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TRI NAGAR CPE Study Circle of NIRC, 13th OCTOBER 2017

The Pearl Banquet ,21,Shivaji Marg, Najafgarh Road, Opposite DLF Commercial Towers, New Delhi-110015

GST – ITC, ITC REVERSAL & 22 GST COUNCIL MEETING UPDATES

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PREAMBLE

2

Legal provisions relating to Input tax credit :

- Sections 16 to 21 of CGST/ SGST Act
- Section 20 of IGST Act – ITC related provisions under CGST/SGST Act which applies to IGST also

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FORM FOR CLAIMING ITC

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- **FORM GST ITC-01**: Declaration for claim of input tax credit under sub-suction (1) of section 18.
- **FORM GST ITC-02**: Transfer of credit on sale, merger, amalgamation, lease or transfer of a business
- **FORM GST ITC-03**: Declaration for intimation of ITC reversal on input, input contained in semi finished goods, finished goods and Capital goods in stock.
- **FORM GST ITC-04**: Details of goods/capital goods sent to job worker and received back.

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GSTR 2

S.No	Clause	Particulars
1		GSTIN
2		Name,Trade Name
3		Supply from Registered Person other than Reverse Charge
4	4A	Supply from Registered Person Reverse Charge
	4B	Reverse Charge-Unregistered Person
	4C	Import of Service
5	5A	Imports
	5B	Received From SEZ
6	6	Amendments in Debit Note/Credit Note
	6A	Other than Imports/From SEZ
	6B	Imports/From SEZ
	6C	Debit Notes/Credit Notes-Original
	6D	Amendments in Debit Note/Credit Note

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GSTR 2

S.No.	Clause	Particulars
7		From Composition Dealer
		Exempt Supply
		Nil rated Supply
		Non GST Supply
8		ISD Credits
	8A	ISD Invoice
	8B	ISD Credit Note
9	9A	TDS
	9B	TCS
10		Advance Paid/Advance Adjusted
	I. For Current Month	
	10A	Advance Amout paid for reverse charge supply(Tax amount added to output tax) (i) Intra State -Rate wise (ii) Inter State-Rate wise
	10B	Advance in earlier & Income reversed in current month (i) Intra State -Rate wise (ii) Inter State-Rate wise
	II Amendments	
		10A(I) 10A(2) 10B(1) 10B(2)
11		Input Tax credit reversal/reclaim
12		Addition/Reduction due to Mismatch
13		HSN Summary

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FORM GSTR 2 ONLINE-INVOICE DETAILS

7

3,4A - Inward supplies receieved from Registerd person including reverse charge supplies **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

5 - Import of Inputs/Capital goods and Supplies received from SEZ **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

4C - Import of service **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

6C - Debit/Credit Notes for supplies from registered person **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

4B - Inward supplies from an unregistered supplier **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

6C - Debit Notes/Credit Notes for Unregistered Supplier **0**

Total Taxable Value	Total Tax
□0.00	□0.00
Total ITC available	
□0.00	

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FORM GSTR 2 ONLINE-OTHER DETAILS

8

7 - Supplies from composition taxable person and other exempt/nil rated/non GST supplies

Composition Value	Exempt value
□0.00	□0.00
Nil Rated value	Non GST value
□0.00	□0.00

10A - Advance amount paid for reverse charge supplies **0**

Gross Advance Paid	Total Tax
□0.00	□0.00

10B - Adjustment of advance amount paid earlier for reverse charge supplies **0**

Gross Advance Paid	Total Tax
□0.00	□0.00

13 - HSN summary of inward supplies **0**

Total Value	Total Taxable Value
□0.00	□0.00
Total Tax Amount	
□0.00	

11 - Input Tax Credit Reversal/Reclaim

Total ITC Reversed

□0.00

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Linking of ITC with GSTR 3B and GSTR 2

GSTR-3B

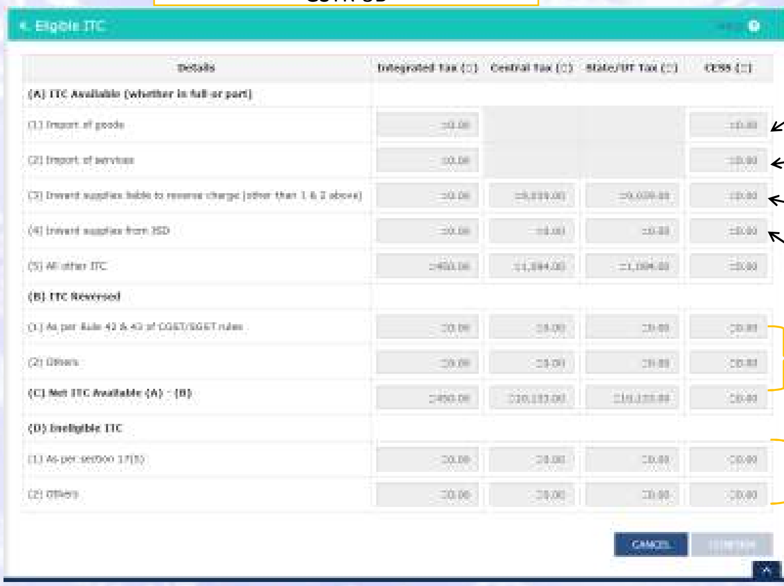

Table 5 of GSTR-2
Inward Supplies from an Unregistered Person

Table 4(c) of GSTR-2
Reverse Charge

Table 4A, 4B & 5B of GSTR-2

Table 8 of GSTR-2
ISD Details

Table 11 of GSTR-2
Input Tax credit reversal/Reclaim

Table 3 & 4 of GSTR-2
Reverse Charge & Other than Reverse Charge

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Case No.1:- Goods or Services Purchased from Registered Supplier and such input or input services are 100% eligible for Input Tax Credit (ITC)

Ex No. 1: - Services of Clearing and Forwarding taken by Logistics Company

Total Amount of Services	Rs. 1,00,000
Add:-IGST (@18%)	Rs. 18,000
Total Invoice Value	Rs.118,000

Ex No. 2: - Purchase of goods by Logistics Company

Total Amount of Goods	Rs. 5,00,000
Add:-IGST (@18%)	Rs. 90,000
Total Invoice Value	Rs.5,90,000

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B2B Invoice Summary

Uploaded by Supplier

GSTR-2A

Invoice No.	Invoice Date	Invoice Type	Place Of Supply	Supply attract Reverse Charge	Total Invoice Value (□)	Total Taxable Value (□)	Integrated Tax (□)	Central Tax (□)	State/UT Tax (□)	CESS (□)
5112700267	25-07-2017	R	Delhi	N	1,18,000	1,00,000	18,000	0.00	0.00	0.00
5864178753	25-07-2017	R	Delhi	N	5,90,000	5,00,000	90,000	0.00	0.00	0.00

BACK

Input Credit of Rs. 18,000 and Rs. 90,000 **get auto populated** in GSTR-2A of the recipients from the GSTR-1 of the Supplier directly.

B2B Invoice Summary

Uploaded by Supplier Uploaded by Taxpayer

GSTR-2

□ No Invoice found.

