



## GST Bytes..

Series 2

*An Educational Series for building GST awareness*

### Input Credit under GST

- Eligibility
- Modus operandi
- Set off
- Carry forward
- Not eligibility of Input GST

### Eligibility

As discussed in Series 1 that there are three categories of GST viz.

**CGST**- Central GST/ UTGST – Union Territory GST – to be levied and collected by Center

**SGST** – State GST – to be levied and collected by State

**IGST**- Integrated GST- interstate GST to be levied and collected by Center

Under GST regime, tax is payable only on the value addition made at each stage of supply and hence mechanism of input credit is made very robust. Hence cascading effect is totally eliminated

**Input Tax Credit (ITC)** is not available on goods/ services used primarily for personal consumption or use by employees, goods/ services used acquired for construction of immovable property. Hence it is available on the goods/ services intended to be used in furtherance of business

ITC is available to registered taxable person with reference to supply of goods and services subject to:

- Possession of tax invoice or other prescribed tax paying document.
- Receipt of the goods and or services
- Actual payment of tax charged in respect of such supply to the Government by the supplier, and
- Furnishing of return

### Order of Utilization of Input Credit

GST	Order of Utilization
IGST	1. IGST 2. CGST or SGST
CGST	1. CGST 2. IGST
SGCT	1. SGST 2. ISGT

No Cross Utilization between CGST and SGST

### Gopal Mittal & Associates

301-302, III Floor, 79 Darya  
Ganj, New Delhi-110002  
Phone: +91-11- 23282206,  
23285390  
akaggarwalca@gmail.com  
Web: www.ca-gma.com

### ITC on proportionate Basis

In case an entity provides both zero rated/ exempt services/ goods along with taxable one then the ITC shall be allowed on proportionate basis.

## **Transitional Provision – Important-Cut off date**

### **Input Credit on Opening stock as on the date of implementation of GST**

- Closing balance of ITC available on the last day, prior to the date on GST is implemented, can be carried forward to GST if the invoice is upto 12 months old from the appointed day
- Carried forward of VAT/ST/ Entry Tax Input credit will be treated as SGST Input Credit & Excise/ Addl Custom Duty/ Addl Excise duty input as CGST input under GST regime.
- Carry forward must be shown in the last VAT/ Excise / ST return
- Carry forward is allowed only if such types of credit is admissible under GST

### **Conditions for availing ITC**

1. Possession of tax invoice
2. ITC is available only when payment to vendor is made within 180 days from the date of invoice. Else it is to be reversed.
3. In case dealer obtains registration within 30 days from the date of becoming liable for registration, ITC of goods lying in the stock is allowed.
4. No ITC if depreciation is claimed under Income Tax Act 1961
5. Full ITC allowed on capital goods in one go
6. Specified list of items (negative list) on which ITC is not allowed
7. Where supplies are made in lot/installments against a single bill, the input tax credit to be availed only after the last installment of such goods is received.

### **Matching Mechanism**

ITC shall be allowed when actually paid by the supplier. The ITC shall be first claimed in the return on monthly basis and when it is matched by the output tax of the supplier then the credit shall be allowed.

In case of any mismatch the ITC shall be reduced accordingly.

### **ITC Not Allowed (Negative List)**

1. Motor Vehicle & Conveyance unless used as stock in trade or as a business asset
2. Foods & Beverage, Health Club membership, etc which are meant for personal consumption.
3. Work Contract Service for construction of immovable property other than Plant and Machinery
4. Where goods are lost/ destroyed/stolen/damaged/ written off or disposed off as sample or gift
5. Supply from Composition dealer

## **Special Case**

### **In Case of New registration**

ITC allowed on the stock lying before registration with the dealer

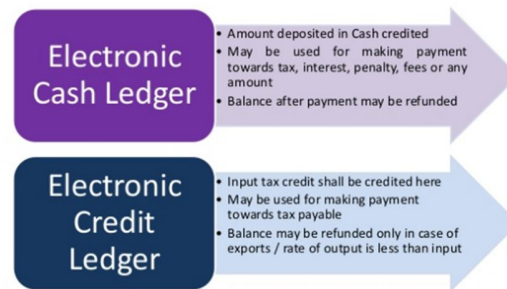
#### **Condition:**

He has to apply within 30 days from the date of becoming liable for registration and claim the amount of Tax on Stock lying on such date

In case of voluntary registration, the ITC shall be eligible for the stock held immediately preceding the date of registration

### Electronic Credit Ledger (ECL)

System of electronic cash ledger and electronic ITC (Credit) ledger



Source: Slide share Presentation

### ITC Input & Credit Ledger

- ITC record is maintained in Electronic Credit Register
- In case a registered dealer has claimed refund of the excess ITC for any unutilized amount of credit register, the amount to that extent shall be debited from the said ledger
- Time limit for claiming is upto September of succeeding FY or date of furnishing Annual Return- whichever is earlier\

### Benefits

- a. Credit of VAT/ Excise/Entry Tax/ Service Tax which are subsumed in GST shall be allowed credit to the Service Provider/ Seller of Goods
- b. Every Registered Dealer shall be entitled to take benefit of ITC

### ITC for Job Work – [F Form abolished]

- A registered dealer shall be allowed to take credit of input on Input/ capital goods sent to a job worker for job work
- ITC is allowed even if material is sent directly from the supplier to the job worker instead of bringing it to the business premises
- In case the goods are not received within stipulated period as under, then it shall be deemed as sales on the date of transfer
  - Inputs- with in 1 year
  - Capital Goods – within 3 years

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### **Contact:**

**CA Ashok Kumar Aggarwal**    **CA Praveen Agarwal**    **CA Ridhi Karan Aggarwal**  
**+91-9810059498**                      **+91-9810339005**                      **+91-9810684254**