Section 17 of GST – Apportionment of credit and blocked credits

(1) Where the goods or services or both are **used** by the registered person **partly** for purpose of any **business** and partly for **other purposes**, the amount of **credit shall be restricted to** so much of the **input tax** as is **attributable to the purposes of his business**.

Business purpose + other purpose ---→ Business purpose

(2) Where the goods or services or both are **used** by the registered person **partly** for effecting **TAXABLE supplies including ZERO-rated supplies** under this Act or under the Integrated Goods and Services Tax Act and **partly** for effecting **EXEMPT supplies** under the said Acts, the amount of credit shall be **restricted** to so much of **the input tax** as is **attributable to the said taxable supplies including zero-rated supplies.**

(Taxable supplies + Zero rated supplies) + Exempt Supplies-----→Taxable and zero-rated supplies

(3) The **value of exempt supply** under sub-section (2) shall be such as may be prescribed, and shall **include supplies on which the recipient is liable to pay tax on reverse charge basis**, **transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.**

Exempt supply = exempt supply+ Reverse charge supplies +securities transactions + Sale of land / building+ Schedule II

(4) A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of **accepting deposits, extending loans or advances** shall have the **option** to **either** comply with the ***provisions of sub-section (2)***, **or** avail of, **every month**, an amount **equal to fifty per cent (50%)**. of the **eligible input tax credit** on inputs, capital goods and input services in that month and the **rest shall lapse**:

Banking company + financial inst →Provisions of sub section (2) ***(or)*** *50% of eligible ITC in that month*

Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year:

Provided further that the restriction of fifty per cent. shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.

(5) Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, **input tax credit shall not be available** in respect of the following: —

(a) motor vehicles and other conveyances ***except*** when they are **used**—

- (i) for making the following taxable supplies, namely: —
    - (A) further supply of such vehicles or conveyances; or
    - (B) transportation of passengers; or
    - (C) imparting training on driving, flying, navigating such vehicles or conveyances;
- (ii) for transportation of goods;

(b) the following supply of goods or services or both—

- (i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
- (ii) membership of a club, health and fitness centre;
- (iii) rent-a-cab, life insurance and health insurance **except** where–
    - (A) 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; or
    - (B) such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and
- (iv) travel benefits extended to employees on vacation such as leave or home travel concession;

(c) *works contract services* when supplied for *construction of an immovable property* (other than plant and machinery) *except where it is an input service for further supply of works contract service*;

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

Explanation.– For the purposes of clauses (c) and (d), the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

(e) goods or services or both on which tax has been paid under section 10;

(f) goods or services or both received by a non-resident taxable person except on goods imported by him;

(g) goods or services or both used *for personal consumption*;

(h) goods *lost, stolen, destroyed, written off or disposed of by way of gift or free samples*; and

(i) any tax paid in accordance with the provisions of sections 74, 129 and 130.

(6) The Government may prescribe the manner in which the credit referred to in sub-sections (1) and (2) may be attributed.

Explanation.– For the purposes of this Chapter and Chapter VI, 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.

For any doubts and clarifications please contact below

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