



Input Tax Credit Rules

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1 (1)	Documentary requirements and conditions for claiming input tax credit			Section 31, 34	(1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely:- a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31; b) a debit note issued by a supplier in accordance with the provisions of section 34; c) a bill of entry; d) an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31; e) a document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule invoice.7; f) a document issued by an Input Service Distributor, as prescribed in clause (g) of sub-rule (1) of rule 4.	This sub-rule prescribes the documents on the basis of which the input tax credit can be availed. Format of Invoice to be issued for payment under reverse charge has not been specified in Invoice Rules.
1 (2)	Documentary requirements and conditions for claiming input tax credit	GSTR-2			(2) Input tax credit shall be availed by a registered person only if all the applicable particulars as prescribed in Chapter ---- (Invoice Rules) are contained in the said document, and the relevant information, as contained in the said document, is furnished in FORM GSTR-2 by such person.	Invoice rules prescribes the details to be mentioned on the invoice like, a) Name of the Supplier b) GSTN c) Specific Invoice Number format



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						d) Name & address of recipient e) Address of Delivery f) HSN Code for goods or accounting code for services g) Description and quantity of the goods / services. h) Value of the goods i) Rate & amount of tax j) Other prescribed information. Such conditions can create considerable amount of litigations as supplier may or may not give all the information required under the Invoice Rules. Currently there are provisions under Cenvat Credit Rules, 2004 to accept clerical errors on the invoices.
1 (3)	Documentary requirements and conditions for claiming input tax credit				(3) No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been raised on account of any fraud, willful misstatement or suppression of facts.	No input tax credit of tax paid on account of fraud, willful misstatement or suppression of facts will be allowed.
2 (1)	Reversal of input tax	GSTR-2	The month immediately	Section 16 (2)	A registered person, who has availed of input tax credit on any inward supply of goods or services or	In case of non-payment of value of the goods & tax thereon to the supplier



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	credit in case of non-payment of consideration		following the period of one hundred and eighty days		both, but fails to pay to the supplier thereof the value of such supply along with the tax payable thereon within the time limit specified in the second proviso to sub-section (2) of section 16, shall furnish the details of such supply and the amount of input tax credit availed of in FORM GSTR-2 for the month immediately following the period of one hundred and eighty days from the date of issue of invoice.	towards goods / services within period 180 from the date of invoice, then credit taken on such invoice needs to be reported in the return of the month immediately following the period of 180 days.
2 (2)	Reversal of input tax credit in case of non-payment of consideration				(2) The amount of input tax credit referred to in sub-rule (1) shall be added to the output tax liability of the registered person for the month in which the details are furnished.	The amount of reversal will be added in the output tax liability of the assessee.
2 (3)	Reversal of input tax credit in case of non-payment of consideration			Section 50(1)	(3) The registered person shall be liable to pay interest at the rate notified under sub-section (1) of section 50 for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability, as mentioned in sub-rule (2), is paid.	In addition to output liability, interest from the date of availment of credit till date of addition in the output tax liability.
3	Claim of credit by a banking company or a	GSTR-2		Section 17 (4)	A banking company or a financial institution, including a non-banking financial company, engaged in supply of services by way of accepting deposits or extending loans or advances that	Banking & financial institution has option to avail 50% of the input tax credit. This rule specified the methodology of availment of the said



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	financial institution				chooses not to comply with the provisions of sub-section (2) of section 17, in accordance with the option permitted under sub-section (4) of that section, shall follow the procedure specified below a) the said company or institution shall not avail the credit of tax paid on inputs and input services that are used for non-business purposes and the credit attributable to supplies specified in sub-section (5) of section 17, in FORM GSTR-2; b) the said company or institution shall avail the credit of tax paid on inputs and input services referred to in the second proviso to sub-section (4) of section 16 and not covered under clause (a); c) fifty per cent. of the remaining input tax shall be the input tax credit admissible to the company or the institution and shall be furnished in FORM GSTR-2; d) (d) the amount referred to in clauses (b) and (c) shall, subject to the provisions of sections 41, 42 and 43, be credited to the electronic credit ledger of the said company or the institution.	50% credit. The methodology is summarised below, a) Identify the total tax on purchase of goods & services b) Reduce the total tax credit by following ➤ Ineligible credit as per Section 17 (5) ➤ Credit pertaining to invoices for which the payment has not been made within 180 days. c) 50% of balance credit will eligible to Banking & Financial Institute
4	Procedure for distribution of credit by Input	GSTR-6	Every month		(1) An Input Service Distributor shall distribute input tax credit in the manner and subject to the conditions specified below-	ISD will be required to distribute the tax paid on the input services in same month to which it pertains.



