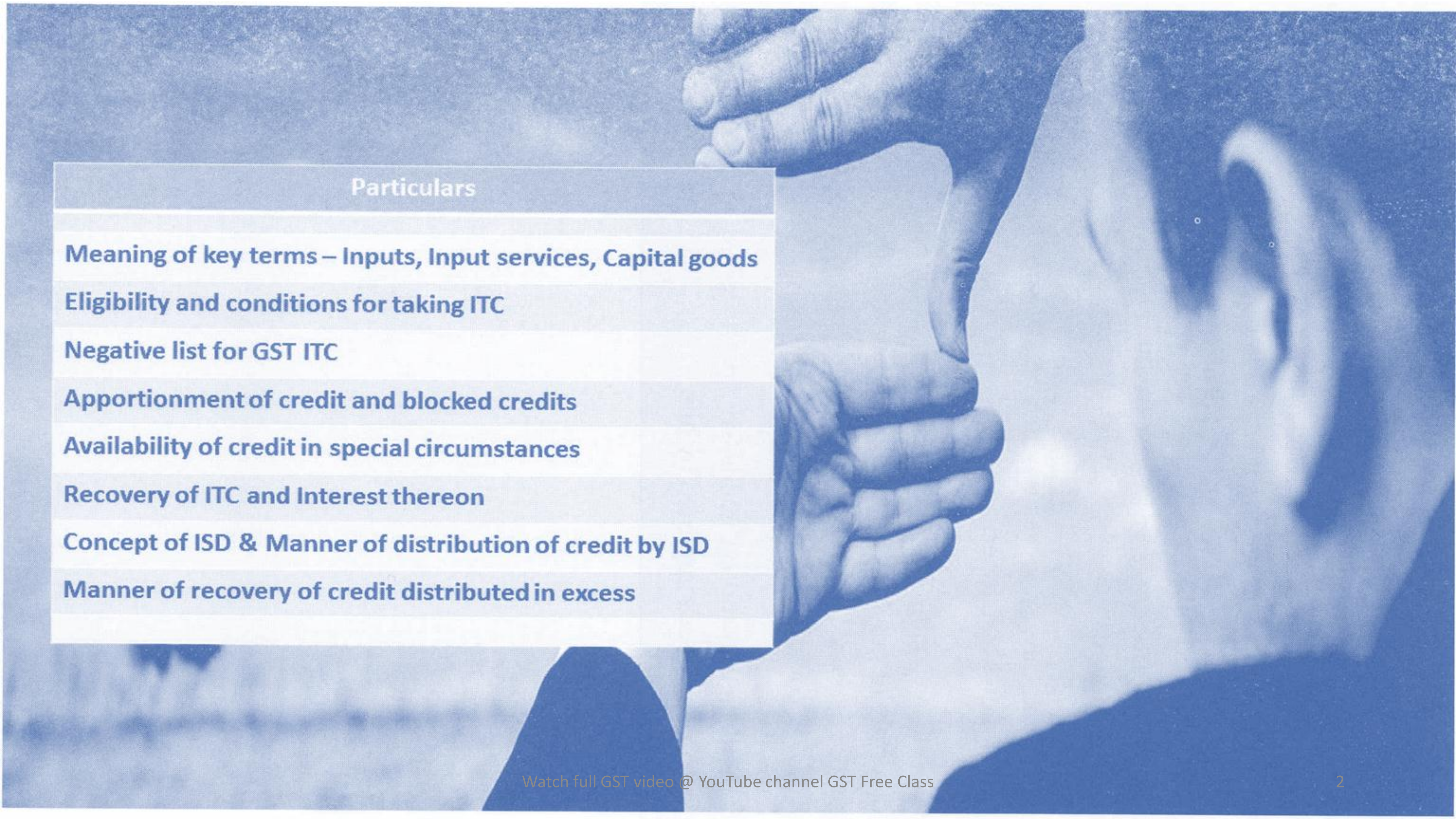
ITC के लिए शर्तें

ITC कब नहीं मिलेगा
ITC का Negative लिस्ट

INPUT TAX CREDIT under GST

GST Free Class

By CA Manish Kumar



Particulars
Meaning of key terms – Inputs, Input services, Capital goods
Eligibility and conditions for taking ITC
Negative list for GST ITC
Apportionment of credit and blocked credits
Availability of credit in special circumstances
Recovery of ITC and Interest thereon
Concept of ISD & Manner of distribution of credit by ISD
Manner of recovery of credit distributed in excess

Key terms in GST Input Tax Credit ("ITC")

Relevant Provisions - Definitions

Section (CGST Act 2017)	Particulars	Section (IGST Act, 2017)
Sec 2(19)	Meaning of term 'Capital goods'	Sec 2(24)
Sec 2(59)	Meaning of term 'Input'	Sec 2(24)
Sec 2(60)	Meaning of term 'Input service'	Sec 2(24)
Sec 2(61)	Meaning of term 'Input Service Distributor'	Sec 2(24)
Sec 2(62)	Meaning of term 'Input tax'	Sec 2(24)
Sec 2(63)	Meaning of term 'Input tax credit'	Sec 2(24)

Sec	Provision (IGST Act, 2017)
2 (24)	*words and expressions used and **not defined in this Act** but defined in the Central Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act shall **have the same meaning as assigned to them in those Acts;***

Definition of terms input tax credit and input tax

Sec	Provision (CGST Act, 2017)
	<u>**Definition of terms input tax credit and input tax**</u>
2 (63)	***"input tax credit"*** *means credit of '<u>input tax</u>'*
2 (62)	*"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* ***<u>made to him</u>*** *and includes –* a) the integrated goods and services tax charged on **import of goods;** b) *the tax payable under the provisions of sub-sections* ***(3) and (4) of section 9;*** c) *the tax payable under the provisions of sub-sections* ***(3) and (4) of section 5 of the Integrated Goods and Services Tax Act;*** d) *the tax payable under the provisions of sub-sections* ***(3) and (4) of section 9 of the respective State Goods and Services Tax Act;*** *or* e) *the tax payable under the provisions of sub-sections* ***(3) and (4) of section 7 of the Union Territory Goods and Services Tax Act*** but **does not include** the tax paid under the **composition levy;**

Includes:

- ✓ IGST paid on import of goods
- ✓ Tax paid under RCM

Excludes:

- ✓ Tax paid under Composition scheme

Deals with tax paid under RCM

Definition of term 'Input'

Sec	Provision (CGST Act, 2017)
	Definition of term 'Input'
2 (59)	*"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 – Wide definition

- Goods other than Capital goods
- Used or intended to be used
- By Supplier
- In the course or furtherance of business

Subject to the Negative list provided in Section 17(5) of CGST Act, 2017

Definition of term 'Input service'

Sec	Provision (CGST Act, 2017)
2 (60)	<u>**Definition of term 'Input service'**</u> *"**input service**" means **any service** <u>used or intended to be used</u> by a **supplier** in the **course or furtherance of business;***

Input Service– Wide definition

- **Any Service**
- **Used or intended to be used**
- **By Supplier**
- **In the <u>course or furtherance of business</u>**

Subject to Negative list provided in Section 17(5) of CGST Act, 2017

Pre-GST Regime Vs. GST → Concept of 'Business' re-introduced

Definition of term 'Capital goods'

Sec	Provision (CGST Act, 2017)
2 (19)	**Definition of term 'Capital goods'** ***"capital goods"*** *means* ***goods****, the* ***value of which is capitalized in the books of accounts*** *of the person claiming the input tax credit and which are* ***used or intended to be used*** *in the* ***course or furtherance of business;***

Capital goods – Wide definition

- Goods
- Value of which is capitalized in BOA
- Of the person claiming ITC
- Used or intended to be used
- In the course or furtherance of business

Pre-GST Regime Vs. GST → Reference of HSN Code wise items not continued – Wide definition

