **Details of prevailing Mkt Price shall be certified by a CA or Cost accountant**

Illustration for capital goods

- 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**

When the capital goods were used exclusively for effecting exempt or for non-business purpose, but subsequently used for effecting both taxable and exempt supplies.

Particulars	Up to 31 st March 2020	From 1 st April 2020
Date of Purchase of CG	1 st April 2019	1 st April 2019
Change in Nature of Supply	1 st July 2020	1 st July 2020
ITC on said goods	Rs. 1,20,000/-	Rs. 1,20,000/-
The above ITC was not taken in the month of April 2019 as it was used for making Exempt supplies.		
ITC to be taken in July 2020	Rs. 90,000/- [Rs.1,20,000- (Rs.1,20,000*5%*5)]	Rs. 1,20,000/-
ITC to be considered in Outward Liability	-	Rs. 30,000/- (Rs. 1,20,000* 5%* 5)
Common Credit to be considered for reversal	Rs. 1,500/- (Rs. 90,000 / 60)	Rs. 2,000/- (Rs. 1,20,000 / 60)
Exempted to total turnover ratio for the month of July 2020	20%	20%
Amount to be reversed for the month of July 2020	Rs. 300/- (Rs. 1,500*20%)	Rs. 400/- (Rs. 2,000*20%)
*Interest will also be applicable on reversal of ITC (every month) @18% from the date of availment to the date of reversal of ITC.		



When the capital goods were used exclusively for effecting taxable supplies, but subsequently used for effecting both taxable and exempt supplies.

Particulars	Up to 31st March 2020	From 1st April 2020
Date of Purchase of CG	1 st April 2019	1 st April 2019
Change in Nature of Supply	1 st July 2020	1 st July 2020
ITC on said goods	Rs. 1,20,000/-	Rs. 1,20,000/-
ITC to be taken in April 2019	Rs. 1,20,000/-	Rs. 1,20,000/-
ITC to be taken in July 2020	-	-
Common Credit to be considered for reversal	Rs. 1,500/- [Rs. 1,20,000 - (Rs. 1,20,000*5*5%)] /60	Rs. 2,000/- (Rs. 1,20,000 / 60)
Exempted to total turnover ratio for the month of July 2020	20%	20%
Amount to be reversed for the month of July 2020	Rs. 300/- (Rs. 1,500*20%)	Rs. 400/- (Rs. 2,000*20%)
*Interest will also be applicable on reversal of ITC (every month) @18% from the date of availment to the date of reversal of ITC.		

ITC in case of Job Work Sec 19

ITC available to principal in respect of Inputs/ capital goods sent for Job Work

Entitlement	Conditions	Period of Return
Inputs	Sent by Principal or directly sent without bringing first to Place of	3 year
Capital Goods	Business of principal, returned after completion of Job work	5 years

- If not returned within prescribed period then deemed to be supply on the day when such inputs/ capital goods were sent to jobworker.

Restriction on use of amount in



Electronic Credit Ledger - Rule 86A

- The Commissioner or an officer not below the rank of an AC,
- Having **reasons to believe** that credit of ITC available in the electronic credit ledger has been **fraudulently availed or is ineligible** in as much as:
 - the credit of input tax has been availed on the strength of tax invoices, etc. as prescribed under rule 36
 - ❖ 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
 - ❖ without receipt of goods or services or both; or
 - Tax has been not paid by the supplier; or
 - 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
 - The registered person availing any credit of input tax is not in possession of a tax invoice, etc.

Restriction on use of amount in Electronic Credit Ledger - Rule 86A

- 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.
- 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.
- Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.

Some issues related to Covid-19

- Can ITC be claimed on Rent Invoices not paid for the lockdown period?
- Whether ITC can be claimed on purchase entries passed in books in March 2020 however the goods were not received till 31st March 2020 due to lockdown?
- ITC on Sanitation, Thermometers , Safety equipment?
- ITC on Group Medical Insurance?
- Work form Home: Employees premises will be treated as place of business?
- ITC on Gadgets , Equipment's , Installation services, etc. at employee residences due to work from home?



**Opinions or views
are like wrist
watches.**

**Every watch shows
different time from
others.**

**But every one
believes that their
time is right!**



Information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of particular situation.

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