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	Service Distributor				a) the input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in FORM GSTR-6 in accordance with the provisions of Chapter ---- (Return Rules);	In case the any service provider has reported the supply of services in their GSTR-1 and the ISD has not received the invoice, then it is important to delete those invoices from the GSTR-2 of the ISD.
					(b) the Input Service Distributor shall, in accordance with the provisions of clause (d), separately distribute the amount in-eligible as input tax credit under the provisions of sub-section (5) of section 17 and the amount eligible as input tax credit;	Separate distribution of ineligible credit also required to be done by ISD. By this mechanism even ineligible credit will be transferred to the State to which it pertains.
					(c) the input tax credit on account of central tax, State tax, Union territory tax and integrated tax shall be distributed separately in accordance with the provisions of clause (d);	CGST, SGST, UTGST and IGST needs to be separately distributed.
				Section 20 (2)	(d) the input tax credit that is required to be distributed in accordance with the provisions of clause (d) and (e) of sub-section (2) of section 20 to one of the recipients 'R1', whether registered or not, from amongst the total of all the recipients to whom input tax credit is attributable, including the recipient(s) who are engaged in making exempt supply, or are otherwise not registered for any	The credit will be distributed to the relevant person on the basis of the turnover of that person to total turnover of last financial year / quarter as the case may be.



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					reason, shall be the amount, “C1”, to be calculated by applying the following formula:- $C1 = (t1 \div T) \times C$ where, “C” is the amount of credit to be distributed, “t1” is the turnover, as referred to in section 20, of person R1 during the relevant period, and “T” is the aggregate of the turnover of all recipients during the relevant period;	
					the input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient;	The IGST credit will be distributed as IGST credit.
					(f) the input tax credit on account of central tax and State tax shall, - in respect of a recipient located in the same State in which the Input Service Distributor is located, be distributed as input tax credit of central tax and State tax respectively; - in respect of a recipient located in a State other than that of the Input Service Distributor, be distributed as integrated tax and the amount to be so distributed	The CGST / SGST / UTGST credit will be distributed as under, - In case the recipient is in the same state in which ISD is located then, ➤ CGST will be transferred as CGST ➤ SGST will be transferred as SGST ➤ UTGST will be transferred as UTGST



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					shall be equal to the aggregate of the amount of input tax credit of central tax and State tax that qualifies for distribution to such recipient in accordance with clause (d);	b) In case the recipient is in the different state in which ISD is located then CGST, SGST/UTGST credit will be transferred as IGST credit.
					(g) The Input Service Distributor shall issue an ISD invoice, as prescribed in sub-rule (1) of rule invoice-7, clearly indicating in such invoice that it is issued only for distribution of input tax credit.	ISD will be required to issue as Invoice for distribution of credit.
					(h) The Input Service Distributor shall issue an ISD credit note, as prescribed in sub-rule (1) of rule Invoice-7, for reduction of credit in case the input tax credit already distributed gets reduced for any reason.	In case of reduction of input tax credit, the same will be reduced by way of issuing credit note by the ISD.
					(i) Any additional amount of input tax credit on account of issuance of a debit note to an Input Service Distributor by the supplier shall be distributed in the manner and subject to the conditions specified in clauses (a) to (g) and the amount attributable to any recipient shall be calculated in the manner provided in clause (d) above and such credit shall be distributed in the month in which the debit note has been included in the return in FORM GSTR-6.	In case of additional tax credit on account of increase in the input tax credit on account of revision in prices can be further distributed in the same month in which the debit note reported in GSTR-6