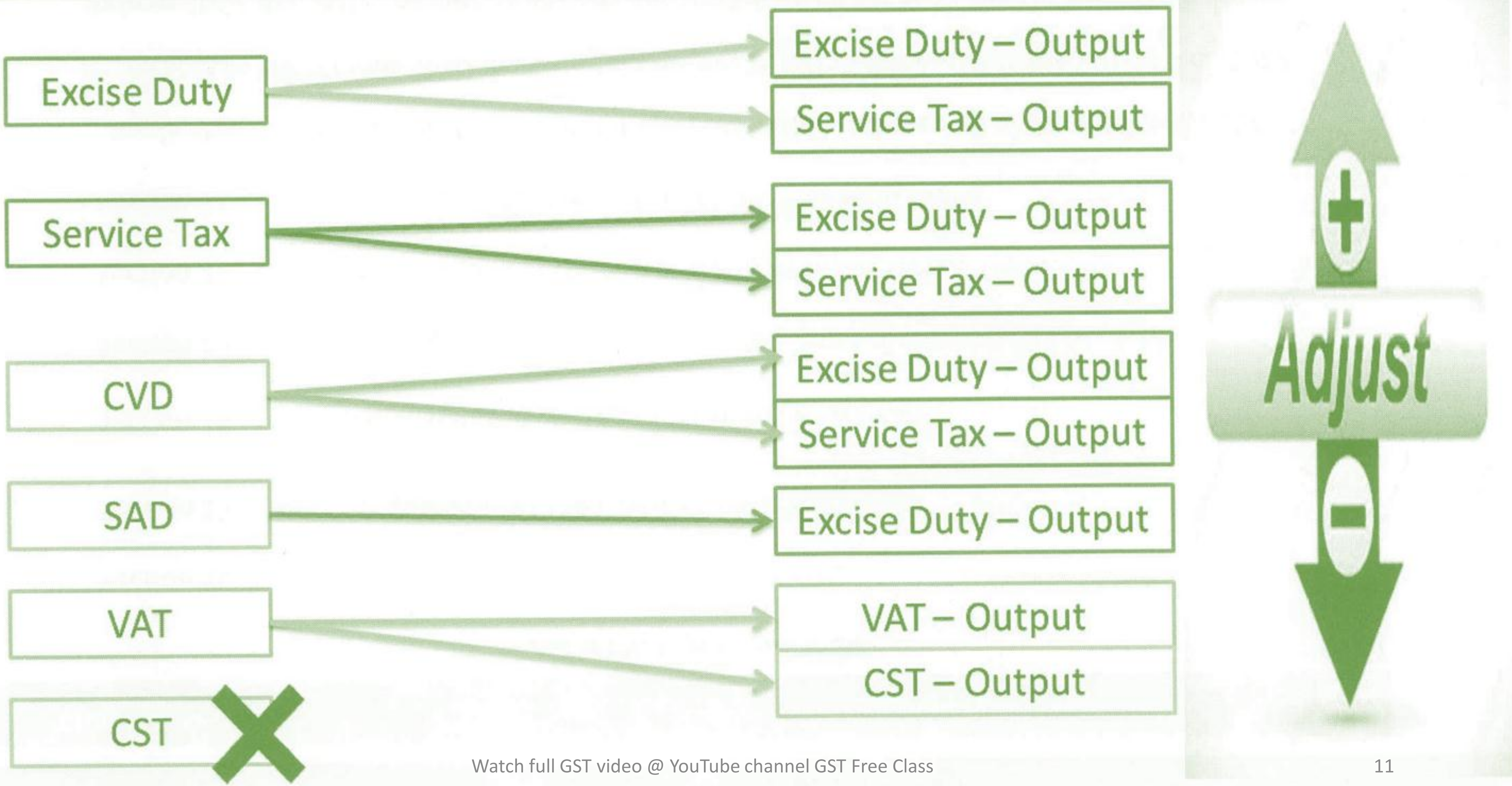
Subject to Negative list provided in Section 17(5) of CGST Act, 2017

Manner of availing & utilizing GST ITC

Availability of credit – Pre-GST Indirect Tax Regime

Type of duty/tax → / Nature of taxable person ↓	Excise Duty on Inputs and Capital goods	Service Tax on Input Services	VAT on Inputs and Capital Goods	CVD [Sec 3(1) of CTA]/ SAD [3(5) of CTA] on Inputs and Capital Goods [CTA – Customs Tariff Act, 1975]	CST on Inputs and Capital Goods
 Manufacturer	✓	✓	✓	✓	✗
 Trader	✗	✗	✓	✗ CVD ✓ SAD (Refund)	✗
 Service Provider	✓	✓	✗	✓ CVD ✗ SAD	✗

Adjustment of credit – Pre-GST Indirect Tax Regime



Relevant Provisions – CGST Act, 2017

Chapter/ Section	Particulars
Chapter V: Input Tax Credit	
Section 16	Eligibility and conditions for taking ITC
Section 17	Apportionment of credit and blocked credits
Section 18	Availability of credit in special circumstances
Section 19	Taking ITC in respect of inputs & capital goods sent for job –work
Section 20	Manner of distribution of credit by input Service Distributor
Section 21	Manner of recovery of credit distributed in excess
Applicable to IGST vide Section 20 under Chapter IX (Miscellaneous) of the IGST Act, 2017	
Applicable to UTGST vide Section 21 under Chapter IX (Miscellaneous) of the UTGST Act, 2017	
Akin to CGST Act, 2017, similar provisions are contained under SGST Acts of respective States	

Relevant Provisions – Chapter V of the CGST Rules, 2017

Rule	Particulars
Rule 36	Documentary requirements and conditions for claiming input tax credit
Rule 37	Reversal of input tax credit in case of non-payment of consideration
Rule 38	Claim of credit by a banking company or a financial institution
Rule 39	Procedure for distribution of input tax credit by Input Service Distributor
Rule 40	Manner of claiming credit in special circumstances
Rule 41	Transfer of credit on sale, merger, amalgamation, lease or transfer of a business
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
Rule 44	Manner of reversal of credit under special circumstances

Eligible person & Manner of availing ITC

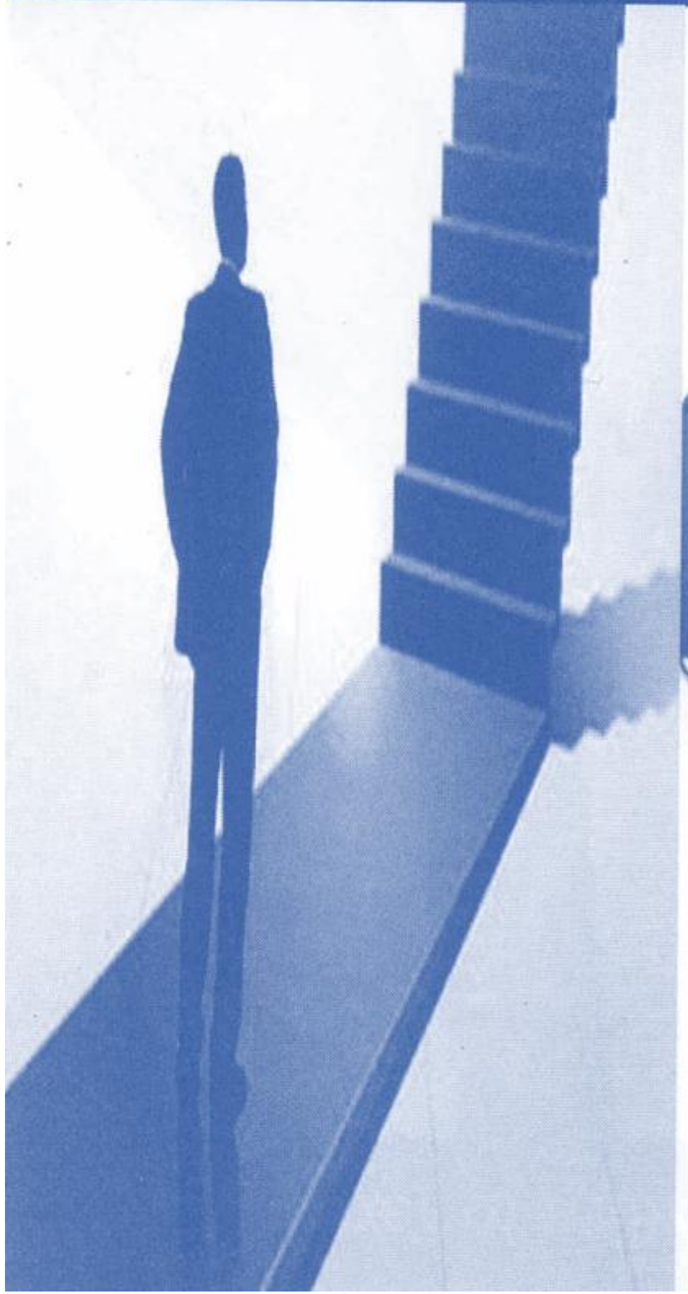
Sec 16(1)

