

Input Tax Credit section 16 to 21

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- Input Tax Credit – meaning
- CGST , SGST , IGST , UTGST Charged
- On supply of goods and services or both
- To a registered dealer
- Includes tax paid on reverse charge and IGST on Import of goods
- Does not include composition levy.

Section 16 (1)

- Every Registered dealer
- Subject to conditions as prescribed u/s 49
- Entitled
- Charged on supply of goods or services or both to him
- Used or intended to be used in the course or furtherance of business.

16(2)

- Notwithstanding anything contained in this section , no registered person shall be entitled to the credit of any input tax in respect of supply of goods and services or both **UNLESS** :
- He is in possession of Tax Invoice or debit note issued by supplier registered under this Act or such other tax paying document as may be prescribed.
- He has received the goods or services or both.
- Input tax on Advance paid
- Actual delivery of goods and/or services.

- Tax charged by supplier has actually been paid to Govt either in cash or through utilisation of Input tax credit admissible in respect of said supply.

- **AND**
- He has furnished the return under section 39.
- No Input tax credit even if tax deposited but Return not filed.
- **Goods against an Invoice received in lots or instalments**
- Input tax credit upon receipt of last lot or instalment.

- **Unpaid creditors**
- Recipient fails to pay to supplier of goods or services or both
- Other than on which RCM
- Amount along with tax
- Within 180 days from date of issue of Invoice
- Then
- Input tax credit availed by recipient shall be added to his output tax liability along with interest thereon in manner as prescribed.

16(3)

- **Depreciation claimed on tax component of cost of capital goods**
- Input tax credit on said tax component not allowed.
- 16(4)
- No tax credit entitlement
- Against Tax Invoice or debit note
- After due date of furnishing of return u/s 39 for month of september following the end of F Y to which such Tax Invoice pertains or
- Furnishing of Annual Return
- Which ever is earlier.
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Section 17

- Section 17(1)
- Apportionment of credit and blocked credits
- Good or services used by registered person
- Partly for business and
- Partly for other purposes
- Tax credit shall be restricted to Input tax as is attributable to purpose of his business

- 17(2)
- Goods or services or both used by registered person
- Partly for effecting taxable supplies including Zero rated supplies or under IGST and
- Partly for exempt supplies
- Tax credit restricted to as attributable to said taxable supplies.

- 17(3)
- Exempt supply u/s 17(2) include following :
- Supplies on which recipient is liable to pay under RCM.
- Transaction in securities
- Sale of land
- Sale of building

- 17 (5)
- Notwithstanding 16(1) and 18(1)
- No Input tax credit in respect of following
- Motor vehicles or other conveyances except when used
- (a) for making taxable supplies namely further supply of such vehicles , transportation of passengers or imparting training on driving , flying .
- (b) for transportation of goods.

- 17(5)
- No Input tax credit on
- Supply of goods or services or both
- (a) food or beverages , outdoor caterings , beauty treatment , health services , cosmetic and plastic surgery except
- Outward supply of same category of goods or services or both or as composite and mixed supply.

- No Input tax credit on
- Membership of a club , health and fitness centre
- Rent a cab , Life Insurance and health insurance except where
- (a) govt notifies services obligatory for an employer to provide to its employees or
- (b) outward supply of same category of goods or services or both or as composite and mixed supply.
- Travel benefits extended to employees on vacation such as LTC

- No input tax credit on works contract services when supplied for construction of immovable property except where it is input service for further supply of works contract service.
- Goods or services or both received by taxable person for construction of immovable property on his own account including when such goods or services or both are used in course or furtherance of business

- No input tax credit
- On which tax paid u/s 10 , composition scheme.
- Goods or services or both received by non resident taxable person except on goods imported by him.
- Goods or services or both for personal consumption.
- Goods lost , stolen , destroyed , written off , disposed off by way of gift or free samples and
- Tax paid in accordance with provisions of section 74 , 129 and 130
- Section 74
- Tax not paid or short paid or erroneously refunded or input tax credit wrongly availed by reason of fraud or any wilful misstatement or suppression of facts.
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- Section 129
- Detention , seizure and release of goods and conveyances in transit.
- Section 130
- Confiscation of goods or conveyances and levy of penalty.

Section -18 Input Tax Credit in special Circumstances

- (a) person applied for new registration
- Within 30 days from the date on which he becomes liable to registration
- Has been granted registration
- Entitled to take credit of Input Tax in respect of input held in stock and in semi finished or finished goods on the day immediately preceding the date from which he becomes liable to pay tax .

- (b) person taking voluntary registration
 - Entitled to take credit of input tax in respect of Inputs held in stock or in semi finished or finished on the day immediately preceding the date of grant of registration.
- (c) Person ceases to pay composition tax (S 10), entitled to take credit of input tax held in stocks and on capital goods on the day immediately preceding the date from which he becomes liable to pay u/s 9

- (d) exempt supply of goods or services or both becomes taxable supply
- Shall be entitled to take input tax credit held in stocks relatable to such exempt supply and or capital goods exclusively on day immediately preceding the date from which supply becomes taxable.

- 18(2)
- No tax credit to registered person u/s 18(1) after the expiry of one year from the date of issue of Tax Invoice relating to such supply.
- 18(3)
- Change in constitution after sale , merger , demerger , amalgamation , lease or transfer of business with specific provisions for transfer of liabilities then
- Registered person shall be allowed to transfer ITC remaining unutilised to such sold , merged , demerged , amalgamated or transferred business in manner as prescribed.

- 18(4)
- Registered person who has availed ITC opts to pay U/s 10 or
- Goods and/or services or both supplied becomes wholly exempt
- He shall pay an amount equivalent to credit of Input tax held in stocks on the day immediately preceding the date of exercising such option or date of such exemption.
- After payment balance amount lying , if any shall lapse.

Section 19 – ITC on Inputs and capital goods sent for job work

- Notwithstanding 16(2)
- Principal entitled to ITC on Inputs even if
- Inputs are directly sent to job worker for job work without being first brought to his place of business.
- 19(3)
- Where goods sent for job work not received back within 12 months after completion of job work , it shall be deemed that principal has supplied inputs to job worker on the day when said inputs were sent out.

- 19(4)
- Principal entitled to take ITC on capital goods sent to job worker for job work.
- 19(5)
- Notwithstanding 16(2)(b), Principal entitled to ITC even if capital goods sent directly to job worker for job work without being first brought to his place of business.

Section 20 - ISD

- ISD – Meaning
- Distribution of input tax subject to following
- Credit against document containing such details as prescribed
- Credit distributed shall not exceed amount of credit available for distribution.
- credit of tax paid attributable to recipient
- More than one recipients – pro rata basis

Section 21 Recovery of excess distributed

- Recoverable from recipient(s) along with interest