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					(j) Any input tax credit required to be reduced on account of issuance of a credit note to the Input Service Distributor by the supplier shall be apportioned to each recipient in the same ratio in which input tax credit contained in the original invoice was distributed in terms of clause (d) above, and the amount so apportioned shall be,- i. reduced from the amount to be distributed in the month in which the credit note is included in the return in FORM GSTR-6; and ii. added to the output tax liability of the recipient and where the amount so apportioned is in the negative by virtue of the amount of credit to be distributed is less than the amount to be adjusted.	In case of reduction in the tax credit on account of decrease in the input tax credit on account of revision in value of the supply needs to be reversed by adopting following methodology, a) the tax amount to be distributed will be reduced by the tax amount as per credit note b) In case of shortfall, the balance amount will be added to the tax liability of the recipient.
					(2) If the amount of input tax credit distributed by an Input Service Distributor is reduced later on for any other reason for any of the recipients, including that it was distributed to a wrong recipient by the Input Service Distributor, the process prescribed in clause (j) of sub-rule (1) shall, mutatis mutandis apply for reduction of credit.	In case of reduction in distribution amount for any reason, the above mentioned methodology will be adopted.
		GSTR-6			(3) Subject to sub-rule (2), the Input Service Distributor shall, on the basis of the ISD credit note specified in clause (h) of sub-rule (1), issue an ISD	ISD Credit Note and the ISD invoice needs to be reported in GSTR-6



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					Invoice to the recipient entitled to such credit and include the ISD credit note and the ISD Invoice in the return in FORM GSTR-6 for the month in which such credit note and invoice was issued.	
5	Manner of claiming credit in special circumstances			Section 18 (1) (c) & (d)	(1) Input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs lying in stock or inputs contained in semi-finished or finished goods lying in stock, or the credit claimed on capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions - (a) The input tax credit on capital goods, in terms of clauses (c) and (d) of sub-section (1) of section 18, shall be claimed after reducing the tax paid on such capital goods by five percentage points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.	This Rule is applicable in case a composition dealer moves to normal scheme or exempts supplies becomes taxable. The credit of input tax paid on capital goods will be allowed after reducing credit by 5% per quarter from the date of invoice.
		GST ITC-01	30 days	Section 18 (1)	(b) The registered person shall within thirty days from the date of his becoming eligible to avail of input tax credit under sub-section (1) of section 18 shall make a declaration, electronically, on the Common Portal in FORM GST ITC-01 to the effect	Such dealer will be required to file Form GST ITC-01 within 30 days from the date of becoming eligible declaring that dealer is eligible for availing input tax credit.



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					that he is eligible to avail of input tax credit as aforesaid;	
					(c) The declaration under clause (b) shall clearly specify the details relating to the inputs lying in stock or inputs contained in semi-finished or finished goods lying in stock, or as the case may be, capital goods– - on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act, in the case of a claim under clause (a) of sub-section (1) of Section 18, - on the day immediately preceding the date of grant of registration, in the case of a claim under clause (b) of sub-section (1) of Section 18, - on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of Section 18, - on the day immediately preceding the date from which supplies made by the registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of Section 18.	The declaration in GST ITC-01 should have following details as on the last of transition, - Stock of Inputs - Inputs contained in semi finished goods - Input contained in Finished goods - Capital Goods
					(d) The details furnished in the declaration under clause (c) shall be duly certified by a practicing	In case of claim of credit in excess of ₹ 2,00,000, certificate from practicing



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					chartered account or cost accountant if the aggregate value of claim on account of central tax, State tax and integrated tax exceeds two lakh rupees.	Chartered Accountant or Cost Accountant needs to be obtained.
					(e) The input tax credit claimed in accordance with clauses (c) and (d) of sub-section (1) of section 18 shall be verified with the corresponding details furnished by the corresponding supplier in FORM GSTR-1 or as the case may be, in FORM GSTR- 4, on the Common Portal.	Tax credit will be allowed only after verification of corresponding sale by the supplier. In other words, in case the supplier has not filed / filed incorrectly, credit of the tax will not be allowed.
6	Transfer of credit on sale, merger, amalgamation, lease or transfer of a business	GST ITC-02			(1) A registered person shall, on sale, merger, de-merger, amalgamation, lease or transfer or change in ownership of business for any reason, furnish the details of sale, merger, de-merger, amalgamation, lease or transfer of business, in FORM GST ITC-02 electronically on the Common Portal along with a request to transfer the unutilized input tax credit lying in his electronic credit ledger to the transferee: Provided that in the case of demerger, the input tax credit shall be apportioned in the ratio of the	Application in Form GST ITC-02, needs to be made in case of transfer of credit on Sale, merger, amalgamation, lease or transfer of business. Certificate, certifying transfer of liabilities, from practicing Chartered Accountant or Cost Accountant will be required to be submitted.