- **Every registered person**
- Subject to such conditions and restrictions as may be prescribed; and
- Within the time and manner specified in **Sec 49**

→ Entitled to **take ITC admissible** to him

→ Said amount to be credited to the **electronic credit ledger** of such person

Manner of utilization of IGST credit – Sec 49(5)(a) of CGST Act, 2017



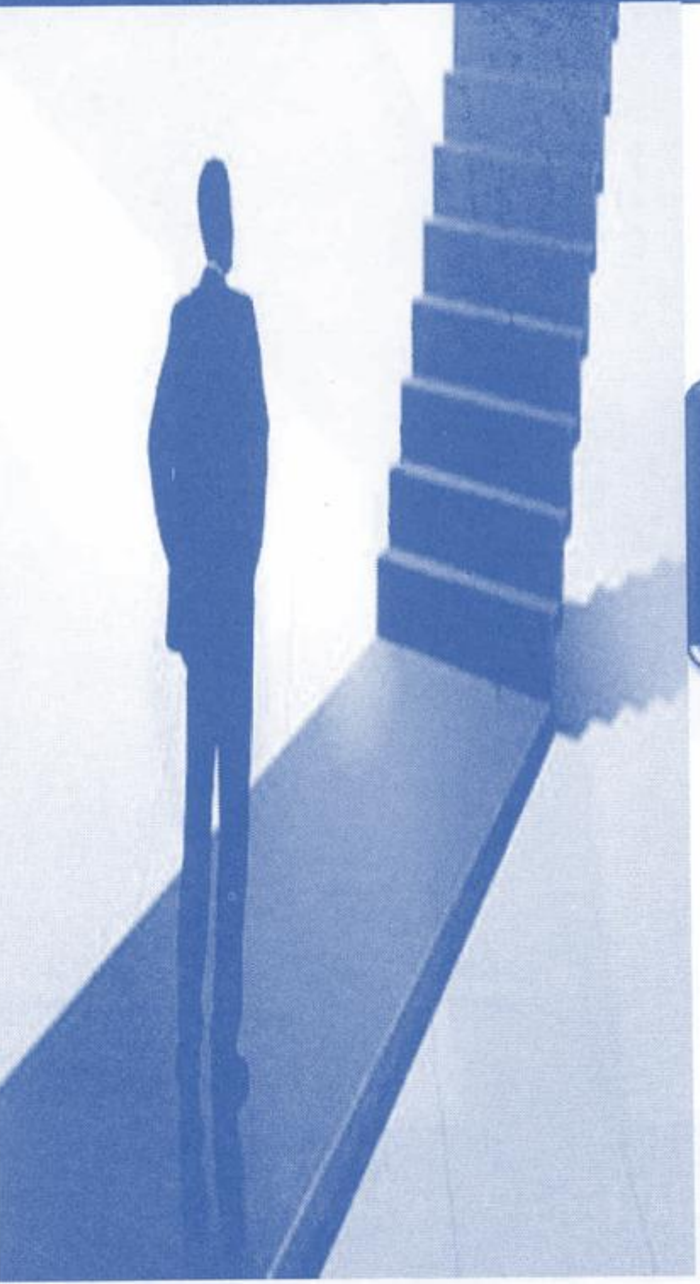
IGST Credit

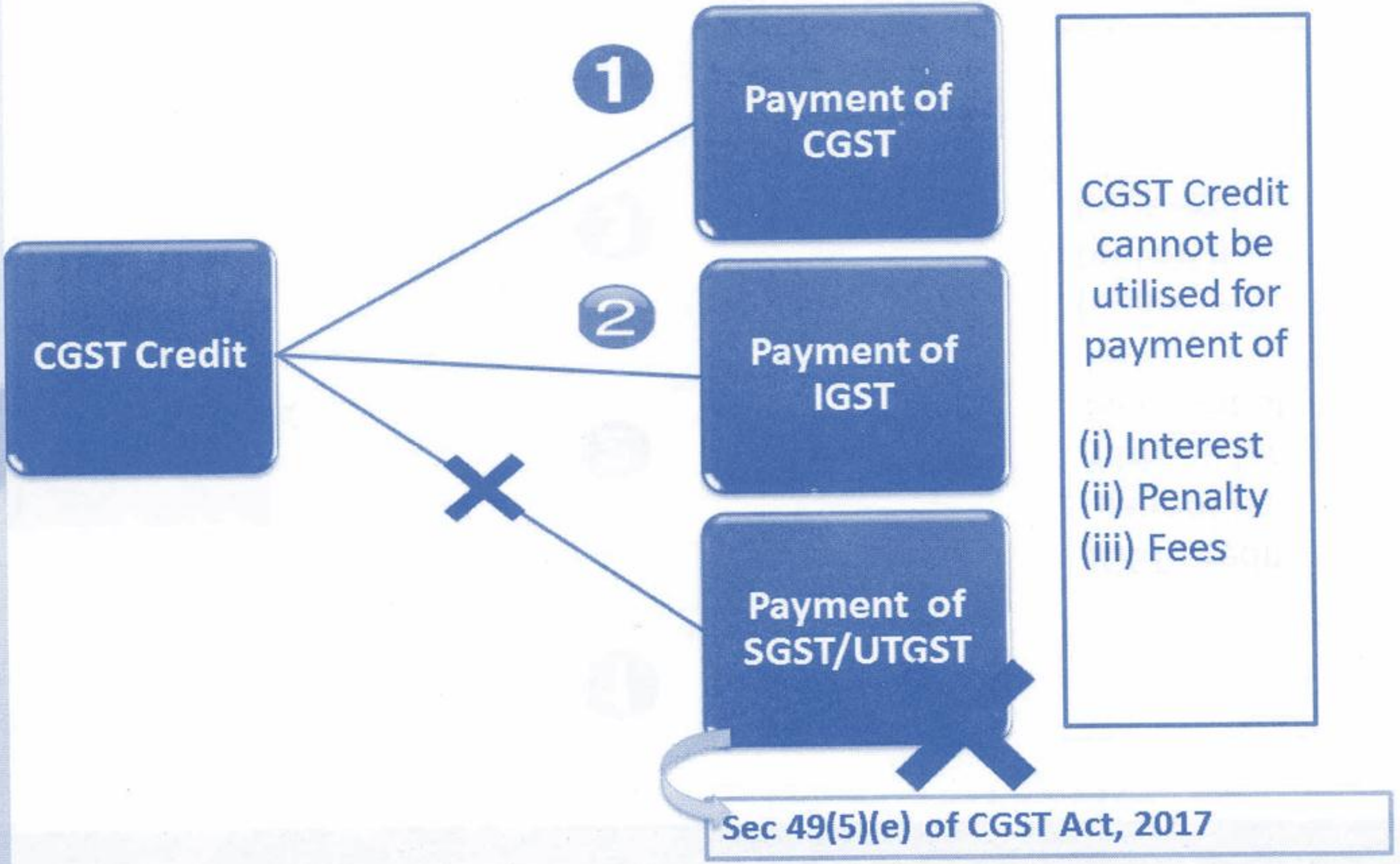
1. Payment of IGST
2. Payment of CGST
3. Payment of SGST/UTGST

