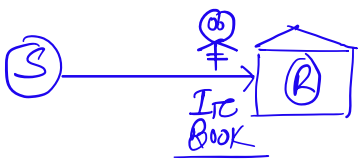
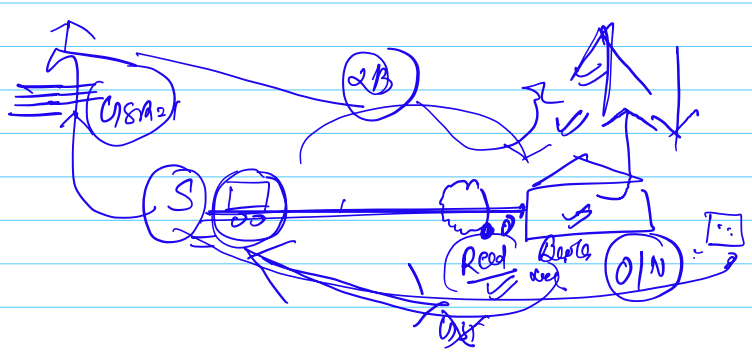
: INPUT TAX credit :



Section 16 : 12 conditions to Book ITC - Generally ✓
section : 17 : common credit & Blocked credit
Section 18 : ITC Booking in Special CASES

section : 19 : ITC @ JOB worked
Section 20 : } INPUT SERVICE DISTRIBUTOR
section : 21 : }
Rule: 42|43 : Apportionment of common credit & Circulars.

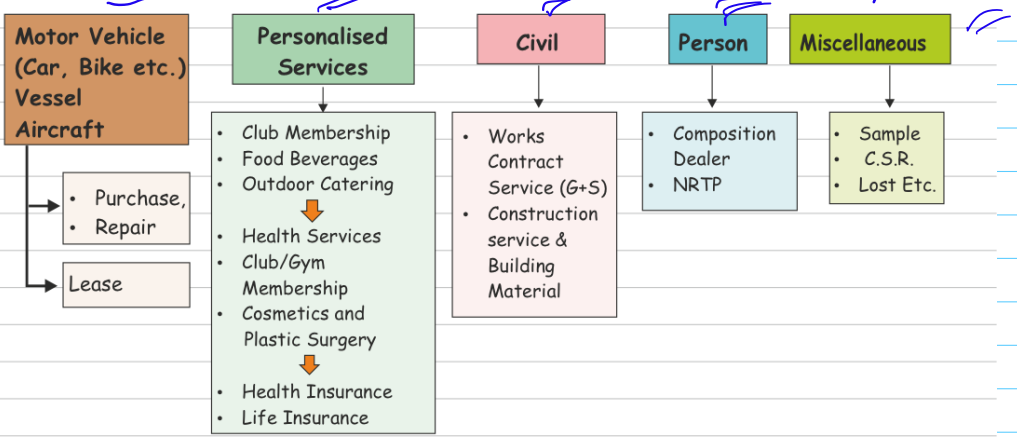


SECTION: 16

Sn	12 conditions to Book ITC
1	Recipient should have Invoice issued by Supplier/SELF, Invoice/Debit NOTE/ISD Invoice/Bill of ENTRY to claim ITC.
2	Goods/Service-Received by Recipient himself or Received by III Party on Behalf of Recipient.
	Note 1: If Goods Received in instalment /LOTs then ITC shall be allowed on receipt of last lot.
	Note 2: where Supplier fall under the provisions of Section 38 (Discussed in Filing of Return chapter) then NO ITC shall be allowed.
3	Recipient Need to file Valid GSTR 3B on time
4	Supplier Need to file Valid GSTR 3B on time.
	Effect of Non-payment of tax by the supplier
	a) Inward supply taken by recipient
	b) GSTR 1/1A filed by Supplier
	c) ITC amount reflected in GSTR 2B of Recipient
	d) ITC claimed by recipient
	e) Supplier did not pay GST by 30th September of next financial year
	f) Then Recipient need reverse or Pay Equal amount by 30th November
	g) If not paid by recipient by above date, then he is liable to pay the amount with Interest under section 50.
	h) Now if supplier pay the amount of GST
	i) Then Recipient will be eligible to Re-book ITC.
5	**Condition of 180 days for bill payment-**
	a) Inward supply taken by recipient
	b) ITC booked by the recipient on the basis of INVOICE.
	c) Bill amount not paid by recipient within 180 days from bill date.
	d) Then recipient is required to reverse or pay the full or proportionate amount with interest.
	e) If later on recipient pay the full or proportionate bill amount.
	f) Now recipient is eligible to Re book ITC on bill payment basis.
	Note: 1 This condition is not applicable on RCM cases and free of cost supplies.
	Note: 2 Supplier's obligation paid by Recipient then the amount shall be counted in Bill amount payment to supplier.
6	INWARD Supply: USE/intended to be used for Business or Furtherance of business.
7	Recipient's output Supply should be non-exempted.
	What about common USE: make it Proportionate and restricted it to non-exempted and business purpose.
8	Keep in mind Last date to Book ITC - Last date:
	30th November of NEXT financial Year OR Annual Return Actual filing date: whichever is Earlier [But this condition is only for original Booking of ITC i.e. not for re-availment.
9	Recipient can take Either ITC or Depreciation Under Income-tax Act.
10	CAPITAL Goods must be Used for whole life, IF partly used then: Make it proportionate as per prescribed method.
11	No ITC shall be allowed of the TAX arise on Re-Assessment/ Fraud etc. U/s : 74 /74A
12	Received supply should not be a NEGATIVE listed supply as defined in Sec: 17(5).