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					value of assets of the new units as specified in the demerger scheme. (2) The transferor shall also submit a copy of a certificate issued by a practicing chartered account or cost accountant certifying that the sale, merger, de-merger, amalgamation, lease or transfer of business has been done with a specific provision for transfer of liabilities. (3) The transferee shall, on the Common Portal, accept the details so furnished by the transferor and, upon such acceptance, the un-utilized credit specified in FORM GST ITC-02 shall be credited to his electronic credit ledger.	
7	Manner of determination of input tax credit in certain cases and reversal thereof	GSTR-2			(1) The input tax credit in respect of inputs or input services, which attract the provisions of sub-sections (1) or (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempted supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-	Under this Rule manner of identification of credit of taxes paid on <i>Input and Input services</i> pertaining to taxable, exempt supplies, zero rated supplies, non business purpose is identified. The tax credit will be reversed provisionally every month.



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					(a) total input tax involved on inputs and input services in a tax period, be denoted as 'T'; (b) the amount of input tax, out of 'T', attributable to inputs and input services intended to be used exclusively for purposes other than business, be denoted as 'T1'; (c) the amount of input tax, out of 'T', attributable to inputs and input services intended to be used exclusively for effecting exempt supplies, be denoted as 'T2'; (d) the amount of input tax, out of 'T', in respect of inputs on which credit is not available under sub-section (5) of section 17, be denoted as 'T3'; (e) the amount of input tax credit credited to the electronic credit ledger of registered person, be denoted as 'C1' and calculated as: $C1 = T - (T1+T2+T3);$ (f) the amount of input tax credit attributable to inputs and input services used exclusively in or in relation to taxable supplies including zero rated supplies, be denoted as 'T4'; (g) 'T1', 'T2', 'T3' and 'T4' shall be determined and declared by the registered person at the invoice level in FORM GSTR-2;	Below steps needs to be followed for identification and reversal of the credit, a) Identify total input tax credit (T) b) Identify the input tax credit exclusively linked to non-business purpose (T1) c) Identify input tax credit exclusively linked to exempted supplies (T2) d) Identify input tax credit which is not eligible as credit (T3) e) Reduce the above ineligible tax credit from the total credit. The balance credit will be termed as (C1). f) Identify the input tax credit which is exclusively linked to taxable supplies including that of zero rated supplies. (T4) g) Reduce the above tax (T4) from balance credit (C1) to arrive at common credit pertaining to taxable as well as exempted supplies &/ non business purpose.



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					(h) Input tax credit left after attribution of input tax credit under clause (g) shall be called common credit, be denoted as 'C2' and calculated as: $C2 = C1 - T4;$ (i) The amount of input tax credit attributable towards exempt supplies, be denoted as 'D1' and calculated as: $D1 = (E \div F) \times C2$ where, 'E' is the aggregate value of exempt supplies, that is, all supplies other than taxable and zero rated supplies, during the tax period, and 'F' is the total turnover of the registered person during the tax period: Provided that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which details of such turnover are available, previous to the	h) Out of the above common credit (C2) reduce the tax (D1) pertaining to exempted supplies by applying % of exempted turnover to total turnover to balance tax credit (C2) i) Apart from above, the common credit pertaining to non-business purpose (D2) will be reduced to the extent of 5% of total common credit left i.e. (C2) j) After reducing D1 and D2 from C2, the balance credit will be eligible as ITC by way of addition into output tax liability. k) The amount of credit i.e. D1 and D2 will be added to output tax liability of the assessee. The assessee has option to segregate the amount of tax at invoice level itself.