IGST Credit cannot be utilised for payment of

(i) Interest
(ii) Penalty
(iii) Fees

Manner of utilization of CGST credit – Sec 49(5)(b) of CGST Act, 2017

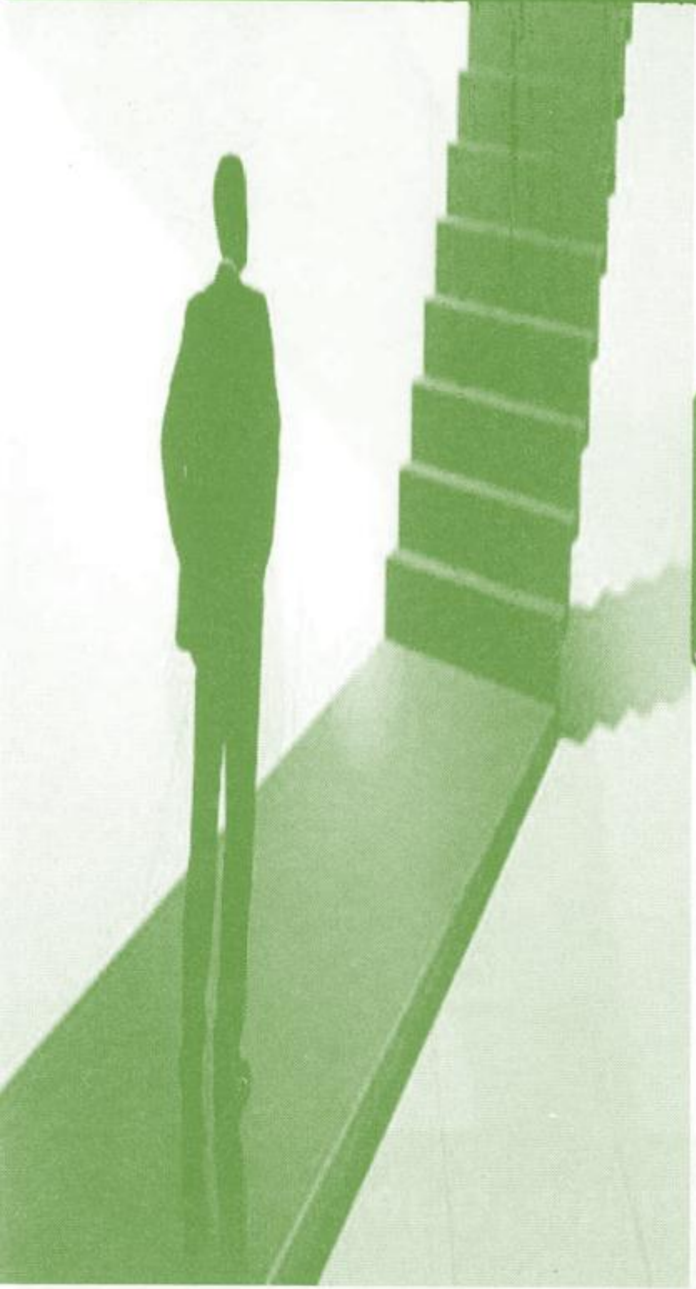




CGST Credit cannot be utilised for payment of

(i) Interest
(ii) Penalty
(iii) Fees

Manner of utilization of SGST credit – Sec 49(5)(c) of CGST Act, 2017



SGST Credit

1. **Payment of SGST**
2. **Payment of IGST**

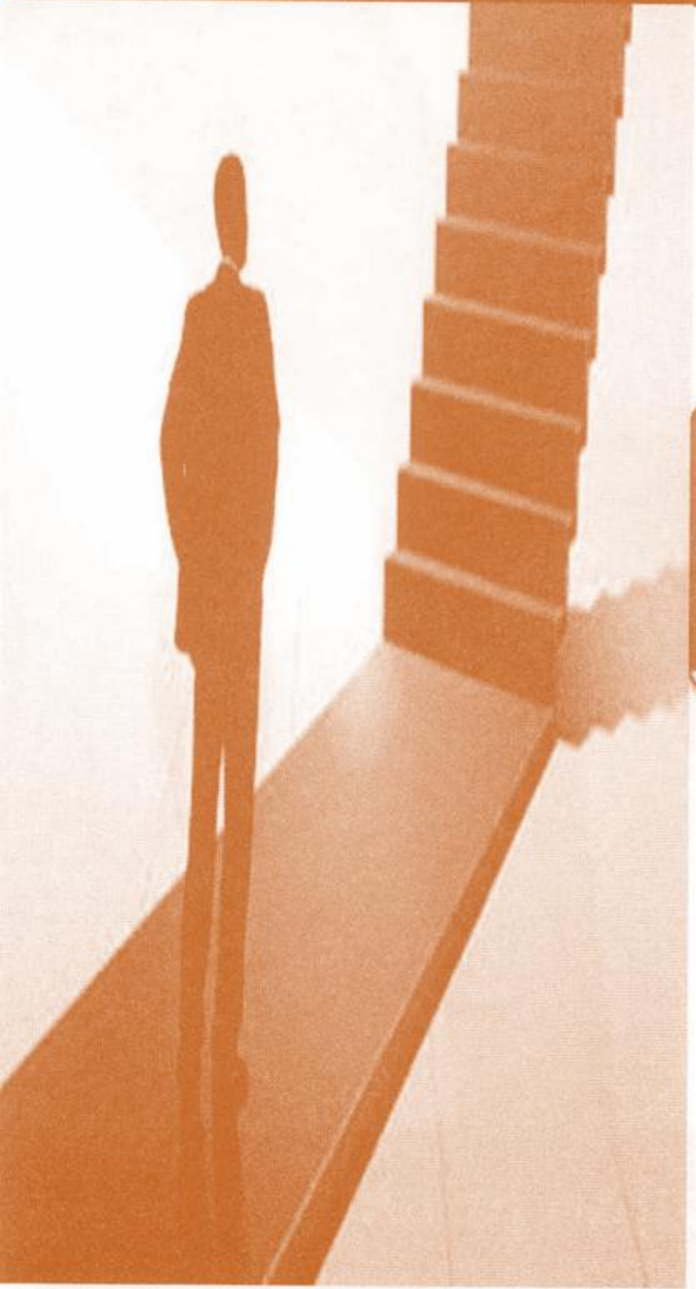
~~**Payment of CGST/UTGST**~~

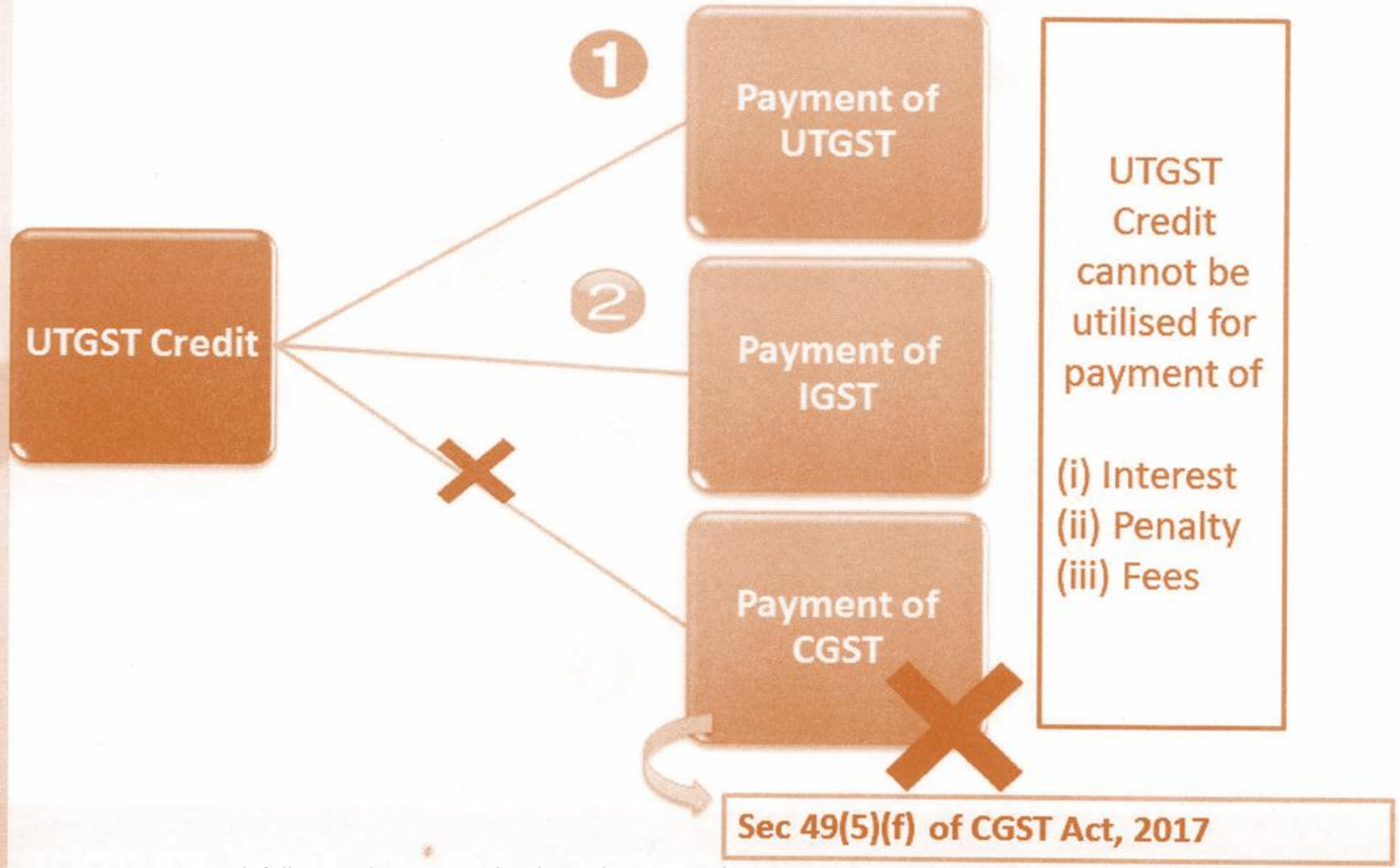
Sec 49(5)(f) of CGST Act, 2017

SGST Credit cannot be utilised for payment of

(i) Interest
(ii) Penalty
(iii) Fees

Manner of utilization of UTGST credit – Sec 49(5)(d) of CGST Act, 2017





Conditions to avail GST ITC

Essential conditions to avail GST ITC

Sec 16(2)