Section : 17(5), (6)

BACKGROUND OF BLOCKED CREDIT



Thumb Rules -1 : Which is not fall @ above ITC shall be allowed, subject to other conditions.

Thumb Rules -2

Gud	Ganna
✓	✓
✗	✓
✗	✗

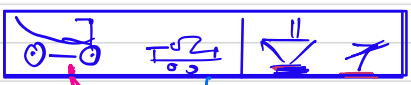
Thumb Rules -3 : Tit for Tat (Jaise ko Vaisa)

Thumb Rules -4 : Legal Obligation

SECTION 17(5): Blocked Credits

A) ITC of GST paid on:

- Purchase of Motor Vehicle/ Aircraft/ Vessel,
- Lease Rental of Motor Vehicle/ Aircraft/ Vessel
- Related Services (e.g. Repair, Insurance, etc.)



*Motor vehicle (Max. 13-seater) e.g. scooter, car, etc. Vessel / Aircraft

PURCHASE / Lease

- No ITC shall be allowed → In General
- ITC shall be allowed → S) For further supply business, T) For transportation of goods / passenger business, D) Driving / flying / Navigation Business

*Related Services- e.g. Insurance e.g. Repair, Maintenance

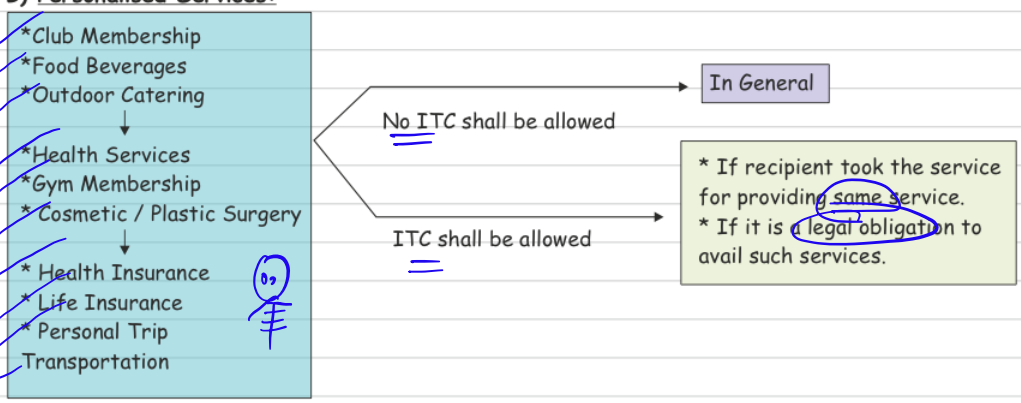
- No ITC shall be allowed → In General
- ITC shall be allowed → S) For further supply business, T) For transportation of goods / passenger business, D) Driving / flying / Navigation Business
- ITC shall be allowed → * Manufacturer of Motor Vehicle/ Aircraft/ Vessel, * Insurance Companies providing insurance services by way of insurance of Motor Vehicle/ Aircraft/ Vessel

TATA

Comment:

What about Truck, Bus?? ITC not blocked u/s 17(5), so allowed, if all the other conditions u/s/ 16 are satisfied.

B) Personalised Services:



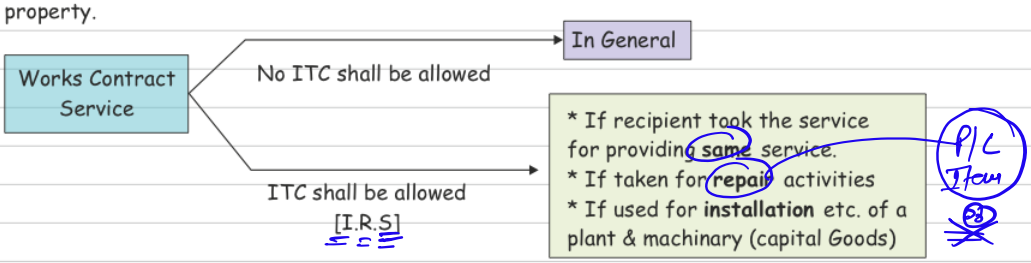
C) Works Contract Service:

· Goods and Services @ Single Value

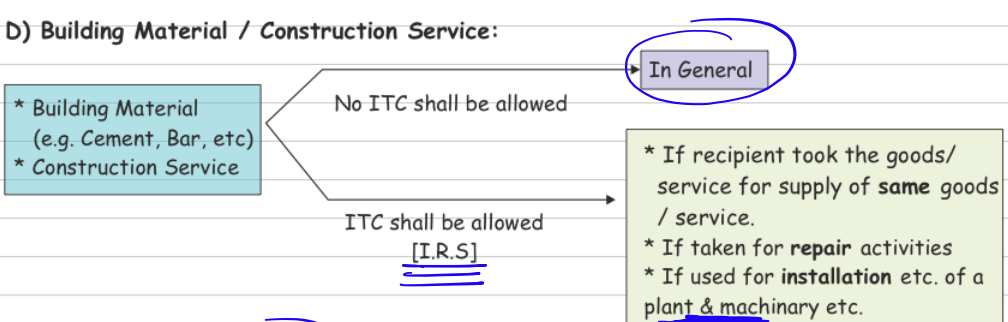
And

· Resultant property is an Immovable Property

Comment: Telecommunication Tower, Pipeline laid outside the premises will also be called as immovable property.



D) Building Material / Construction Service:



'Explanation 1.': "Construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

'Explanation 2.--it is hereby clarified that notwithstanding anything to the contrary contained in any

judgment, decree or order of any court, tribunal, or other authority, any reference to "plant or machinery" shall be construed and shall always be deemed to have been construed as a reference to "plant and machinery.