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					month during which the said value of 'E/F' is to calculated; Explanation: For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount 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. (j) the amount of credit attributable to non-business purposes if common inputs and input services are used partly for business and partly for non-business purposes, be denoted as 'D2', and shall be equal to five per cent. of C2; and (k) the remainder of the common credit shall be the eligible input tax credit attributed to the purposes of business and for effecting taxable supplies including zero rated supplies and shall be denoted as 'C3', where,- $C3 = C2 - (D1 + D2);$ (l) The amount 'C3' shall be computed separately for input tax credit of central	The turnover for the purpose of this rule will be turnover of last tax period i.e. last month.



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					tax, State tax, Union territory tax and integrated tax; (m) The amount equal to 'D1' and 'D2' shall be added to the output tax liability of the registered person: Provided that if the amount of input tax relating to inputs or input services which have been used partly for purposes other than business and partly for effecting exempt supplies has been identified and segregated at invoice level by the registered person, the same shall be included in 'T1' and 'T2' respectively, and the remaining amount of credit on such input or input services shall be included in 'T4'.	
			30 th September of subsequent year.		(2) The input tax credit determined under sub-rule (1) 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 and, (a) where the aggregate of the amounts calculated finally in respect of 'D1' and 'D2' exceeds the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2', such excess shall be added to the output tax liability of the registered person for a month not later than the	The amount reversal required will be recomputed on the basis of actual turnover for the financial year. In case of short payment, the additional tax liable to be paid will be added in the output tax liability. In case of excess payment of tax, the same will be allowed as credit.



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					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 at the rate specified in sub-section (1) of section 50 for the period starting from first day of April of the succeeding financial year till the date of payment; or (b) where the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2' exceeds the aggregate of the amounts calculated finally in respect of 'D1' and 'D2', 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.	
8	Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases			Section 17 (1) & (2)	(1) Subject to the provisions of sub-section (3) of section 16, the input tax credit in respect of capital goods, which attract the provisions of sub-sections (1) and (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed	Under this Rule manner of identification of credit of taxes paid on capital goods pertaining to taxable, exempt supplies, zero rated supplies, non-business purpose is identified. The tax credit will be reversed every month.



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					to the purposes of business or for effecting taxable supplies in the following manner, namely,- (a) the amount of input tax in respect of capital goods used or intended to be used exclusively for non-business purposes or used or intended to be used exclusively for effecting exempt supplies shall be indicated in FORM GSTR-2 and shall not be credited to his electronic credit ledger; (b) the amount of input tax in respect of capital goods used or intended to be used exclusively for effecting taxable supplies including zero-rated supplies shall be indicated in FORM GSTR-2 and shall be credited to the electronic credit ledger; (c) the amount of input tax in respect of capital goods not covered under clauses (a) and (b), denoted as 'A', shall be credited to the electronic credit ledger and the useful life of such goods shall be taken as five years: Provided that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, the value of 'A' shall be arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof and the amount 'A' shall be credited to the electronic credit ledger;	Below methodology needs to be adopted as per this rule, a) Tax Credit pertaining to capital goods exclusively used for non-business purpose or exempted supplies needs to be identified. This tax will not be credited to electronic credit ledger of the assessee. b) Tax credit pertaining to capital goods exclusively used for taxable supplies including zero rated needs to be identified. The credit of the same will be eligible and tax amount will be credited to electronic credit ledger. c) The balance credit capital goods (Tc) will be divided by 60 to arrive at per month tax amount (Tm) assuming 5 years residual life (12 months x 5 years = 60 months) d) The summation of credit of all common capital assets will be done. (Tr). e) The summation of Tax pertaining to common assets



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					(d) the aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c), to be denoted as 'Tc', shall be the common credit in respect of capital goods for a tax period: Provided that where any capital goods earlier covered under clause (b) is subsequently covered under this clause, the value of 'A' arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof shall be added to the aggregate value 'Tc'; (e) the amount of input tax credit attributable to a tax period on common capital goods during their residual life, be denoted as 'Tm' and calculated as:- $Tm = Tc \div 60$ (f) the amount of input tax credit, at the beginning of a tax period, on all common capital goods whose residual life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such capital goods. (g) the amount of common credit attributable towards exempted supplies, be denoted as 'Te', and calculated as: $Te = (E \div F) \times Tr$	(Tr) will be reduced by tax on exempted / non-business supplies arrived by applying % of turnover of exempted supplies / total supplies. No reversal of tax credit on common capital goods required when those capital goods used for non-business purpose.