BACK REJECT ACCEPT PENDING

Receiver has to match the same with its own records and if the data is as per his records then he has to accept otherwise reject the same. Or he can left is pending for future.

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Case No.2:- Goods or Services Purchased from Registered Supplier and such input or input services are not eligible for Input Tax Credit (ITC)

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Examples

1) ABC Company purchased **motor vehicles** of Rs. 10,00,000 and paid IGST of Rs. 180,000;

2) Service of **Beauty Treatment** taken for the Employees of the Company and paid Rs. 100,000 and GST of Rs. 18,000;

3) Services of **fitness center(GYM OR YOGA CLASSES)**taken for the employees and paid for the same of Rs. 10,000 and GST of Rs. 1,800;

4) Paid Rs 50,000 for the **Membership of a club** and GST of Rs. 9,000;

5) Company taken **life insurance policy and health insurance policy** of the Employees and paid premium of Rs. 100,000 per month and GST of Rs. 18,000;

6) **Travel packages** like Shimla package for holidays etc of Rs. 300,000 and GST paid on that of Rs. 54,000;

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Case No.2:- Goods or Services Purchased from Registered Supplier and such input or input services are not eligible for Input Tax Credit (ITC)

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7) Mr. X is the chairman of XYZ construction private limited. He ordered certain input goods or services like cement, or labour to be **used for the construction of his house**. Cement purchased was also used partly for the official company projects. ITC would not be available for the above input goods or services.

8) Company availed **Services from Composition Dealer** for Rs. 200,000 and GST Charged by such dealer of Rs. 4,000;

9) Goods **lost by fire** of Rs. 60,000 on which GST paid of Rs. 10,800;

10)Any **tax paid in accordance with the provisions of sections 74, 129 and 130;**

Section 74:- Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized by any reason of fraud or any willful misstatement or suppression of facts.

Section 129:- Detention, Seizure and release of goods and conveyances in transit.

Section 130:- Confiscation of goods or conveyances and levy of penalty.

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Example on Section 74, 129 and 130

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- M/s X has supplied goods to M/s Y at a price of Rs. 10 and has paid the duty accordingly.
- M/s Y has availed the credit of duty paid by M/s X.
- During the audit of records by the departments, it was ascertained that the appropriate value of product is Rs. 15. Therefore, M/s X is required to pay tax on differential amount of tax on the price of Rs. 5.
- Further, assume that M/s X has not disclosed the fact to the department and hence demand for the tax arises on account of suppression of facts.
- The differential tax paid by M/s X will not be available as credit to M/s Y in view of clause (i) of Section 17(5) of CGST Act' 2017

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Table-3

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B2B Invoice Summary

Uploaded by Supplier

GSTR-2A

Invoice No.	Invoice Date	Invoice Type	Place Of Supply	Supply attract Reverse Charge	Total Invoice Value (□)	Total Taxable Value (□)	Integrated Tax (□)	Central Tax (□)	State/UT Tax (□)	CESS (□)
5112700267	25-07-2017	R	Delhi	N	1,13,787.40	96,430.00	17,357.40	0.00	0.00	0.00
5864178753	25-07-2017	R	Delhi	N	1,10,200.20	93,390.00	16,810.20	0.00	0.00	0.00

BACK

Input Credits as per above examples **get auto populated** in GSTR-2A of the recipients from the GSTR-1 of the Supplier directly.

Since the above Credits are not available as per Section 17(5) of CGST Act, 2017, therefore the recipients has to select "Ineligible Credit" under the eligibility for ITC column of Table 3 of GSTR-2 and therefore Amount of ITC available will become nil.

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Case No.3:- Import of Services and purchase from unregistered vendor as given under section 9(3) & 9(4) of the CGST Act' 2017

Examples:-

- Taken Consultancy Services from USA of Rs. 50,00,000;
- Import goods worth Rs. 50,000 from Japan;
- Paid Rent to unregistered person of Rs. 100,000 per month;
- GYM Services taken from Unregistered Vendor of Rs. 20,000;

In all the above cases, **Recipients has to fill Table 4B ,4C & 5A of GSTR-2 manually**. He can take credit of the same if the same is not ineligible for ITC. In the above given example, a person can take credit in first 3 transactions but not in 4th transaction as it is not eligible for ITC. For 4th transaction Person has to pay the Tax under RCM but he cannot take credit as per Section 17(5) of CGST Act. Therefore, he has to select "ineligible input" under the eligibility for ITC column of Table 4B and 4C of GSTR-2.

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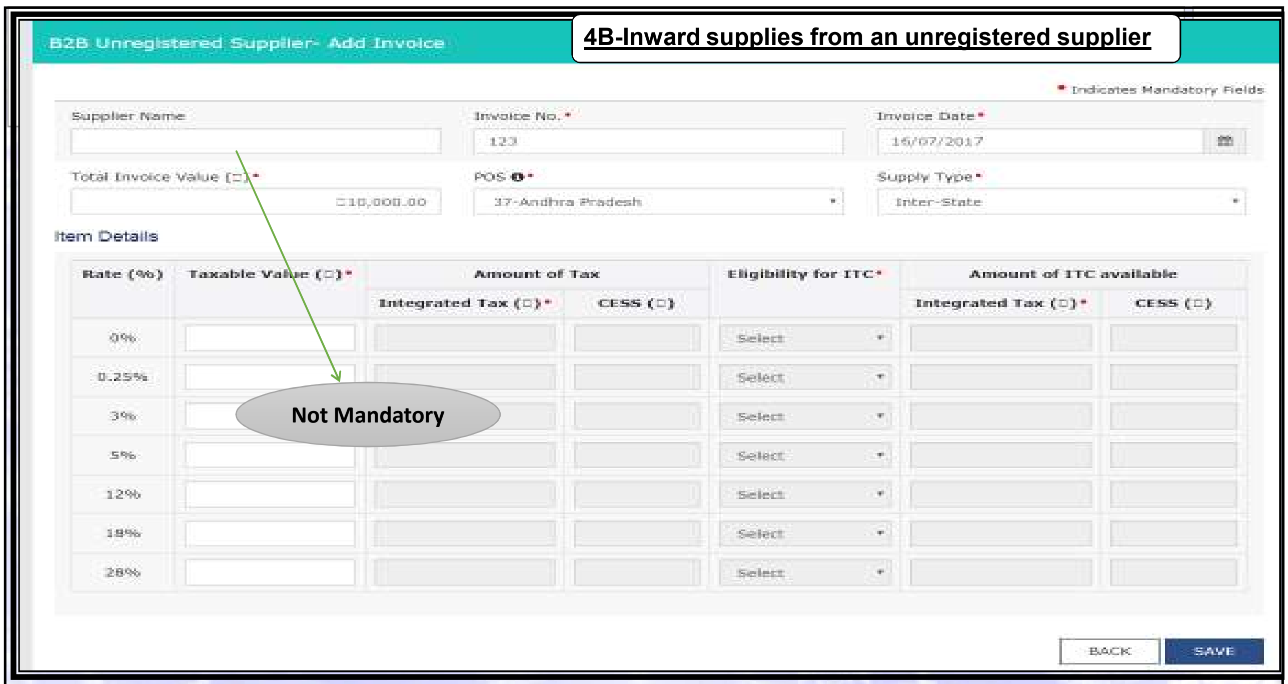