(a) he is in **possession of a tax invoice or debit note** issued by a supplier registered under this Act, or such other tax paying document as may be prescribed;

(b) he has **received the goods or services or both**;

GST payable on advance but corresponding ITC not available to recipient till receipt of goods or services

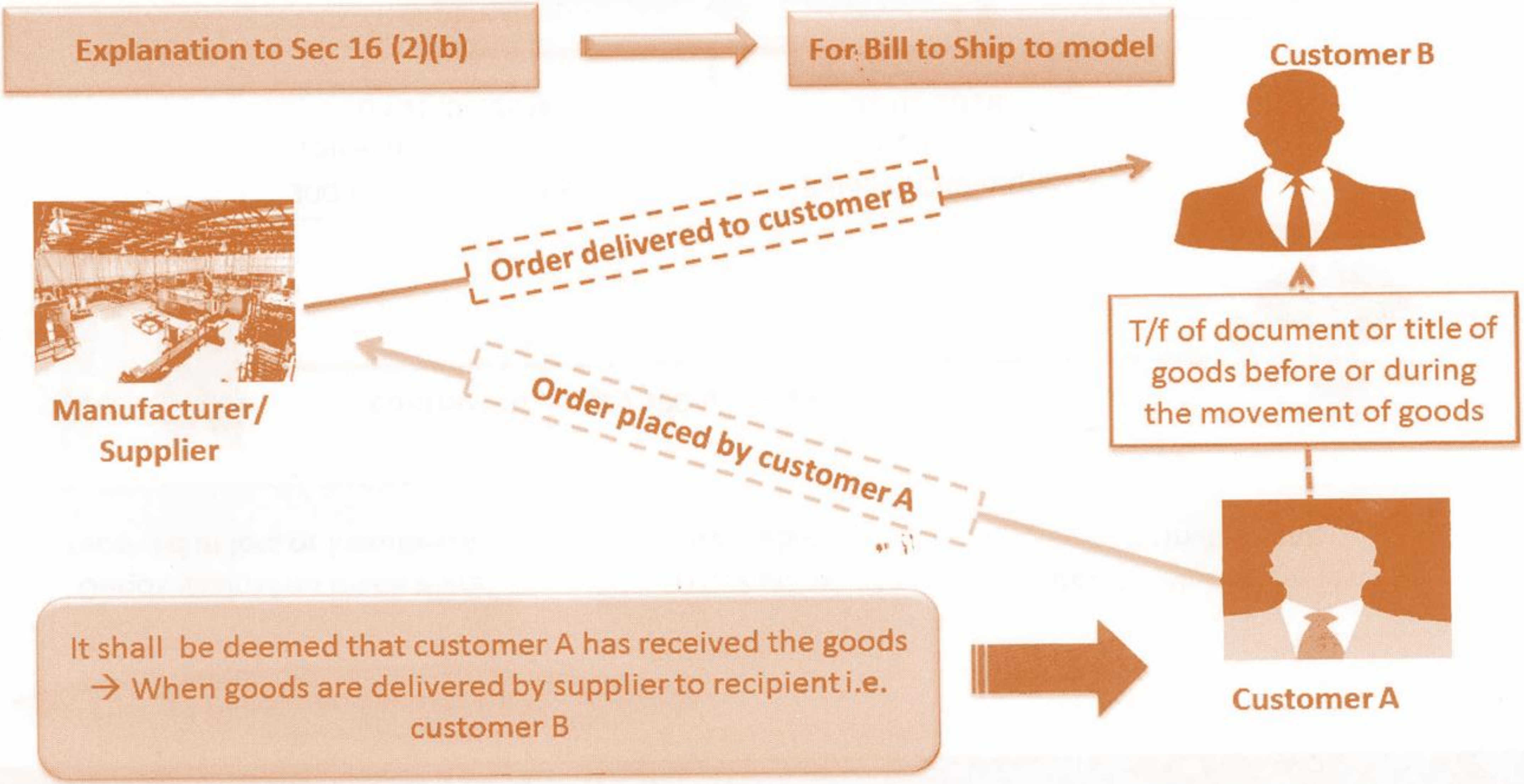
Claim of ITC on Provisional basis

(c) Subject to provisions of **section 41**, the **tax charged** in respect of such supply has been **actually paid to the Government**, either in cash or through utilization of input tax credit admissible in respect of the said supply; **and**

ITC dependent upon payment of tax by supplier → Concept of ITC Matching & Mis-matching

(d) he has **furnished the return** under section 39

Deemed receipt of goods by taxable person – Bill to Ship to



ITC when goods against an invoice are received in lots

1st Proviso to Section 16(2)

Goods against an invoice are received in lots or instalments → ITC shall be available → Upon receipt of the last lot or instalment

Manufacturer

Contract to supply 500 units on 20.06.2018

Customer

300 units supplied & tax invoice raised for 500 units on **29.06.2018**

Balance 200 units supplied on **02.07.2018**

Month for availing ITC on 500 units ? → **July**

Invoices (Goods + Services) to be paid within 180 days

2nd proviso to section 16(2) read with Rule 37

Rule 37(1)&(2) → In GSTR-2 for the month immediately following 180 days from issue of invoice

Payment (Value + Tax) is **not** made to vendor (Other than RCM cases) → Within 180 days → Amt equivalent to ITC availed → Will be added to output tax liability along with interest @ 18%*

Invoice	Value	Paid or not paid within 180 days from date of invoice				Partially paid
Goods	100	✗	✓	✗	✓	50
GST	18	✓	✗	✗	✓	9
ITC Admissible		**No**	**No**	**No**	**Yes**	**Yes→ upto Rs 9**

→ 3rd Proviso to Sec 16(2) → **Credit of ITC (without interest) can be re-claimed on payment being made (Value + Tax)**

→ Proviso to Rule 37(1) → **Reversal of ITC not applicable in case of supply made without consideration**

→ Rule 37(4) → **Time limit for availing ITC not applicable in case of re-claim of ITC reversed earlier**

NN 13/2017-Central Tax dated 28.06.2017 (w.e.f. 01.07.2017) prescribing rate of interest under Sec 50(1)

No ITC when depreciation claimed on tax component of cost of CG

Sec 16(3)

(a) Deprecation is claimed on tax component of cost of CG and plant & machinery

(b) Under Income Tax Act, 1961

Result=(a)+(b) ITC shall not be allowed on such tax component

Cost of machinery: Rs. 10,00,000/-
GST @ 18%*: Rs. 1,80,000/-
Total value of machinery: Rs. 11,80,000/-
***assumed rate of GST**

If Depreciation charged on Rs. 10,00,000/-

ITC available

If depreciation charged on Rs. 11,80,000/- (i.e. incl tax component)

ITC not available

A person can not enjoy double benefit under two different statutes

Time period to avail GST ITC

Section 16(4)