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					where, ‘E’ is the aggregate value of exempt supplies, that is, all supplies other than taxable and zero rated supplies, during the tax period, and ‘F’ is the total turnover of the registered person during the tax period: Provided that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of ‘E/F’ calculated by taking values of ‘E’ and ‘F’ of the last tax period for which details of such turnover are available, previous to the month during which the said value of ‘E/F’ is to calculated; Explanation: For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount 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; (h) the amount Te along with applicable interest shall, during every tax period of the residual life of the concerned capital goods, be added	



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					to the output tax liability of the person making such claim of credit.	
					(2) The amount Te shall be computed separately for central tax, State tax, Union territory tax and integrated tax.	Separate computation required for CGST, SGST, UTSGST and IGST.
9 (1)	Manner of reversal of credit under special circumstances			18 (4) and 29 (5) of CGST Act	(1) The amount of input tax credit, relating to inputs lying in stock, inputs contained in semi-finished and finished goods lying in stock, and capital goods lying in stock, for the purposes of sub-section (4) of section 18 or sub-section (5) of 29, shall be determined in the following manner namely,- (a) For inputs lying in stock, and inputs contained in semi-finished and finished goods lying in stock, the input tax credit shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed by the registered taxable person on such input. (b) For capital goods lying in stock the input tax credit involved in the remaining residual life in months shall be computed on pro-rata basis, taking the residual life as five years; <i>Illustration</i>	In cases where registered person opts for composition scheme or his goods/services/both becomes wholly exempted and in case of cancellation of registration, manner of reversal of input tax credit has been prescribed. a. For inputs – proportionate credit as per corresponding invoice pertaining to the inputs b. For capital goods – credit pertaining to the remaining residual life in months considering residual life as 5 years.



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					<i>Capital goods have been in use for 4 years, 6 month and 15 days.</i> <i>The residual remaining life in months= 5 months ignoring a part of the month</i> <i>Input tax credit taken on such capital goods=Ç</i> <i>Input tax credit attributable to remaining residual life=C multiplied by 5/60</i>	
9 (2)					(2) The amount, as prescribed in sub-rule (1) shall be determined separately for input tax credit of IGST and CGST.	For reversal referred above, amount shall be determined for IGST and CGST separately
9 (3)					(3) Where the tax invoices related to the inputs lying in stock are not available, the registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of goods on the effective date of occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.	In case invoices are not available for reversal of credit referred above, reversal shall be made based on prevailing market price of the goods on the date of opting composition scheme or effective date of exemption or date of cancellation of registration.
9(4)		GST ITC-03 And			(4) The amount determined under sub-rule (1) shall form part of the output tax liability of the registered person and the details of the amount shall be furnished in FORM GST ITC-03 , where such amount relates to any event specified in sub-	Amount of reversal referred in sub-section 1 above, shall be added in output tax liability of the registered person.



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		GSTR-10			section (4) of section 18 and in FORM GSTR-10 , where such amount relates to cancellation of registration.	Such amount to be shown in ITC-03 by person opting for composition and in case of cancellation of registration in GSTR-10.
10	Conditions and restriction in respect of inputs and capital goods sent to the job worker	GSTR-1		143 of CGST Act	(1) The inputs or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where the inputs or capital goods are sent directly to job-worker. (2) The challan issued by the principal to the job worker shall contain the details specified in rule Invoice.8: (3) The details of challans in respect of goods dispatched to a job worker or received from a job worker during a tax period shall be included in FORM GSTR-1 furnished for that period. (4) If the inputs or capital goods are not returned to the principal within the time stipulated in section 143, the challan issued under sub-rule (1) shall be deemed to be an invoice for the purposes of this Act.	• A challan shall be issued by the Principal for input or capital goods to be sent to Job Worker from his premises or directly from supplier premises. • A challan should contain details required to be mentioned on an Invoice. • Details of challans in respect of goods sent or received from a job worker shall be included in GSTR-1. • If goods are not received from job worker within stipulated time Challan would be treated as an Invoice for supply of goods.