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Import Of Services - Add

4C-Import of Services

* Indicates Mandatory Fields

Invoice No.*

Invoice Date* DD/MM/YYYY

Total Invoice Value (□)*

POS *

Select

Item Details

Rate (%)	Taxable Value (□)*	Amount of Tax		Eligibility for ITC*	Amount of ITC available	
		Integrated Tax (□)*	CESS (□)		Integrated Tax (□)*	CESS (□)
0%				Select		
0.25%				Select		
3%				Select		
5%				Select		
12%				Select		
18%				Select		
28%				Select		

BACK SAVE

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Import Of Goods/Capital Goods - Add

5A-Import of Goods

* Indicates Mandatory Fields

Port Code*

Bill of Entry No.*

Bill of Entry Date* DD/MM/YYYY

Bill of Entry Value (₹)*

Imports from SEZ

Item Details

Rate (%)	Taxable Value (₹)*	Amount of Tax		Eligibility for ITC*	Amount of ITC available	
		Integrated Tax (₹)*	CESS (₹)		Integrated Tax (₹)*	CESS (₹)
0%				Select		
0.25%				Select		
3%				Select		
5%				Select		
12%				Select		
18%				Select		
28%				Select		

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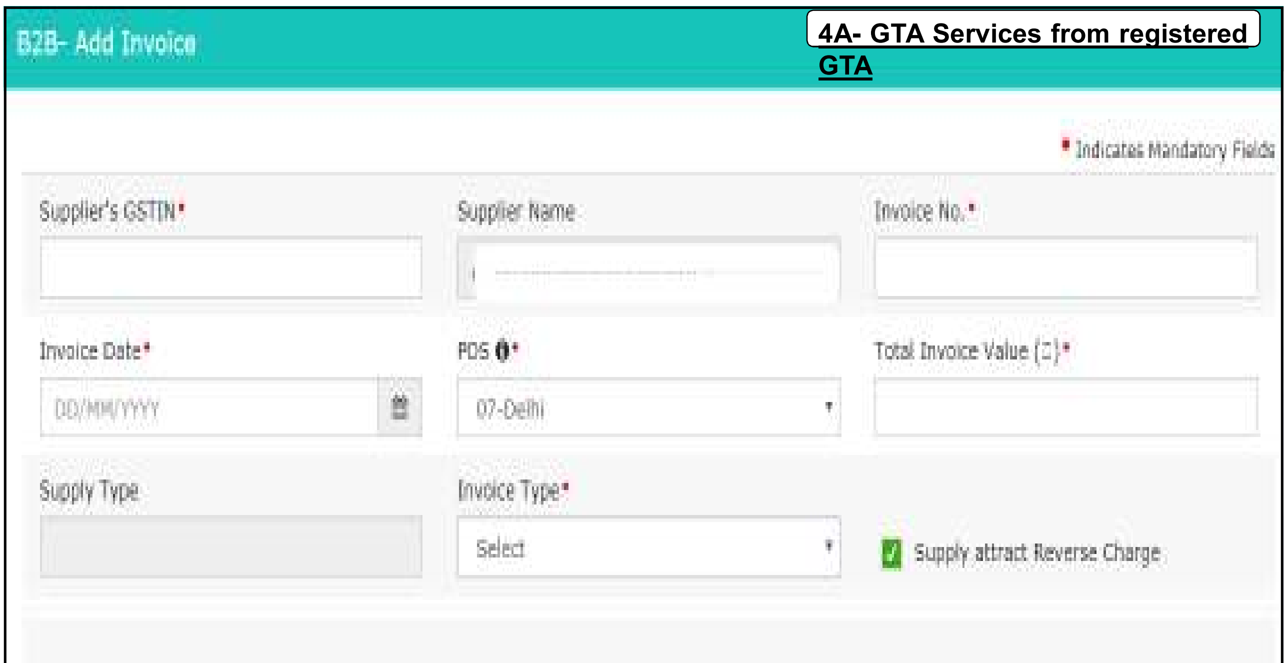
Case No.4:- Purchase from registered vendor as given under section 9(3) of the CGST Act' 2017 like Legal Services or GTA Services

GTA Services	
Taken from Registered Supplier	Taken from Unregistered Supplier

Example: - ABC Ltd taken GTA services form Registered Vendor XYZ Ltd. of Rs. 15,000. In this case ABC Ltd is liable to pay tax under Reverse Charge Mechanism.

4A- GTA Services from registered GTA



B2B Invoice Summary — **GSTR-2A**

Uploaded by Supplier

Invoice No.	Invoice Date	Invoice Type	Place Of Supply	Supply attract Reverse Charge	Total Invoice Value (₹)	Total Taxable Value (₹)	Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)
5112700267	25-07-2017	R	Delhi	Y	17,700	15,000	2,700	0.00	0.00	0.00
5864178753	25-07-2017	R	Delhi	Y	1,18,000	1,00,000	18,000	0.00	0.00	0.00

BACK

Services of Rs. 15,000 with tax amount get **auto populated** in GSTR-2A of the Recipients from GSTR-1 of the supplier. However, on this the recipient shall be liable to pay tax under reverse charge basis. Supplier has not paid any tax on this amount.

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Case No.5:- Input Tax Credit Reversal in certain cases

Table 11 of GSTR 2-SUMMARY OF RULES

Rule-37
- Reversal of Input Tax Credit in the case of Non-payment of Consideration

Rule-42
- Manner of determination of input tax credit in respect of inputs or input services and reversal thereof.

Rule-43
- Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases

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Case No.5:- Input Tax Credit Reversal in certain cases

These calculation has to be done manually and put the figures in the below table as per applicable column;

Input Tax Credit Reversal / Reclaim - Add

Description for reversal of ITC	Amount of ITC available			
	Integrated Tax (□)	Central Tax (□)	State/UT Tax (□)	CESS
Amount in terms of rule 37(2)				
Amount in terms of rule 42(1)(m)				
Amount in terms of rule 43(1)(h)				
Amount in terms of rule 42(2)(a)				
Amount in terms of rule 42(2)(b)				
On account of amount paid subsequent to reversal of ITC				
Any other liability				

BACK SAVE

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GSTR-2 (Form for Inward Supplies) – Table 11

Input Tax Credit Reversal / Reclaim

Description for reversal of ITC		To be added to or reduced from	Amount of ITC			
			Integrated Tax	Central Tax	State/UT Tax	CESS
1		2	3	4	5	6
A. Information for the current tax period						
(a) Amount in terms of rule 37(2)	Reversal of ITC due to non payment	To be added				
(b) Amount in terms of rule 39(1)(j)(ii)	Credit Note	To be added				
(c) Amount in terms of rule 42 (1) (m)	ITC of input & input services attributable to exempt & non business supply	To be added				
(d) Amount in terms of rule 43(1) (h)	ITC of capital goods attributable to exempt supply	To be added				
(e) Amount in terms of rule 42 (2)(a)	Increase in point (c) after year end	To be added				
(f) Amount in terms of rule 42(2)(b)	Decrease in point (c) after year end	To be reduced				
(g) On account of amount paid subsequent to reversal of ITC		To be reduced				
(h) Any other liability (Specify)		…..				