Invoice

Debit Note

Time limit to avail GST ITC: <u>Earliest</u> of the following

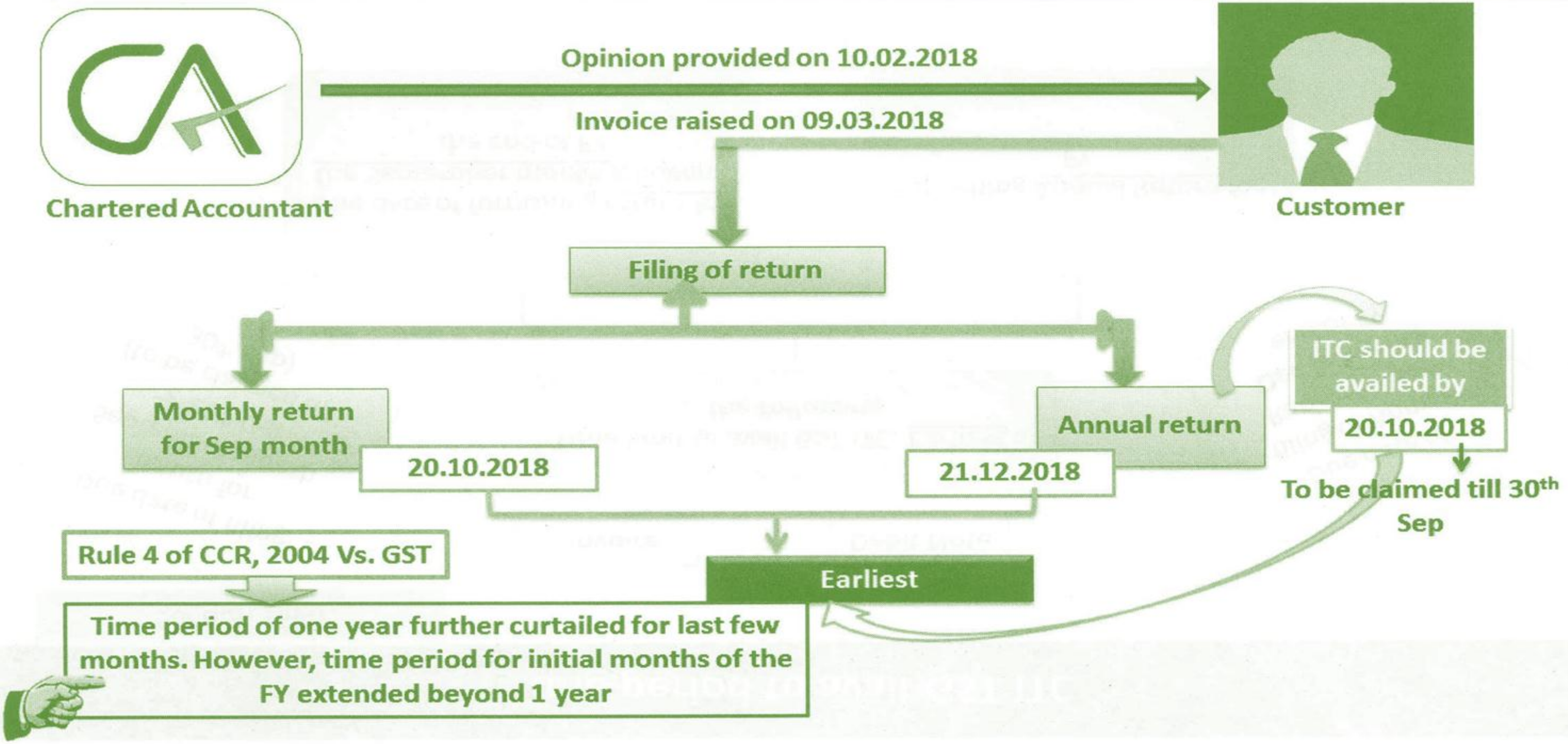
Due date of furnishing **return for the September month** following the end of FY

Due date of filing return for September month → 20th Oct (to be claimed till 30th Sep)

Furnishing **Annual Return** for FY

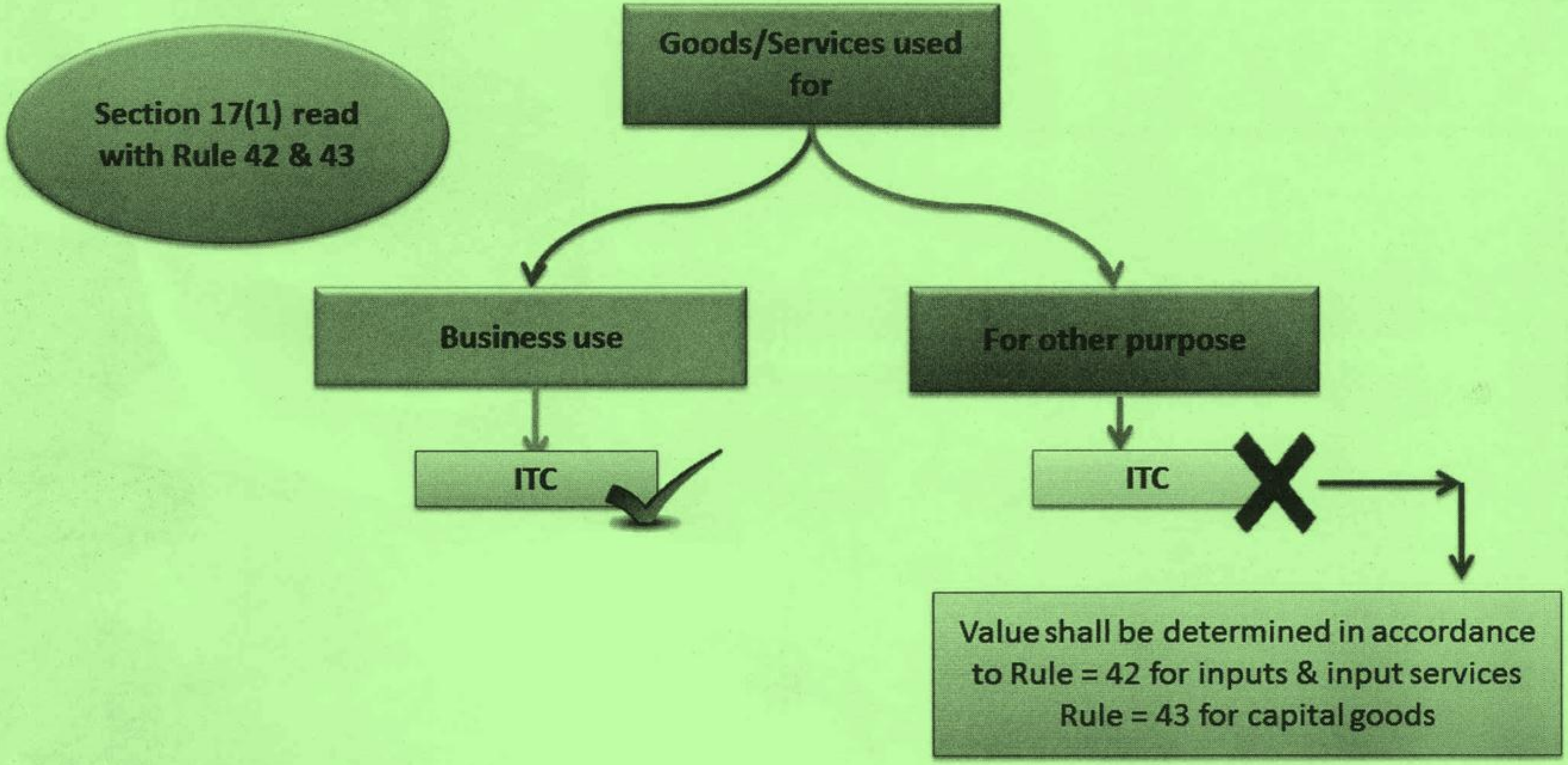
Due date of filing of Annual Return → **31st Dec** following end of FY

Eg: Time period to avail GST ITC



Apportionment of Credit & Blocked Credits

ITC available only to the extent of business use



ITC available only to extent of taxable supplies + zero-rated supplies

Section No. 17(2) read with Rule 42 & 43

Goods/Services used for

Taxable supply

ITC ✓

For Zero rated supply

ITC ✓

Zero – rated supplies [Sec 16 of the IGST Act, 2017] includes:

- ✓ Exports of goods/service
- ✓ Goods/service supplied to **SEZ units / developer of SEZ**

Exempt supplies

ITC ✗

Value shall be determined in accordance to **Rule 42** (inputs & input services) & **Rule 43** (capital goods)

Exempt supply shall include [Sec 17(3)]:

(a) Supplies under RCM
(b) Transaction in securities
(c) Sale of land and;
(d) Sale of building subject to Para 5(b) of Schedule II

CC on CG in Pre-GST regime Vs. ITC on CG in GST

Under CCR,2004, No CC on CG is allowed when **used exclusively** in the manufacture of **exempted** goods/providing exempted services for a period of **2 years**

Capital Goods

Rule 6(4) of CCR, 2004 Vs. Sec 17(2) of the CGST Act, 2017

ITC on CG also restricted to the extent used for taxable supplies including zero-rated supplies

Proportionate reversal of common ITC in respect of CG required – New concept as compared to Pre-GST regime

Optional 50% ITC to Banking companies/FI including NBFC

Section 17(4) read with Rule 38 of CGST Rules, 2017

Banking Company or a financial institution including a NBFC

Engaged in supply of

Services by way of accepting deposits, extending loans or advances

OPTION 1: Can Comply with provision of Sec 17(2) of CGST Act, 2017

Option once exercised can't be withdrawn during remaining part of FY

OPTION 2: Can avail every month an amount equal to 50% of the eligible ITC on

a) Inputs
b) Capital Goods
c) Input services

Rest of the credit will lapse

→ Restriction of 50% credit shall not apply to tax paid on supplies made by one registered person to another registered person having the same PAN.