E) Composition Dealers / NRTP / CTP:

→ Composition Dealer

No ITC shall be allowed

→ NRTP (Non-Resident Taxable Person)

IGST paid on import of goods: ITC allowed

Any Other ITC – Not Allowed.

Comment: No such restriction for Casual Taxable Person (CTP).

F) Free Sample Distribution / CSR Activities:

*Inward Supply taken, but-

-Lost, Destroyed, Stolen

-Used for personal purpose (i.e. finally, not used for Business purpose)

↓

ITC shall not be allowed.

*Goods purchased and used for free sample distribution:

=> No ITC shall be allowed.

*Goods or services received for distribution under CSR activities (Corporate Social Responsibility):

=> No ITC shall be allowed.

SECTION 17(1): Business & Non Business

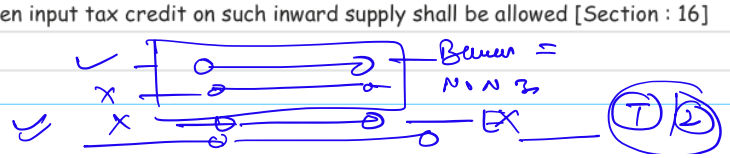
(i) **Exclusive business purpose:** Where any inward supply is used for business purpose then input tax credit to recipient shall be allowed [Section: 16]

(ii) **Exclusive Non business Purpose:** Where any inward supply is used for "non - business" purpose then NO Input Tax Credit shall be allowed to Recipient [Section : 16]

(iii) **Common Usage:** Where inward supply is used commonly for business as well as non -business purpose then proportionate Input Tax Credit shall be allowed [Section : 17(1)]

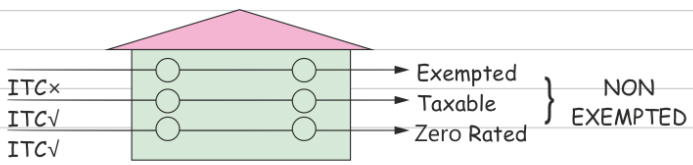
SECTION : 17(2)&(3) Exempted & Non Exempted

(i) **Exclusive Non exempted purpose:** Where any goods are used in NON EXEMPTED [Taxable, Zero Rated] Purpose then input tax credit on such inward supply shall be allowed [Section : 16]



(ii) **Exclusive Exempted Purpose:** Where any goods are used in exempted supplies then input tax credit as related inward supplies shall not be allowed [Section : 16]

In other words:



MONTHLY

(iii) **Common Usage:** Where any inward supplies are used commonly for "Exempted as well as non- exempted purpose then input tax credit shall be allowed at proportionally".

Sec: 17 + Rule: 42 + Rule: 43 (FY = 19-20)

For ITC Purpose Deemed life of capital Goods will be 5 Years ie 60 Months

Input and Input Service Sec: 17+ Rule: 42

Monthly Calculation [for Every Month]

1. Book Total Common Credit = 18000 (GST as Given in Invoice Received)
2. Reverse [Ineligible Credit (FAT)] = 8000

Net ITC for the month 10000

How to Calculate: (FAT)

(a) If we know the Quantity of usage for eligible and Non eligible purposes then: Calculate it on Actual Basis

(OR)

(b) Otherwise USE the formula Given by Law maker

→ Related to exempted supplies = C.C.* E.T/T.T. (ie Proportionate in T/O Ratio)

(T/O = T/O within the State Exc. All Taxes)

→ Related to Non Business Purpose = 5% of C.C.:XXX

(FAT)

Capital Goods Sec: 17+ Rule: 43

Monthly Calculation [For Every Month]

1. Book the whole common credit [C.C] :18000 (as Given in Invoice Received)
2. Reverse the Ineligible Amount on Monthly Basis (Reversal :Pay AN Amount) :XXX

How to Calculate Ineligible Amount ie FAT

Spread the Total C.C over the deemed life (60 Months) of the C.G. (18000/60 Months) = 300 [Monthly C.C.]

(60 Months)

300 300 300 300

Eligible ITC | Non Eligible ITC (FAT)

On the Basis T/O Ratio - FAT = 300 × ET (30L) / TT (70L) of that Month :₹128.57 and you need to pay this amount for that month

Mark

Rule = 92

Input & I.S

Quarter

R:1

S → R

1 unit Plain 1 Part

18000/= IC

Use mix

Mcq

Rule = 43

Capacitor

Reference

Material & Space Current IC over the a Portal-

Expand.

300

Plain + Use 18K

1.18K full IC

300 × 60 Flexible IT Zero

18000 / 60 M

300 km

Tag : 18000 ₹ - A Child

Pol

A

Money Extra

8000 Prof.

CC * ET(M) / TT(M) = V

Money : 5/12 cc

8000 × 12 = 96000 Rupees

To be Rem = 10000

4 Wheel

To be Rec = 90w

C.G

Asset 8000

Taxable IC = 18K

3 Ø ~

3

1 Year

2 axle CF

TT

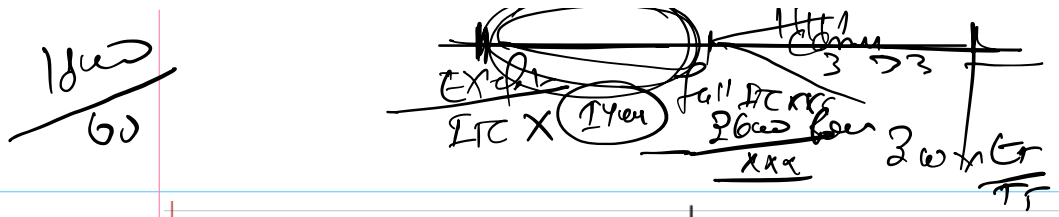
Equ

E

Single

18000 / 60

= 300



ANNUAL Calculation

If the same Data Repeated for every month then Total C.C.will be = 18000×12=2,16,000 FAT (Ineligible Credit) which You have Reversed already (8000×12) = 96000

Now there may be some Dr/Cr.Note.....