GSTR-2 (Form for Inward Supplies) – Table 11

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……….continued

B. Amendment of information furnished in Table No 11 at S. No A in an earlier return					
Amendment is in respect of information furnished in the Month					
Specify the information you wish to amend (Drop down)					

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Example No.1:- Rule 37 (2) of CGST Rules' 2017-Table 11 of GSTR-2

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- Mr. A, registered person availed the services of Rs. 10,000 on which GST of Rs. 1800 was charged.
- Mr. A claimed the GST of Rs. 1800 as ITC in his GSTR-2.
- He fails to pay the value of such supply along with tax payable thereon, within the time limit specified under section 16 i.e. 180 days.
- Now Mr. A shall furnish the amount of such supply not paid to supplier in Table 11 (Input Tax Credit Reversal/Reclaim) of GSTR-2.
- This amount has to be paid by recipient of services as output liability along with interest.
- Once such amount paid to the supplier he can now reclaim the credit in Table 11 (Input Tax Credit Reversal/Reclaim) of GSTR-2.

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Example No.2:- Rule 42 of CGST Rules' 2017- Table 11 of GSTR-2

Information of M/s AB Logistics Co. for the month of July' 2017;

Outwards Supply;-

Particulars	Total Service Amount	Tax Amount @ 18%
Supply for Taxable Services-Domestic Supply (Sea Import Freight and Clearing and Forwarding Charges)	Rs. 25,00,000	Rs. 450,000
Supply for Taxable Services-Export Services (Sea Export Freight and Clearing and Forwarding Charges)		
Supply for Exempt Services (Air Import Freight)	Rs. 10,00,000	Nil
Total Supply of Services	Rs. 35,00,000	450,000

Inwards Supply;-

Total Input Services for Inwards Supplies from Registered Person	Rs. 20,00,000	270,000
Total ITC under Reverse Charge Mechanism	Nil	60,000
Total ITC		330,000
Services used exclusively for Taxable Supply-For Domestic and Zero rated Supply		220,000
Service used exclusively for Exempt Supply-For Air Import Freight		54,000
Services used exclusively for "purpose other than business"		18,000
Other Input goods on which credit is not available u/s 17(5)		8,000

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	Particulars	Amount (Rs.)
	Total ITC for the month	330,000
Less:	ITC exclusively used for "Purposes other than business"	(18,000)
Less:	ITC exclusively used for effecting "Exempt supplies"	(54,000)
Less:	ITC not available u/s 17(5)	(8,000)
Less:	ITC exclusively used for effecting "Supplies other than exempted but including Zero-rated supplies"	(220,000)
	Common Credit(A)	**30,000**
Less:	ITC pertaining to "Exempt Supplies" (A*B/C)	8,572
	Exempt Supplies(B)-10,00,000	
	Total Turnover (C)-35,00,000	
Less:	ITC pertaining to "Non-businesses purposes"(5% of A)	1,500
	Eligible Credit	**19,928**
	Total Ineligible Credit	**10,072**

The ITC to be reversed of Rs. 10,072 has to be added to output liability.

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Example No.3:- Rule 43 of CGST Rules' 2017- Table 11 of GSTR-2

Information of M/s AB Traders for the month of Sep' 2017;

Outwards Supply;-

Particulars	Total Service Amount	Tax Amount @ 18%
Supply for Taxable Services-Domestic as well as zero rated supply	Rs. 25,00,000	450,000
Supply for Exempt Services	Rs. 10,00,000	Nil
Total Supply of Services	Rs. 35,00,000	450,000

Inwards Supply of Capital Goods;-

Total Input Services in respect of capital goods for the month	**Rs. 45,00,000**	**8,10,000**
Purchase of capital Goods to be used exclusively for taxable supply	Rs. 20,00,000	320,000
Purchase of capital goods to be used exclusively for exempt supply	Rs. 10,00,000	180,000
Purchase of capital Goods for non business purpose	Rs. 1,00,000	18,000

	Particulars	Amount (Rs.)
	Total ITC in respect of capital goods for the month	810,000
Less:	ITC in respect of capital goods exclusively used for "Purposes other than business"	(18,000)
Less:	ITC in respect of capital goods exclusively used for effecting "Exempt supplies"	(1,80,000)
Less:	ITC exclusively used for effecting "Supplies other than exempted but including Zero-rated supplies"	(320,000)
Step-1	**Common Credit(A)**	**2,92,000**
Step-2	ITC pertaining to capital goods partly used for Exempt supplies and personal use (A*B/C)	83,429
	Exempt Supplies(B)-10,00,000	
	Total Turnover (C)-35,00,000	
Step-3	**Reversal of Input Tax Credit in a month**	
	Amount as per Step 2/60(months) (83,429/60)	Rs. 1390

The ITC to be reversed of Rs. 1,390 has to be added to output liability every month.

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SEC.-16 ELIGIBILITY & CONDITIONS FOR TAKING ITC

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RELEVANT DEFINITIONS UNDER ITC

Sec. 2(63) of CGST Act

- “input tax credit” means the credit of input tax;

Sec. 2(62) of CGST Act

- Input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes;
- IGST, CGST, SGST/UTGST Payable under reverse Charge.
- But does not include, the tax paid under the composition levy.

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ELIGIBILITY TO TAKE ITC : SEC 16(1)

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Every Registered Person (subject to conditions & restrictions)

- Supply used or intended to be used in the course or furtherance of his business

ITC shall be credited to the electronic credit ledger

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ITC THROUGH GSTR-2 : RULE 36(2)

36

ITC shall be availed only if

relevant information as per Tax Invoice Rules is furnished in

FORM GSTR-2

by such person

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TAX INVOICE FIELDS

S. No.	Filed	Remark 1	Remark 2	Goods	Services
1	Name	Supplier		Yes	Yes
2	Address	Supplier		Yes	Yes
3	GSTIN	Supplier		Yes	Yes
4	consecutive serial number	Not Exceeding 16 nos	unique for financial Year	Yes	Yes
5	Date	issue date		Yes	Yes
6	Name	Registered Recipient		Yes	Yes
7	Address	Registered Recipient		Yes	Yes
8	GSTIN	Registered Recipient		Yes	Yes
9	Name	Unregistered Recipient	Supply value more than 50K	Yes	Yes
10	Address of Delivery	Unregistered Recipient	Supply value more than 50K	Yes	Yes
11	HSN			Yes	Yes
12	SAC			Yes	Yes
13	Description of Goods			Yes	No
14	Description of Services			No	Yes
15	Quantity			Yes	No