→ Procedure contained in **Rule 38**


Negative list of GST ITC

Motor Vehicles & Other conveyances – Sec 17(5)(a)

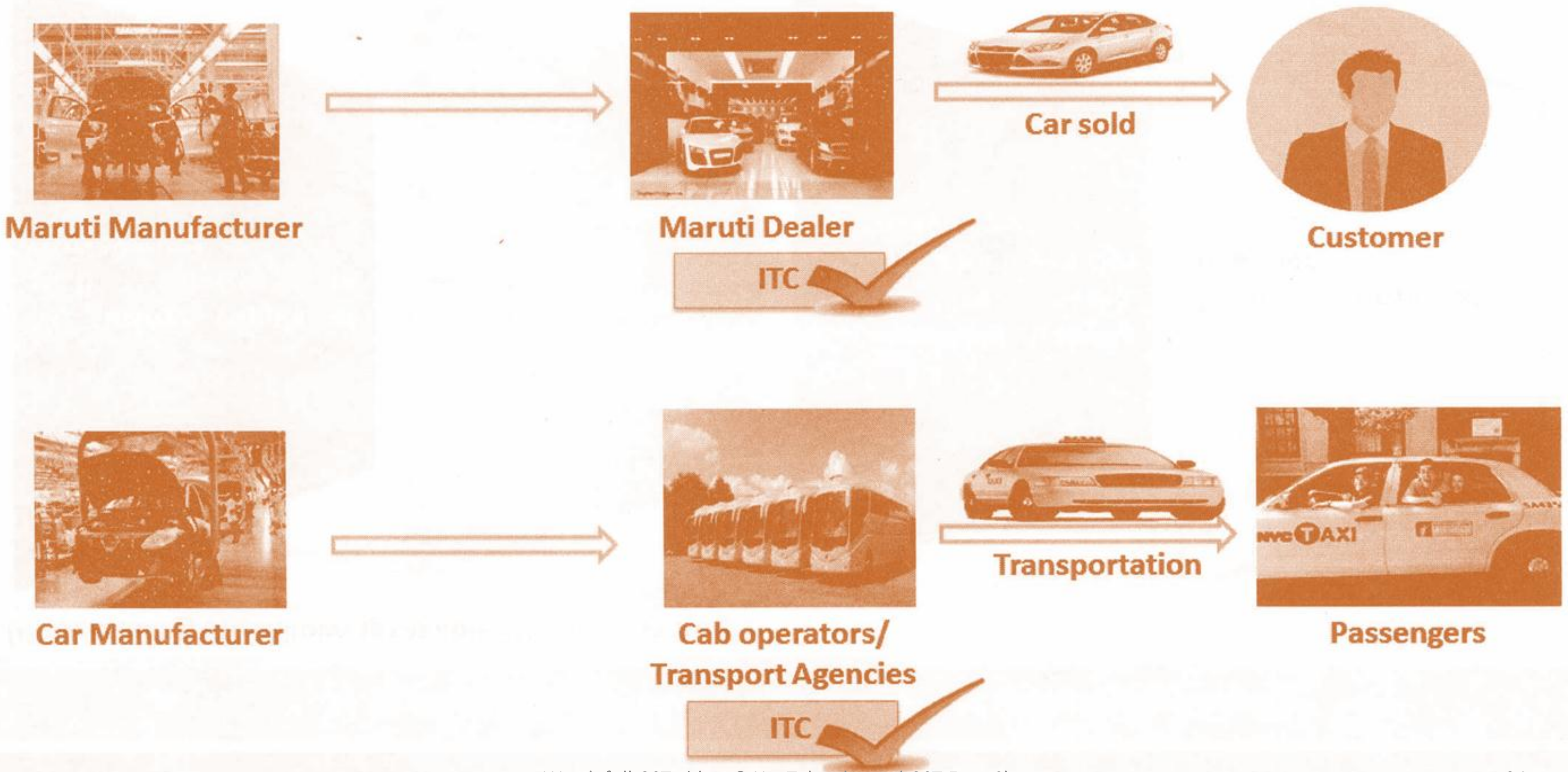
(a) Motor vehicle and other conveyances except when they are used

(i) for making the following taxable supplies, namely

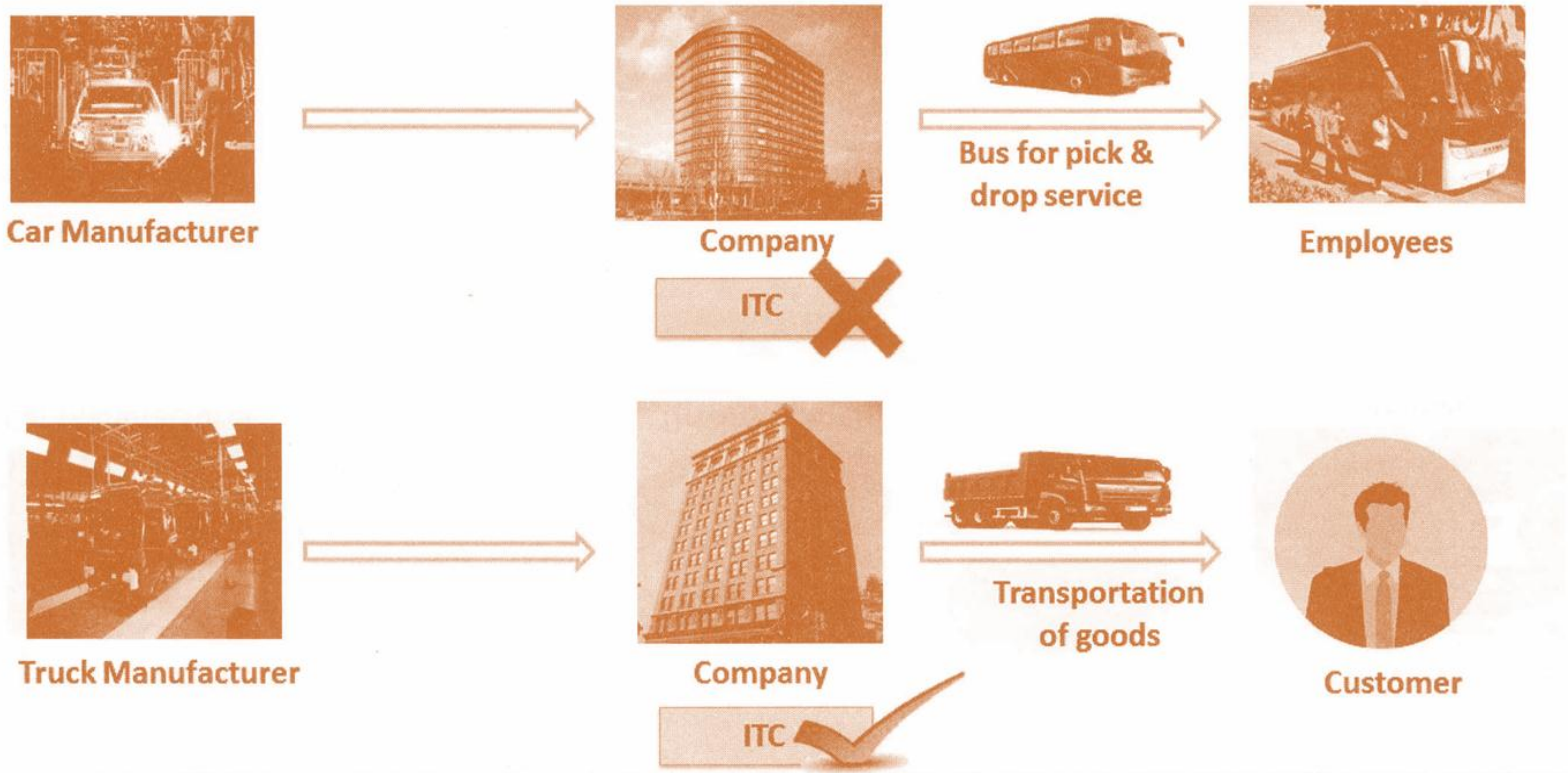
- (A) **further supply** of such vehicles or conveyances; or
- (B) **transportation of passengers**; or
- (C) **imparting training** on driving, flying, navigating such vehicles or conveyances;