For FY: 19-20 that may affects: Reversible Amount

(I) Now Reversible Amount = 90,000

(ii) Now Reversible Amount =1,00,000

So in case (i) we will Re-Book the Credit of ₹ 6000

In case (ii) Now we will have to Pay ₹ 4000 to the Department with Interest WEF: 1/4/20 till Date of Payment [Last Date will be 30/Sep/2020]

THE END

Special CASE:1:

(Period=1) [USE the C.G Exclusively for Exempted]	Cut of date	(Period 2) [USE the C.G for Common purpose]

C.G. Purchased

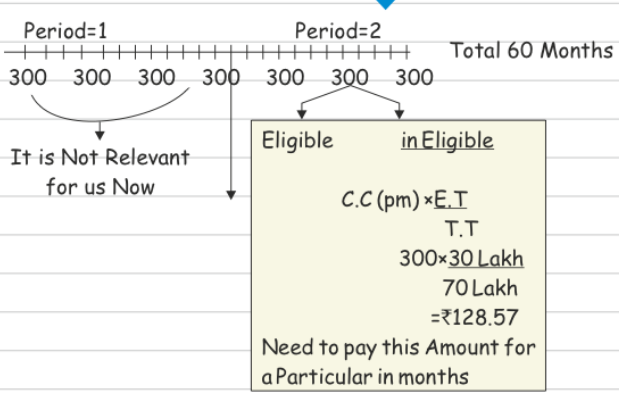
GST:18,000

Now What will we do?

(a) Book the whole itc on cutoff date as mention in Invoice : 18000

(b) Reverse /Payment of an Amount for Entire Period= 1 on Cutoff Date on the Basis of 5% Per Quarter or Part thereof [suppose in Period (1) 6 Quarters are there] so (5%×6 Quarters)=30% Ineligible credit [FAT] For Period(1) = 5400

Now the Question is How to Remove FAT for Period (2) Spread the whole Credit over the life of Capital Goods 18000/60 =300 Per Months



Special Case: 2

(Period=1) Cutoff Date (Period=2)

(CG: use for Non Exempted (Common usage)

Capital Goods Purchased:
GST=18000

Book the whole ITC of ₹ 18000

For Period (1): ITC fully Allowed
For Period: 2 - have to pay monthly Amount

[First of all Spread it over the life of Capital Goods]

(Period 1 and 2)

Total 60 Months

300 300 300 300 300 300

So After cutoff date we Need to pay (FAT) ie Ineligible Credit @ monthly basis

300×ET/TT= ₹ 128.57

Meaning of Turnover [T/O] for Various Purposes

For Common Credit purpose	For I.S.D concept	For Composition Scheme	Registration Limit	For A.V
T/O with in the state	T/o with in the state	T/o with in the state	T/O@ All India	T/O of Taxable Person
All Taxes Excludes	All Taxes Excludes	New Tax [GST and Cess] Excludes	New Taxes [GST and Cess] Excludes	New Tax Excludes

ADDITIONAL OPTION TO BANKS ETC.

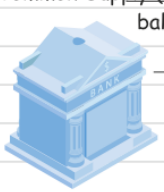
- Supply EXCLUSIVE use in Exempted (No itc)
- Supply Exclusively use in Non-Exempted (full itc allowed)
- NEGATIVE Supply (no itc)
- Common Supply (50% itc allowed and balance not allowed)

BANKING SECTOR



@ Exempted AND Non-Exempted

[full itc shall be allowed]



Bank Branch Supply (Deemed Distinct)

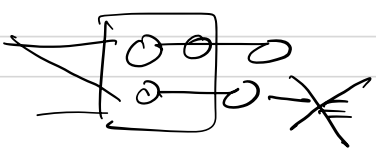
Note Lock in period for the option is SAME FY.

Note: What is exempted and what is non exempted supplies for the purpose of Rule 42 and Rule 43.

What is exempted supplies	What is not exempted supplies
1. Supplies attracting 100 % E/N	1.Supplies where consideration received in form of interest and discount (except Banking co. financial institution, NBFC)
2. NIL rated supplies	2. The Value of Duty Credit Scrip
3. Non- taxable supplies	
4. Supplies taxable under RCM	
5. Securities trading @1%	
6. Sale of land and completed building @ circle rate	
7. supply of Goods Lying in warehouse.	

Note: Value of Exempted supply shall not include the value of negative listed supplies. However following shall be added..

- The value of sale of land and completed Building and
- The value of sale of goods lying in custom warehouse.