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TAX INVOICE FIELDS

S. No.	Filed	Remark 1	Remark 2	Goods	Services
16	Unit			Yes	No
17	Total Value of Goods			Yes	No
18	Total Value of Services			No	Yes
19	Discount			Yes	Yes
20	CGST Rate			Yes	Yes
21	SGST Rate			Yes	Yes
22	IGST Rate			Yes	Yes
23	CGST			Yes	Yes
24	SGST			Yes	Yes
25	IGST			Yes	Yes
26	Place of Supply	Along with State Name	Interstate Supply	Yes	Yes
27	Tax applicable on reverse Charge	yes/no		Yes	Yes
28	Signature	Supplier or Authorised Person	In case of reverse charge Recipient or Autorised person	Yes	Yes
29	Digital Signature	Supplier or Authorised Person	In case of reverse charge Recipient or Autorised person	Yes	Yes

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ELECTRONIC CREDIT LEDGER : RULE 86

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Electronic Credit Ledger (FORM GST PMT-02)

Credit by	**Debit by**
▪Every claim of input tax credit as self assessed in the return. Re-credited to extent of rejection of Claimed refund **(FORM GST PMT-03)**	Extent of discharge of any output liability Claimed refund of any unutilized amount

No Direct Entry in Electronic Credit Ledger

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DISCREPANCY IN ELECTRONIC LEDGERS : RULE 86(6)

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If any **discrepancy** is noticed in any of the electronic ledger, the same shall be communicated to the officer exercising jurisdiction in **FORM GST PMT-04**

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PMT-04 FIELDS

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1	GSTIN	
2	Name (Legal)	
3	Trade name, if any	
4	**Ledger / Register in which discrepancy noticed**	
	Credit ledger ☐ Cash ledger ☐ Liability Register ☐	
5	Details of the discrepancy	
	Date	
	Type of Tax	
	Central Tax	State Tax
	UT Tax	Integrated Tax
	CESS	
	Type of discrepancy	
	Amount involved	
6	Reasons, if any	
7	Verification	

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CONDITIONS FOR ITC : SEC 16(2)

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Explanation of clause (b): It shall be deemed receipt of goods if delivered by supplier either by way of transfer of documents of title to goods or otherwise.

Registered person shall **not** be entitled to take credit of any input tax in respect of any supply of goods and/or services to him **unless:**

a. He is in possession of;
- Tax Invoice.
- Debit note.
- Other Document as may be prescribed **[(Rule- 36(1)]**.

b. Receipt of goods or services or both.

c. Payment of tax charged in respect of such supply has been actually paid to government:
- In Cash; or
- Through Utilization of ITC.

d. Monthly returns are filed by 20th u/s 39

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DOCUMENTARY REQUIREMENTS & CONDITIONS : RULE 36(1)

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ITC shall be availed by Registered person/ISD on the basis of following documents	Invoice issued for outward supply
	Invoice Issued for inward supply where tax is paid under reverse charge
	Debit Note Issued by supplier
	Bill of entry or any similar document prescribed under the Customs Act, 1962 or Rules made there under for assessment of integrated tax on imports
	An ISD invoice or ISD credit note or any document issued by an Input Service Distributor

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DOCUMENTARY REQUIREMENTS & CONDITIONS : RULE 36(3)

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No ITC shall be availed if

Tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts

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GOODS IN LOTS/INSTALMENTS : 1ST PROVISO TO SEC 16(2)

45

Where goods against a single invoice is received, in lots or instalments

- The taxable person can take credit upon receipt of last lot or instalment

FAILS TO PAY TO SUPPLIER : 2ND PROVISO TO SEC 16(2)/ RULE-37

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Supplier

Fails to pay value and tax thereon (other than reverse charge) within 180 days from the date of issue of invoice

Recipient

Details of such supply, amount of value not paid and ITC availed of proportionate to such amount not paid shall be furnished in FORM GSTR-2 for the month immediately following the period of 180 days

ITC availed shall be added to the output tax liability

Interest shall be payable u/s 50(1)

Time limit u/s 16(4) shall not apply for re-availing of a credit

ITC ON CAPITAL GOODS & PLANT AND MACHINERY : SEC 16(3)

Depreciation claimed on Tax component of the cost of capital goods under IT Act → ITC not Available

TOTAL COST = COST OF ASSET+TAX

- If Depreciation charged on **COST** — **ITC Available**
- If Depreciation charged on **TOTAL COST** — **ITC not Available**

LAPSE OF CREDIT : SEC 16(4)

If credit not availed for any invoice till earliest of the following:

- Filing of return for month of September for following the end of financial year;

OR

- Furnishing of annual return

- Credit shall lapse.

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SEC.-17 APPORTIONMENT OF CREDIT & BLOCKED CREDITS

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RELEVANT DEFINITIONS

Sec 2(47) : Exempt Supply

- Supply of any goods or services or both
- Which attracts nil rate of tax or
- Which may be wholly exempt from tax u/s 11 or u/s 6 of IGST Act and
- Includes non-taxable supply

Sec 2(78) : Non-taxable Supply

- Supply of any goods or services or both
- Which is not leviable to tax under this Act or under IGST Act

Sec 2(108) :Taxable Supply

- Supply of any goods or services or both
- Which is leviable to tax under this Act

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APPORTIONMENT OF CREDITS : SEC 17(1) & 17(2)

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WHERE

- Goods and/or services are used by the registered taxable person as under:
  - Partly for business purposes and partly for other purposes; or
  - Partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies

IN SUCH CASES

- ITC shall be **allowed** to the extent it is **attributable to business purposes or taxable supplies including zero-rated supplies** as the case may be

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VALUE OF EXEMPT SUPPLY : SEC 17(3)

52

Explanation to Rule 45: For determining the value of an exempt supply-

(a) the **value of land and building** shall be taken as the same as adopted **for the purpose of paying stamp duty**; and
(b) the **value of security** shall be taken as **one per cent.** of the **sale value** of such security.

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FURNISHING DETAILS OF INWARD SUPPLIES : RULE-60(3) & 60(4)

53

The registered person shall specify the inward supplies not eligible for ITC, either fully or partly in FORM GSTR-2, where eligibility can be determined at invoice level

The registered person shall declare the quantum of ineligible ITC relatable to non-taxable supplies or for purposes other than business & cannot be determined at invoice level in FORM GSTR-2

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ELIGIBLE ITC : RULE 42 & 43

54

How to determine the eligible ITC

Rule-42 of ITC Rules	**Determination of ITC in respect of Inputs or Input Services**
Rule-43 of ITC Rules	**Determination of ITC in respect of Capital Goods**

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RULE-42: ITC IN RESPECT OF INPUTS/INPUT SERVICES

55

Step-1

Determine Common ITC

- i.e. used for business purpose and other purpose or for taxable supplies including zero-rated supplies and exempted supplies (see Table-1)

Step-2

Determine Eligible ITC

- i.e. used for business purpose and for taxable supplies including zero-rated supplies (see Table-2)

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Table-1: Common ITC for a Tax Period (i.e. one month)

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	Particulars	Amount (Rs.)
	Total ITC during the relevant year	XXXX
Less:	ITC pertaining to the input and input services which are used exclusively for **“purposes other than business”**	XXXX
Less:	ITC pertaining to the input and input services which are used exclusively for effecting **“Exempt Supplies”**	XXXX
Less:	ITC in respect of inputs on which credit is not available u/s **17(5)**	XXXX
Less:	ITC pertaining to the input and input services which are used exclusively for effecting **“Supplies other than exempted but including Zero-rated Supplies”**	XXXX
	Common Credit	**XXXX**

Not eligible to take ITC & not be credited to e-credit ledger

Shall be determined & declared by the registered person at the invoice level in FORM GSTR-2

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Table-2: Eligible ITC for a Tax Period (i.e. one month)

57

	Particulars	Amount (Rs.)
	Common Credit	XXXX
Less:	Ineligible Credit:	
	- ITC pertaining to the **“Exempt Supplies”** (Note-1)	XXXX
	- ITC pertaining to the **“Non-Business Purposes”** (Note-2)	XXXX
	Eligible Credit	**XXXX**

The total amount eligible for input credit shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated Tax.

