Input Tax Credits
KSCAA

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Input

Section 2(52)

"**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 services

Section 2(53)

"**Input Services**" means any service used or intended to be used by a supplier in the course or furtherance of business".

Capital goods

Section 2(19)

"**Capital Goods**" 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".

Example:

- Plant and machinery capitalized in the books of accounts could be considered as capital goods for claiming credit of tax paid.
- Input tax credit on furniture and fixture capitalized in the books of accounts could be restricted if they are not used in the course of business.
- Impact of financial lease

Input tax

Section 2(55)

"**Input Tax**" in relation to a taxable person, means the IGST, including that on import of goods, CGST and SGST charged on any supply of goods or services to him and includes the tax payable under sub-section (3) of section 8, but does not include the tax paid under section 9".

Section 2(56)

"input tax credit" means credit of 'input tax' as defined in sub-section (55)

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Input tax credits

Sections	Analysis
Sec 16 (1)	a) Input tax credit would be eligible to a registered person subject to conditions and restriction as specified in Section 44. b) Input tax credit can be claimed immediately when reflected in electronic credit ledger. Input tax credit credited to buyer's E-Ledger may be seen after logging into GSTN. *Deferred input tax credit in respect of pipelines and telecommunication tower fixed to earth*
Sec 16 (2)	Subject to Section 36, taxable person will be entitled to input tax credit when the said person: ➢ is in possession of a tax invoice or debit note ➢ he has received the goods and/or services ➢ the tax charged in respect of such supply has been actually paid to Government account ➢ has furnished the return under section 34: • Credit eligible in last installment • In case recipient fails to pay to supplier, the amount towards supply along with tax, within a period of 3 months from date of invoice, the said amount will added to output tax payable

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Input tax credits

Sections	Analysis
Sec 16 (2)	• Where the registered taxable person has claimed depreciation, the input tax credit shall not be allowed on the said tax component • Input tax credit cannot be claimed after furnishing the return for the period of September, following the financial year to which invoice pertains or annual return, which ever is earlier
Sec 17	• Input tax credit restricted to use for the purpose of business • Input tax credit restricted to use for the purpose of taxable supplies including exempt supplies *It is stated that exempt supplies include supplies on which recipient is liable to tax under reverse charge* • Banking Company shall have the option to either comply with the provisions of Section 17(2), or avail an amount equal to 50% of eligible input tax credit on inputs, capital goods & input services

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Ineligible: Input tax credits

Section 17 (4)	Analysis
Motor Vehicle	Input tax credit is restricted on motor vehicles unless the assessee is engaged in further supply of the said motor vehicle or transportation of passengers or goods or imparting training on motor driving skills
Personal use or consumption of employee	Supplies namely • food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where such inward supply of goods or services of a particular category is used by a registered taxable person for making an outward taxable supply of the same category of goods or services • membership of a club, health and fitness centre • 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 under any law for the time being in force; and • travel benefits extended to employees on vacation such as leave or home travel concession

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Ineligible: Input tax credits

Section 17 (4)	Analysis
Works Contract	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;
Immoveable Property	Goods or services 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 of business • "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property • 'Plant and Machinery' means apparatus, equipment, machinery, pipelines, telecommunication tower 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
Others	• Person registered opting to pay tax under composition scheme • Goods or services used for personal consumption • Goods lost, stolen, destroyed, written off or disposed of by way of gift or free Samples

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Special circumstances

Section 18:

- Person who has applied for registration within 30 days from the date he becomes liable, will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act
- Transfer of credit allowed is a case of change in the constitution of a registered taxable person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provision for transfer of liabilities

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Taxable to exempt

Section 17 (5):

- Where the registered taxable person who has availed of input tax credit switches over as a taxable person for paying tax under Section 9 or, where the goods and/ or services supplied by him become exempt absolutely under Section 11, he shall pay an amount, by way of debit in the electronic credit or cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of such switch over or, as the case may be, the date of such exemption:

  Provided that after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

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Set-off: Input tax credits

Section 35:

1. Credit of IGST shall be utilized first utilized for payment of IGST then for CGST and Last for SGST.

2. Credit of CGST shall be first utilized for CGST then for IGST.

3. Credit of SGST shall be first utilized for SGST then for IGST.

4. Credit of SGST Shall not be used for CGST.

Input tax credits: sent to job-worker

Section 20:

- The principal is entitled to take credit on inputs sent to a job worker for job work if the said inputs, after completion of job work, are received back within 180 days of their being sent.

  The principal is entitled to take credit on inputs even if the said inputs are directly sent to job worker without being brought to his place of business, and in such case the period of 180 days shall be counted from the date of receipt by job worker.

- The principal is entitled to take credit on capital goods sent to a job worker for job work if the said capital goods, after completion of job work, are received back within 3 years of their being sent.

  The principal is entitled to take credit on inputs even if the said capital goods are directly sent to job worker without being brought to his place of business, and in such case the period of 3 years shall be counted from the date of receipt by job worker.

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Input tax credits: sent to job-worker

Section 20:
where the inputs or capital goods are not received back within the time limit specified, he shall pay an amount equivalent to the input tax credit availed of on said goods along with the interest specified in Section 36(1).

Provided principle may reclaim the input tax credit and interest paid earlier when the inputs or capital goods are received back by him at his place of business.

Input tax credits: sent to job-worker

Particulars	Time Limit (Inputs)	Time Limit (Capital Goods)
Input/capital goods sent to job worker for job work (including when sent directly to the job worker by the supplier on behalf of the principal)	180 days from the date of their being sent	3 years from the date of their being sent

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Distribution of Input tax credits

Manner	CGST ACT	SGST ACT
Distributor and recipient are located in different state	CGST----------->IGST IGST----------> IGST	SGST ----------> IGST
Distributor and recipient are located in different state being business vertical	CGST----------->CGST IGST----------> CGST	SGST----------->SGST IGST----------> SGST

<u>Section 21: Condition for distribution</u>

1. Distributed against a prescribed documents like invoice, others
2. Amount of Credit distributed shall not exceed the amount of credit available for distribution.
3. Where the credit distributed by the ISD is in excess of credit available for distribution, the excess credit distributed shall be recovered from ISD along with the interest.
4. Where the credit distributed by the ISD is in contravention of Sec 21, resulting in excess distribution of credit to one or more suppliers, the excess of credit so distributed shall be recovered from such suppliers along with the interest.

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