Cut off Date : 10/9/XX

SECTION : 18

Section	INPUT / CAPITAL GOODS	Situation	"Stock"	Remark 18(2)
18(1)(a) New Reg	INPUT	UNREG to REG Required & Lawfully U/s: 22 | 24 Note: Registration Application Should be filed with 30 DAYS # IF Applied for REG After 30 DAY: NO ITC	CUTOF Date SE 1 DAY Before JO BHI INPUT KA STOCK HAI in ANY Form CAS SUCH, PART of WIP, PART of Finished Goods : Related ITC Available on Cut off Date	Stock Which is purchase With in 1 year Before cut off: only be be considered for taking ITC.
18(1)(b) New Reg	INPUT	UNReg to Vol. REG U/s: 22	– Same As Above–	– same AS Above
18(1)(c) Already Reg	INPUT & CAPITAL Goods	COMPOSITION to REGULAR (RS) (RS) (RS) (RS)	FOR : INPUTS: same AS Above FOR CAPITAL Goods Total ITC XXX – Usage Period ITC @ 5% per Quarter or Part there (XXX) BACHA KUCHA XX ↳ ITC Available	– Same-As Above–
18(1)(d) Already Reg	INPUT & CAPITAL Goods	Exempted to NON Exempted	FOR INPUTS: Same As Above For Cap. Goods: Same As Above	– same as Above

Section 18(3) : # IF there is change in constitution & BUSINESS
ie PAN CHANGE
Because of Sale, merger, PF to company etc
then Old Registration cancel & Fresh Registration With NEW PAN KARWANA HOGA.

Section 18(4) : Reverse Position :

Earlier
Fall in REGular scheme
Fall in NON EXempted

Later
Now fall in Composition
Now fall in EXempted

Cut-off Date PAR

(*) INPUT in ANY form (कच्चा कुच्चा) : Related ITC = Reverse

(*) CAPITAL Goods :

ITC XXX

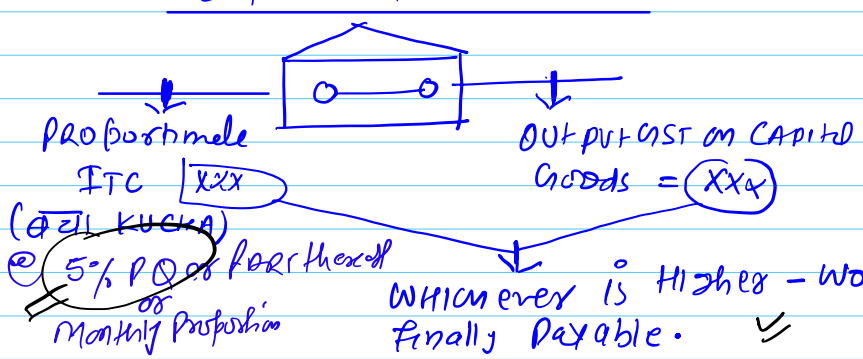
(-) ITC Related to XXX (@ 5% P.Q or Part thereof)
Usage Period

BACHA KUCH @ Reverse

Note: After Reversal of ITC IF ANY Balance is still Available in E-credit ledger - LAPSE.

Section 18(5) : NOT Relevant

Section 18(6) : CAPITAL Goods Discarded in Between ie Before 5 years :

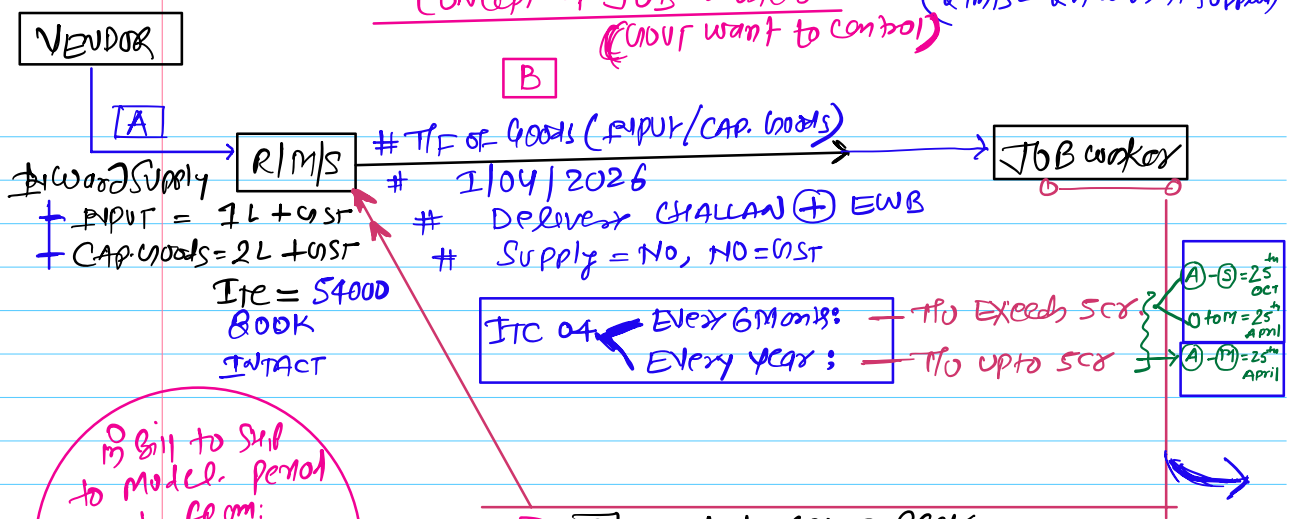


Note: Refractory Bricks, Moulds & Dies, Jigs & Fixtures : only output GST will be payable ie No Reversal of ITC.

Concept of JOB Worker

(R/M/S = RAW MAT Supplier)

(Govt want to control)



Bill to Ship to Model. period count from:
→ Vendor Bill to R/M/S & SHIP to J/W
from the date WHEN J/W receive the goods

C Need to come Back Wi3 in
INPUT = 1 year + EXT (1y) } From 1/4/26
Cap. Goods = 3 year + EXT (2y)

D NOW Compliance of prescribed time limit → then It shall be deemed as a supply on on. 1/4/26 - OTH BHAISAAB = TOS = 1/4/26
9/DOT GST = 20/05/26
ie Now need to pay: GST + INTEREST + Penalty

TABAHI SI MACHA

Limit of 1Y/3Year: for each J/W or All JOB Worker:

R/M/S — J/W1 — J/W2 — J/W3

1/3 Year from 1/4/26.