ITC pertaining to the Exempt Supplies and Non-Business Purposes shall be added to the output tax liability of the registered person.

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Calculation of Ineligible ITC

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Note-1: ITC pertaining to the “Exempt Supplies” equals to –

Common Credit * E/F

Where-
“E” denotes aggregate value of **Exempt Supplies** during the tax period; and
“F” denotes **“Total Turnover”** of the registered person during the tax period

Clarifications-
- It is clarified that in case turnover is not available for the tax period, value of “E” and “F” shall be taken for the last tax period in which details of turnover are available
- It is further clarified that values of “E” and “F” shall be exclusive of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.

Note-2: ITC pertaining to the “Non-Business Purposes” equals to –

Common Credit * 5%

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Final Eligible ITC for the Year

59

The eligible ITC shall be calculated finally for the financial year before the due date for filing the return for the month of September following the end of the financial year to which such credit relates, in the manner prescribed in the said sub-rule.

If final amount of Input Credit Reversal > Provisional amount of Input Credit Reversal

- such excess shall be added to the output tax liability of the registered person for a month not later than the month of September following the end of the financial year to which such credit relates; and the said person shall be liable to pay interest on the said excess amount

If final amount of Input Credit Reversal < Provisional amount of Input Credit Reversal

such excess amount shall be claimed as credit by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates

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RULE-43: ITC IN RESPECT OF CAPITAL GOODS

60

Step-1

Determine Common ITC

- i.e. used for business purpose and other purpose or for taxable supplies including zero-rated supplies and exempted supplies

Step-2

Determine Ineligible ITC to be reversed

- i.e. common credit attributable towards exempted supplies

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Common ITC for a Tax Period (i.e. one month)

	Particulars	Amount (Rs.)
	Total ITC during the relevant year	XXXX
Less:	ITC in respect of capital goods which are used exclusively for “non-business purposes”	XXXX
Less:	ITC in respect of capital goods which are used exclusively for effecting “Exempt Supplies”	XXXX
Less:	ITC in respect of capital goods which are used exclusively for effecting “Supplies other than exempted but including Zero-rated Supplies”	XXXX
	Balance Credit	**XXXX**

A: Not eligible to take ITC hence not be credited to e-credit ledger

B: Shall be credited to e-credit ledger

Shall be determined and declared by the registered person at the invoice level in FORM GSTR-2

Balance Credit shall be credited to the e-credit ledger and useful life of such goods shall be taken as ***5 years*** from the date of invoice

Common ITC for a Tax Period (i.e. one month)

If Capital goods earlier covered in A is subsequently covered under Balance Credit

Value of Balance Credit =

By reducing ITC @5% for every quarter or part thereof

Amount of ‘A’ as per previous Table

If Capital goods earlier covered in B is subsequently covered under Balance Credit

Value of Balance Credit =

By reducing ITC @5% for every quarter or part thereof

Tc

Common Credit

Ineligible ITC for a Tax Period (i.e. one month)

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Tm	Tr	Te
ITC attributable to a tax period on common capital goods during their useful life	ITC at the beginning of a tax period on all common capital goods whose useful life remains during the tax period	Common ITC attributable towards exempted supplies
Tm= Tc÷60	**Aggregate of Tm**	**Te= (E÷ F) x Tr (See Notes)**

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Ineligible ITC for a Tax Period (i.e. one month)

64

Note-1: Common ITC attributable towards "Exempt Supplies" equals to –

Te= (E÷ F) x Tr

Where-

"E" denotes aggregate value of **Exempt Supplies** during the tax period; and
"F" denotes **"Total Turnover"** of the registered person during the tax period

Clarifications-

- It is clarified that in case turnover is not available for the tax period, value of "E" and "F" shall be taken for the last tax period in which details of turnover are available
- It is further clarified that values of "E" and "F" shall be exclusive of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.

Note-2: The amount of 'Te' along with applicable interest shall be added to the output tax liability of the person making claim of such credit.

Note-3: The amount of 'Te' shall be computed separately for Central tax, State tax, Union territory tax and Integrated tax.

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OPTION FOR BANKING COMPABY : SEC 17(4)

65

Banking Company/ Financial Institution/ NBFC

- Comply with the provisions of Sec 17(2) i.e. ITC attributable to taxable supplies including zero-rated supplies is eligible
- Avail every month 50% of the eligible ITC on inputs, capital goods and input services & rest shall lapse

- Option once exercised shall not be withdrawn during the remaining part of the financial year
- The restriction of 50% shall not apply to tax paid on supplies made by one registered person to another registered person having same PAN

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RULE 38 : CLAIM OF CREDIT BY BANKING CO. OR FI/NBFC

66

Claim of credit by a banking company financial institution OR NBFC

Company or institution choose to avail every month 50% of the eligible input tax credit on inputs, capital goods and input services in that month

- company or institution shall not avail the credit of
  1. tax paid for non business purposes
  2. credit attributable to supplies specified in sub-section (5) of section 17 in FORM GSTR-2
- company or institution shall avail (restriction of 50% shall not apply) the credit of tax paid where supplies made by one registered person to another registered person having the same Permanent Account Number.
- fifty per cent. of the remaining amount of input tax credit admissible to the company or the institution and shall be furnished in FORM GSTR-2

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Blocked Input Tax Credit

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EXCLUSION FROM ITC - SEC 17(5)

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In respect of Motor Vehicle and Other Conveyance

except when they are used for:

- Making the following taxable supplies
  - Further supply of such vehicles or conveyance; or
  - Transportation of passengers ; or
  - Imparting training on driving, flying, navigating such vehicles or conveyance
- Transportation of goods

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EXCLUSION FROM ITC - SEC 17(5)

Specified supplies

- - Food and beverages
- - Outdoor catering
- - Beauty treatment
- - Health services
- - Cosmetic and plastic surgery

Except where said category of inward supply of goods or services are used for making an outward supply of goods or service of same category or as an element of Composite or Mixed Supply of same category.

- Rent-a-cab
- Life insurance
- Health insurance

Except where the government notifies the services which are obligatory for an employer to provide to its employees **&** where said category of inward supply of goods or services are used for making an outward supply of goods or service of same category or as an element of Composite or Mixed Supply of same category

- Membership of a club, health and fitness center
- Travel benefits extended to employees on vacation such as leave or home travel concession

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EXCLUSION FROM ITC - SEC 17(5)

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 or Both

- When it is received by a taxable person for construction of an immovable property on his own account (other than plant and machinery)
- even when **used in course or furtherance of business**

Explanation to Section 17(5): the expression "Construction" includes re-construction, renovation, additions or alterations or repairs to the extent of capitalization, to the said immovable property.

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MEANING OF PLANT & MACHINERY

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Explanation to Section 17(5)

the expression "plant and machinery" means

apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

(i) land, building or any other civil structures;
(ii) telecommunication towers; and
(iii) pipelines laid outside the factory premises

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WORKS CONTRACT - SEC 2(119)

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Section 2(119) of CGST Act, 2017

'works contract' means a contract for:

- Building - Construction - Fabrication
- Completion - Erection - Installation
- fitting out - Improvement - Modification
- Repair - Maintenance - Renovation
- Alteration - Commissioning

of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in execution of such contract

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EXCLUSION FROM ITC - SEC 17(5)

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- Tax paid under composition levy
- Goods or services or both used for personal consumption
- Tax paid u/s 74, 129 and 130
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- Goods or services or both received by a non-resident taxable person (except import)

Tax paid u/s 74, 129 and 130:

- **74:** Tax not paid, short paid, erroneously refunded, ITC wrongly availed or utilized by reason of fraud or any willful misstatement or suppression of facts
- **129:** Detention, seizure & release of goods and conveyances in transit
- **130:** Confiscation of goods or conveyances & levy of penalty

NON-RESIDENT TAXABLE PERSON - SEC 2(77)

74

Section 2(77) of CGST Act, 2017

"non-resident taxable person" means

- **any person who occasionally undertakes transactions involving supply of goods or services or both,**
- **whether as principal or agent or in any other capacity,**
- **but who has no fixed place of business or residence in India**

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SEC.-18 AVAILABILITY OF CREDIT IN SPECIAL CIRCUMSTANCES

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COMPULSORY/ VOLUNTARY REGISTRATION : SEC 18(1)(a)/(b)

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Credit of Inputs, Semi-finished goods, Finished goods held in stock

Compulsory Registration	Voluntary Registration
On the day immediately preceding the day when became liable to pay tax	On the day immediately preceding the date of grant of registration

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CEASES TO PAY TAX U/S 10 : SEC 18(1)(c)

77

- Person ceases to pay tax under Composition Levy
- Entitled to take credit of Inputs, Semi-finished goods, Finished goods held in Stock & Capital Goods
- On the day immediately preceding the date he became liable to pay tax u/s 9
- ITC on Capital Goods shall be claimed after reducing tax paid on capital goods by 5% per quarter or part thereof **[Rule 40(1)]**

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EXEMPT BECOMES TAXABLE : SEC 18(1)(d)

78

- Where exempt supply becomes a taxable supply
- Entitled to take credit of Inputs, Semi-finished goods, Finished goods held in Stock relatable to such exempt supply & Capital Goods exclusively used for such exempt supply
- On the day immediately preceding the date from which such supply becomes taxable
- ITC on Capital Goods shall be claimed after reducing tax paid on capital goods by 5% per quarter or part thereof **[Rule 40(1)]**

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MANNER OF CLAIMING ITC : RULE 40(1)

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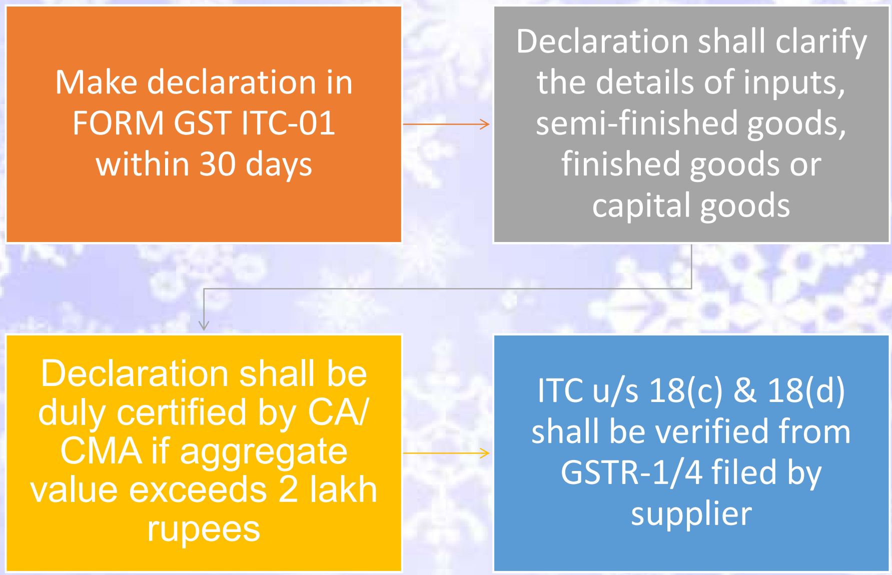

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FORM GST ITC-01- DECLARATION FOR CLAIM OF INPUT TAX CREDIT UNDER SUB-SUCTION (1) OF SECTION 18

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Particulars
1. GSTIN
2. Legal name
3. Trade name, if any
4. Date from which liability to pay tax arises under section 9, except section 9 (3) and section 9 (4) [For claim under section 18 (1)(a) and section 18 (1)(c))]
5. Date of grant of voluntary registration [For claim made under section 18 (1)(b)]
6. Date on which goods or services becomes taxable [For claim made under section 18 (1)(d)]
7. Claim under section 18 (1) (a) or section 18 (1) (b) Details of stock of inputs and inputs contained in semi-finished goods or finished goods on which ITC is claimed
8. Claim under section 18 (1) (c) or section 18 (1)(d) Details of stock of inputs, inputs contained in semi-finished goods or finished goods and capital goods on which ITC is claimed
9. Particulars of certifying Chartered Accountant or Cost Accountant [where applicable]
10. Verification (by authorized signatory)

TIME LIMIT TO CLAIM ITC : SEC 18(2)

81

Person entitled to take ITC → Within 1 year from the date of invoice

TRANSFER OF BUSINESS : SEC 18(3) & RULE-41

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ITC ON SALE, MERGER,DE-MERGER, AMALGAMATION, LEASE OR TRANSFER

furnished details in **FORM GST ITC -02** for Unutilized Credit.

Transferor shall submit a copy of certificate issued by CA/CMA certifying the transfer of business.

Transferee shall accept the furnished details,

Un-utilized credit specified in **FORM GST ITC-02** shall be credited to his ECL.