Whether: R/M/S can Directly Sold to Goods from J/W Premises on payment of GST or EXPORT it: YES : & it will be Included in the Aggr. TO of R/M/S.

BABY — CHHOTA BADA DAD

	Where JOB worker is NOT Registered	Where J/W Registered.
# Registration ??	R/M/S - SHOW - J/W Address as his - Additional Place of Business in RC.	SELF RC (NO ISSUE)
# 300 CR of A/C @ JOB worker	maintain By R/M/S	SELF
# GST ON WASTE & SCRAP	R/M/S	JOB worker

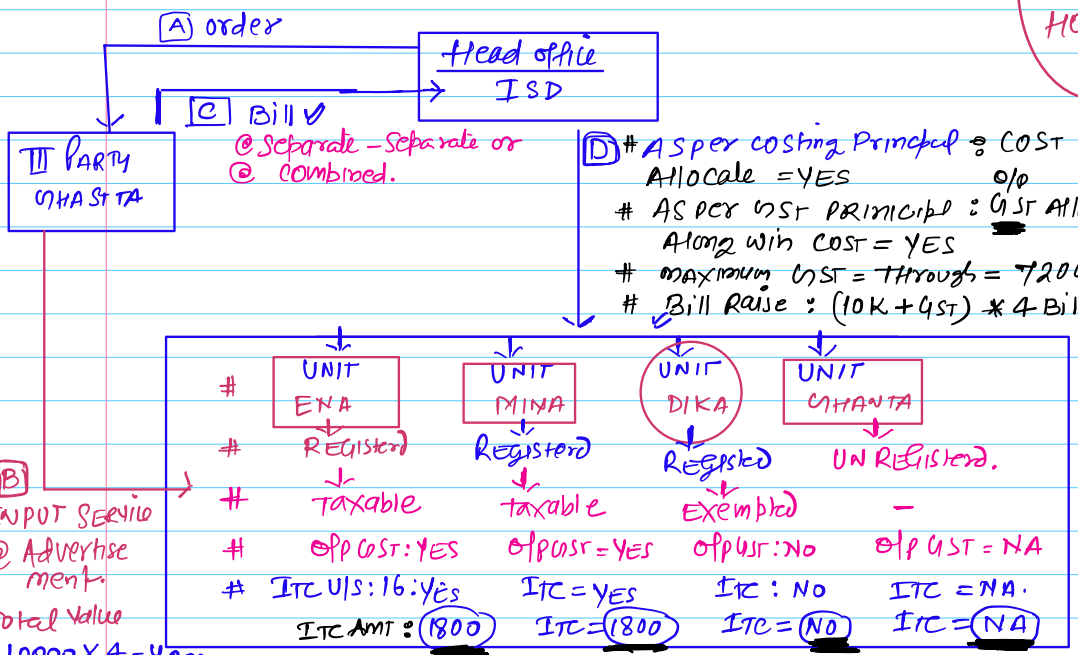
Note: WHAT IF Dies, would ele: NOT Returned Wi3 in time: then @ Deemed Supply Concept Applicable = NO BABY

Section: 20 & 21 : ISD



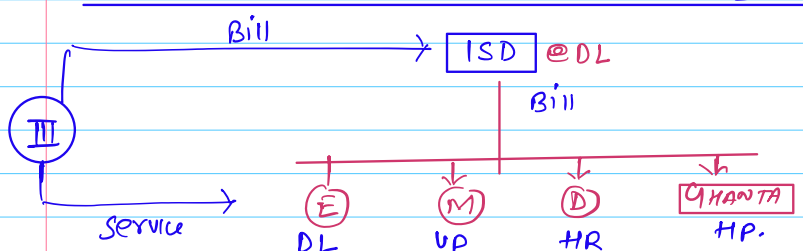
Note: HE WE ARE TALKING ABOUT INPUT SERVICES & NOT INPUT / CAPITAL GOODS.

DISTRIBUTION @ EVERY MONTH. HOGA.



CRUX : IN Reality = NO Positive / Negative effect.
JUST Billing MHUMKAR AA RAHI HAI

HOW TO Distribute ie JO JAISA HAI VAISA HI or After conversion



Where Care of Same State (ie State of ISD & UNIT) ie HOME State
JO JAISA HAI VAISA HI BATEGA ie → IGST - IGST RAHEGA
→ CGST - CGST RAHEGA
→ SGST - SGST RAHEGA.
→ UTGST - UTGST - RAHEGA.

Where case of Diff State (ie State of ISD & State of UNITS)

DL — UP | HR | HP

CONVERSION

THEN Convert All into IGST : ie
- CGST – IGST BANEGA
- SGST – IGST BANEGA
- UTGST – IGST BANEGA
- IGST – IGST



Separate Billy Vs. Comined Billy e FROM III PARTY to ISD

Separate - Separate Billiy BY III PARTY to ISD (ie ISD Recd 4 Bill

(10000 + GST) * 4 Bill

NOW Bill By ISD to UNITS

ISD Shall issue RESPECTIVE Bill to All 4 UNITS. (ie JO JISKE Name se AAYA THA)

Combined Billing By III PARTY to ISD ie ISD Recd : 1 Bill

(40000 + GST) * 1 Bill

" NOW Bill By ISD to UNITS "

How to Break Combined Bill ie Need a Raho...
So USE Raho of TURNOVER of UNITS OF PREVIOUS FINCal year (I) / Previous QTR (II) (Where PFY DATA NOT Available Completely)



T/o Means = EXCLUSIVE OF All TAXES ie NEW/old TAX – All EXclude.