FORM GST ITC-02- TRANSFER OF CREDIT ON SALE, MERGER, AMALGAMATION, LEASE OR TRANSFER OF A BUSINESS

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Particulars
1. GSTIN of transferor
2. Legal name of transferor
3. Trade name, if any
4. GSTIN of transferee
5. Legal name of transferee
6. Trade name, if any
7. Details of ITC to be transferred
8. Particulars of certifying Chartered Accountant or Cost Accountant
9. Verification (by authorized signatory)

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REVERSAL/ PAYMENT OF ITC : SEC 18(4)

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In case
- Option availed for tax payment u/s 10 after availing ITC
- Goods/Services become exempt

Amount need to be paid
- by Debit of Electronic Cash/ Credit Ledger
- for ITC in respect of
  - ✓ Inputs held in stock,
  - ✓ Inputs contained in semi finished or finished goods held in stock
  - ✓ Capital goods

shall be
Immediately preceding the date of exercising option/exemption. In case of capital goods ITC reduced by 5% per quarter taking life as 5 years. Such details will be furnished in **GST ITC-03** and shall be shall be duly certified by CA /CMA

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MANNER OF REVERSAL : RULE-44

- For Input held in stock, semi finished or finished stock , ITC shall in calculated proportionally on the basis of invoice
- For Capital goods, ITC for remaining life in month shall be calculated on pro- rata basis, taking 5 years useful life.
- If input invoice not available, estimated amount based on prevailing market price of goods on effective date.
- Amount determined become the part of output tax liability and details of amount shall be furnished in form **GST ITC -03**. Where such amount relates to cancellation of registration, furnish details in form GSTR-10.
- Detail furnished shall be duly certified by CA /CMA
- Amount of ITC for Capital goods determined separately for IGST and CGST, if more shall be the part of Output tax liability and shall be furnished in Form GSTR 1

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GSTIndia.biz *GST Updates*

22ND GST COUNCIL MEETING 6TH OCT, 2017

- Composition Scheme
- Relief to SME
- Export Refunds
- Immediate Reliefs to Exporters
- Others

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COMPOSITION SCHEME

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TURNOVER LIMIT INCREASED

GST Updates

Threshold is Rs. 1 Crore

- In All States

Threshold is Rs. 1 Crore

- Jammu & Kashmir
- Uttarakhand

Threshold is Rs. 75 Lacs

- Arunachal Pradesh
- Assam
- Manipur
- Meghalaya
- Mizoram
- Nagaland
- Sikkim
- Tripura
- Himachal Pradesh

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COMPOSITION OPTION AVAILABILITY

GST Updates

Option available to

Migrated

New Taxpayer

➢Option is available up to 31.03.2018

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FORM GSTR-4 BY NEW ENTRANTS

GST Updates

Option once exercised shall become operational from the next month

Before October

Applied for Composition Scheme in October

December Onwards

File Return as Normal Taxpayer till October

File Return as Composition from December

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AGGREGATE TURNOVER

GST Updates

Aggregate Turnover will not include:

- Interest Income
- Value of Supply of other Exempt Services

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GST Updates

RELIEF FOR SMALL AND MEDIUM ENTERPRISES

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REGISTRATION

GST Updates

Service Providers making Inter-State supply of services

Annual Aggregate Turnover is Rs. 20 Lacs (Rs. 10 Lacs in special category states except J & K)

Registration is not mandatory

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SUMMARY RETURN GSTR – 3B

GST Updates

Month	Due Date
July	25.08.2017 (28.08.2017 for TRAN-1 Cases)
August	20.09.2017
September	20.10.2017
October	20.11.2017
November	20.12.2017
December	20.01.2018

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RETURN GSTR – 1, 2 & 3

GST Updates

FORM GSTR	JULY 2017
1	10TH Oct, 2017
2	31st Oct, 2017
3	10th Nov, 2017

Due dates for the months of August & September have not been notified yet

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RETURN GST – 1, 2 & 3 & PAYMENT OCTOBER ONWARDS

GST Updates

Applicable from quarter October to December 2017

Payment & Return GSTR-1, 2, 3

- Annual Aggregate Turnover *up to* Rs. 5 Crore
  - Quarterly
- Annual Aggregate Turnover *more than* Rs. 5 Crore
  - Monthly

ITC will be eligible on monthly basis to the registered buyers

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REVERSE CHARGE SUSPENDED

GST Updates

Reverse Charge

- Normal (like GTA) — Still Applicable (No Change)
- Supply to Unregistered Persons — *Suspended till 31.03.2018*. However clarification required on tax already paid.

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NO GST ON ADVANCE RECEIPTS

GST Updates

For Taxpayers having Annual Aggregate Turnover up to Rs. 1.5 Crores

No requirement to pay GST on advance receipts	GST will be paid only at the time of Supply made

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EXEMPTION TO GTA

GST Updates

GTA → Supply → UNREGISTERED PERSON

This is exempt under GST

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GST Updates

OTHER RELIEFS

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TDS & TCS APPLICABILITY

GST Updates

Registration and Operationalization of TDS/TCS provisions shall be postponed till 31st March, 2018

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E-WAY BILL

GST Updates

- E-Way Bill system will be introduced in staggered manner from 01.01.2018
- There will be different dates of its launch in different States
- It will be effective from 01.04.2018 nationwide

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DUE DATE OF GSTR – 4 UNDER COMPOSITION SCHEME

GST Updates

Period	Due Date Extended to
July to September 2017	15.11.2017

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DUE DATE OF GSTR – 6 BY ISD

GST Updates

For the m/o July

For the m/o August

For the m/o September

15.11.2017

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INVOICE RULES

GST Updates

Invoice Rules will be modified for certain Registered Persons

Details of the same are not notified yet

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GST Updates

EXPORT BENEFITS

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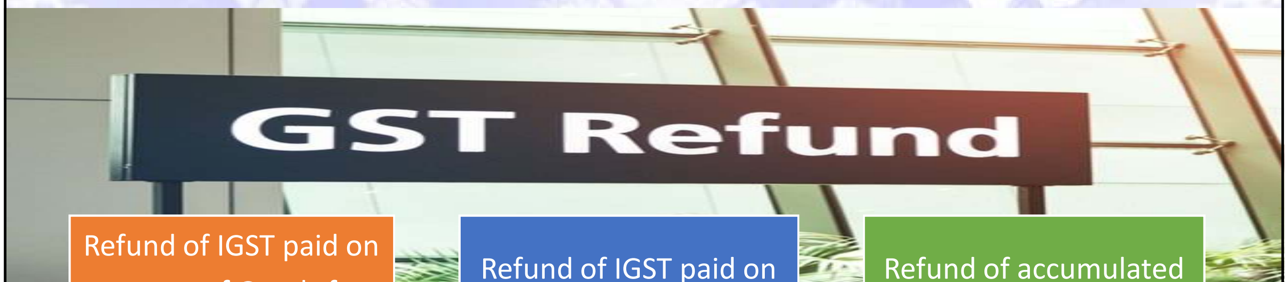
INVOICE RULES

GST Updates



Refund of IGST paid on exports of Goods for the month of July 2017 starting from 10.10.2017

Refund of IGST paid on exports for the month of August 2017 starting from 18.10.2017

Refund of accumulated credit & SEZ related refunds will be announced soon

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OTHER IMMEDIATE RELIEFS TO EXPORTERS

GST Updates

Exporters previously availing Advanced Authorization/ EPCG/ 100% EOU Schemes:

- have been given exemption from IGST & Cess on imports; and
- have been given deemed export status to domestic procurements hence refund of such supplies shall be given to the supplier.

Merchant Exporters to pay nominal 0.1% GST for procuring goods from domestic suppliers for export.

An "E-Wallet" Scheme for Exporters will be operational from 01.04.2018 to facilitate exporters and minimize working capital blockage.

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GST Updates
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