EXISTING BUSINESS

Example : 1

PFY	CFY
E M D G	E M D G
10L 20L 30L 40L	Raho : 1 : 2 : 3 : 4

Q: # Suppose Servic is taken by (E) (M) (G) only.?
RATIO : ?? 1 : 2 : 4

Q: # Suppose (M) is closed in CFY.
Ratio: 1 : 3 : 4

Q: # Suppose in PFY: only (E) (M) (D) was there - GHAUTA is started in CFY: & service taken by All 4.
Ratio: DATA of PFY - NOT completely Available - SO We have to follow the Ratio of T/O in Previous Quarter.

Q: # IN CASE BUSINESS is started in CFY: Then Ratio of T/O of Previous Quarter.

Debit/Credit Note: After Distribution of main Invoice - Some Dr./Credit issued By III PARTY to ISD ??

Solution: Jis Ratio me Related Invoice Data tha In the same Ratio Pass on effect of Dr/Cr. Note By ISD to UNITS

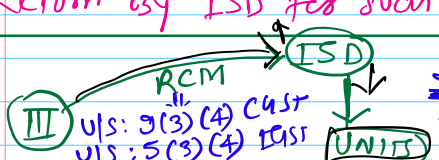
WHAT IF EXCESS credit Distributed By ISD to Any UNIT - ??
Solution: Need to be Reversed / Pay an Equal Amt By UNIT (ENA)
(ie ENA KO MERA CHAHIYE THA = 10K
DE DIYA = 12K)

↓
Along with Interest
↓
Otherwise: S-C-N
↓
Demand Order

Procedural linkage of ISD:

(I) - INVOICE By ISD to UNITS.
(M) - KYA ISD KO E-CASH USE KARNA Padega = NO (JUST OPT.)
(R) - REGISTration of ISD @ Mandatory u/s: 24
(R) - Record By - ISD ✓
(R) - Return By ISD for such Distribution - GSTR: 06

RCM:



⇒ Paid under RCM - Passon to UNITS = YES Possible

CIRCULARS

: Cir. No: 195/07/2023 ⊕ 216/10/2024 :

FREE Warranty Replacement:

(I) Replacement of PARTS: IN CASE of FREE Replacement of PARTS under Warranty - (S) will get ITC in Respect of Replaced PARTS Even though at the time of Replacement of PARTS NO OUTPUT GST is there. Because (S) Already charged the Replcement cost on Average BASIS in the form of warranty charges & Already Paid GST on such charges.

(II) Replcement of whole goods eg CAR: In such case (S) will get ITC in Respect of Replaced Goods like Above.

(III) Classification of EXtended warranty:

EXended warranty

- Given AT the time of Sale of Goods
- By the Supplier of Goods

→ EXtended warranty shall be Classified Along with main Goods

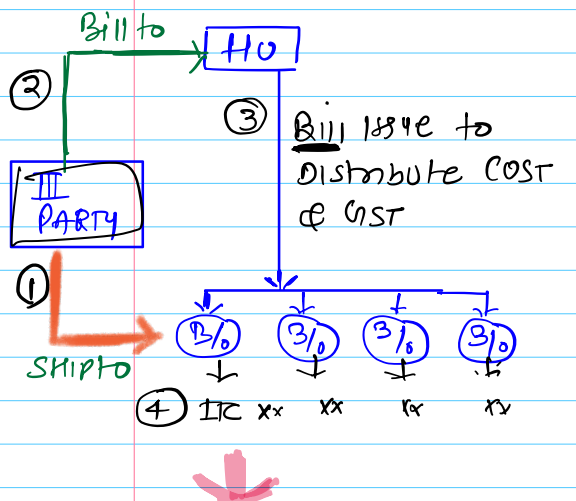
Otherwise
ie Given AT Different time
OR
ie Given By any other person.

→ EXtend warranty shall be classified Independently as SERVICE

Circular NO. 199/11/2022 @ Head office/Brand office

Head office & Brand office

Externally Generated services



#KYA EVERY HO KO ISD REG LENA HOTA HAI = NO

REGISTRATION AS ISD IS Required only when HO want to convert form of GST like : CGST/SGST to IGST. etc.

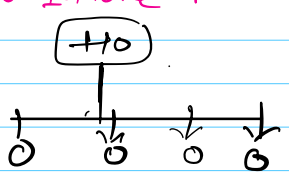
Internally Generated services

Head office Hire ONE CA & 4 ACCOUNTANT for ACCOUNT etc for HO. & All 4 Brand.

Whether Invoice is Required to be issued?

GST ~~Applicable~~?

IF NO Invoice Penalty?



Q: Whether HO Required ISD Registration; BIG NO

Q: HO → FREE ACCOUNT → B/O

Supply ✓ (Deemed Distinct) GST ✓

AY = U/R = 28 =

MANMARZI Value which CAN be NIL ALSO

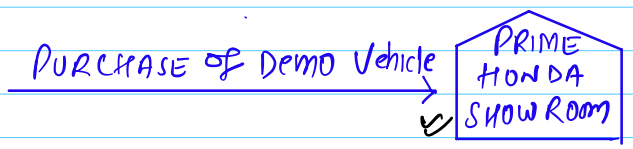
#

INVOICE	
Value	= NIL
GST	= NIL
Total	= NIL

NO Issued & Still Penalty upto 22 = GST AMT = Penalty = NIL

ARE KAHNA KYA CHAHTE HO. CRUXE KUCH NA KAHO, KUCH BHI KARO : NO INVOICE, NO Penalty, NO GST

Circular No: 231/25/2024 : ITC on Demo Vehicles



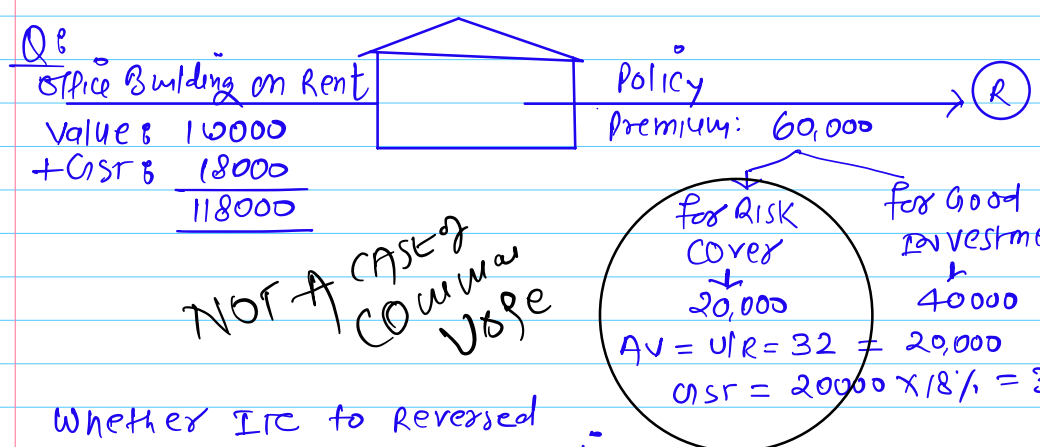
Q&1 ITC Allowed on demo vehicle : YES

Q&2 WHAT IF After 1 or 2 year car sold out ? then Provision of SEC: 18(6) shall Apply.

Q:2 Where PRIME Honda capitalized the car INC GST component then ITC shall be Allowed : NO

Circular No: 214/8/2024 @ Policy Premium

Q:



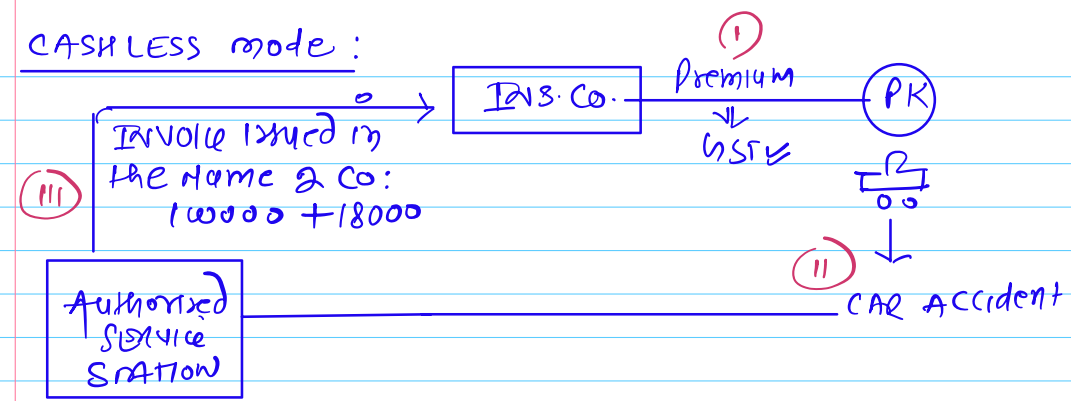
NOT A CASE of COMMON USE

Whether ITC to Reversed under Concept of common credit

ANS : NO Reversal, U/R 42, 43, → ie ITC of Rs 18000 Remain Allowed.

CIRCULAR NO: 21/11/2024

(A) CASHLESS mode:



(IV) Whether Insurance company get the credit of Rs 18000: YES

(B) Re-imbursement mode: Suppose Actual Repair EXP = 2,00,000

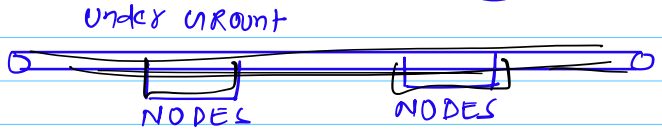
(I) INVOICE BY A.S.S in the name of INS. Co: 2,00000 + 36000
ITC of 36000 Available to Insurance Co. → YES
(Bill to SHIP to)

(II) Suppose INS. company Approved claim of Rs 150000 only
Bill of AAS to INS. CO. = 150000 + 27000, ITC of 27000 shall be Allowed to Insurance Co.
(REST of the Expenses Borne By PK)

(III) in Q(IV) Suppose By mistake Bill issued by A.S.S. to INS. Co. of Rs 2,00,000 + 36000 → Then to INS. Co. shall be Restricted to 27000 ONLY.

Circular NO 219/13/2024: JIO FIBRE

SHYAAM BHAI CONTRACTOR # Avails contract service → JIO ✓
to Install fible cable under ground



↓

For Telecommunication Co.

↓

It is Structure & plm → Hence ITC of the SHALL BE Allowed.

CIR NO 251/08/2025: POST SUPPLY DISCOUNT

Two conditions needs to be satisfied

(I) The must be an PRIOR Agreement ie Before or During Supply Between (S) & (R)

(II) Supplier shall issue a GST Credit Note (NOT Commercial Credit Note) within PRESCRIBED time & (R) ACCEPT the Same where (R) is Registered

Then (S) will be able to Reduce is output GST Liability.