(ii) for transportation of goods

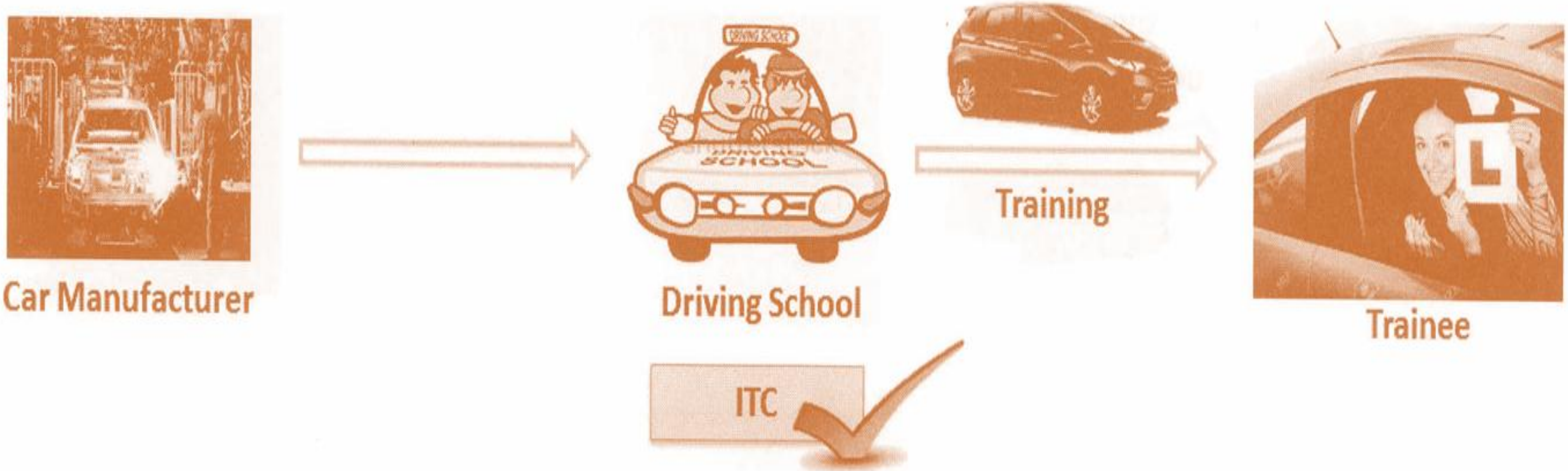
Case Studies: Motor Vehicles & Other conveyances – Sec 17(5)(a)



Case Studies: Motor Vehicles & Other conveyances – Sec 17(5)(a)



Case Studies: Motor Vehicles & Other conveyances – Sec 17(5)(a)



Outdoor catering, Rent-a-cab etc. – Sec 17(5)(b)

(b) Following supply of goods or services or both,

(i)	(ii) Membership of	(iii)	(iv) Travel benefits extended to employees on vacation such as leave or home travel concession
- Food and beverages - Outdoor catering - Beauty treatment - Health services - Cosmetic and Plastic surgery	- Club - Health - Fitness centre	- Rent-a-cab - Life insurance - Health insurance	

(ii): Not allowed

(iv): Not allowed

(i): **Except** where such inward supply of goods or services or both 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 or both or as an** element of a taxable composite or mixed supply

(iii): **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

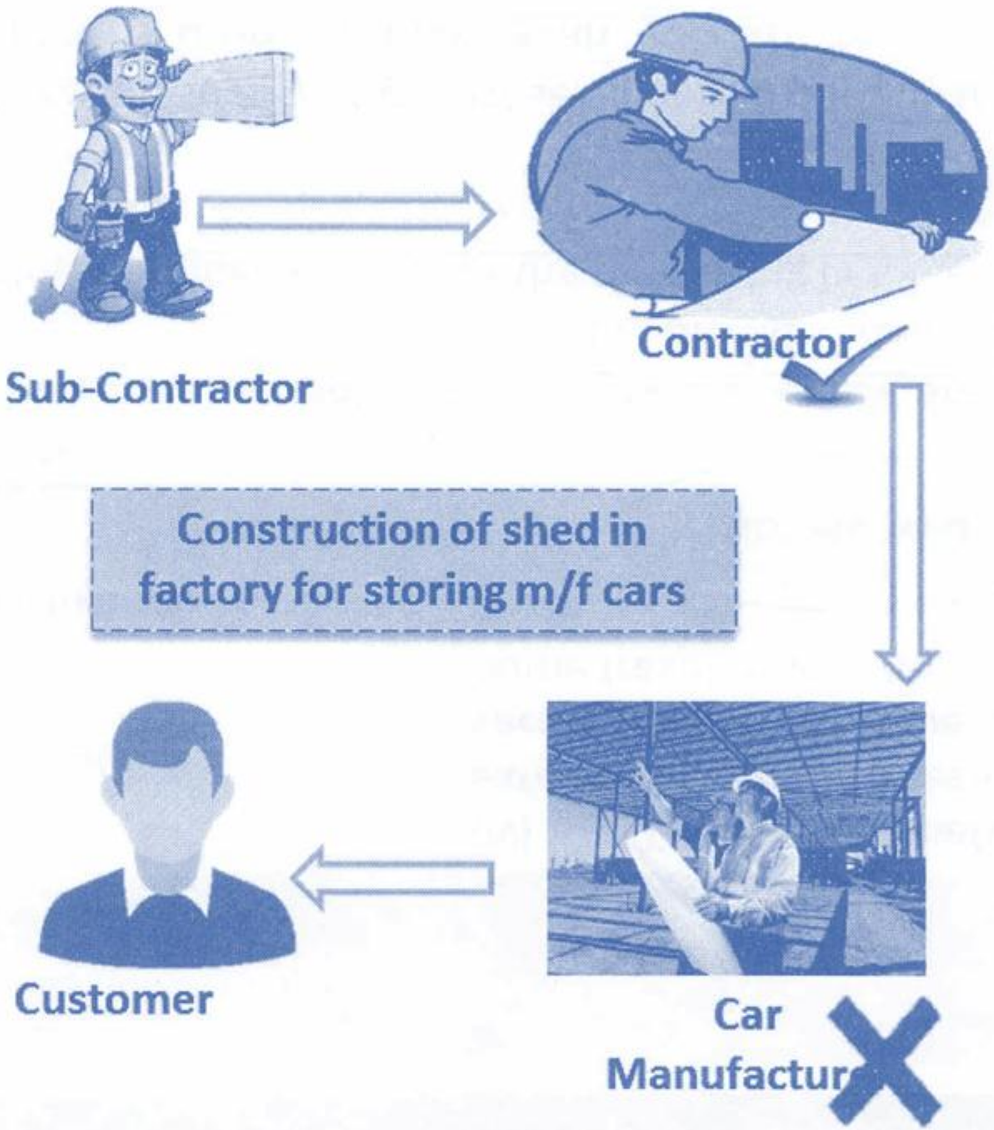
(b) such inward supply of goods/ services of a particular category is **used** for **making an** outward taxable supply of the same category **of goods/services or as a** part of a taxable composite or mixed supply

Works contract services – Sec 17(5)(c)

(c) Work contract services

When supplied for **construction of an immovable property** (<u>other than plant and machinery</u>)

<u>Except</u> where it is an **<u>input service for further supply of works contract service</u>**



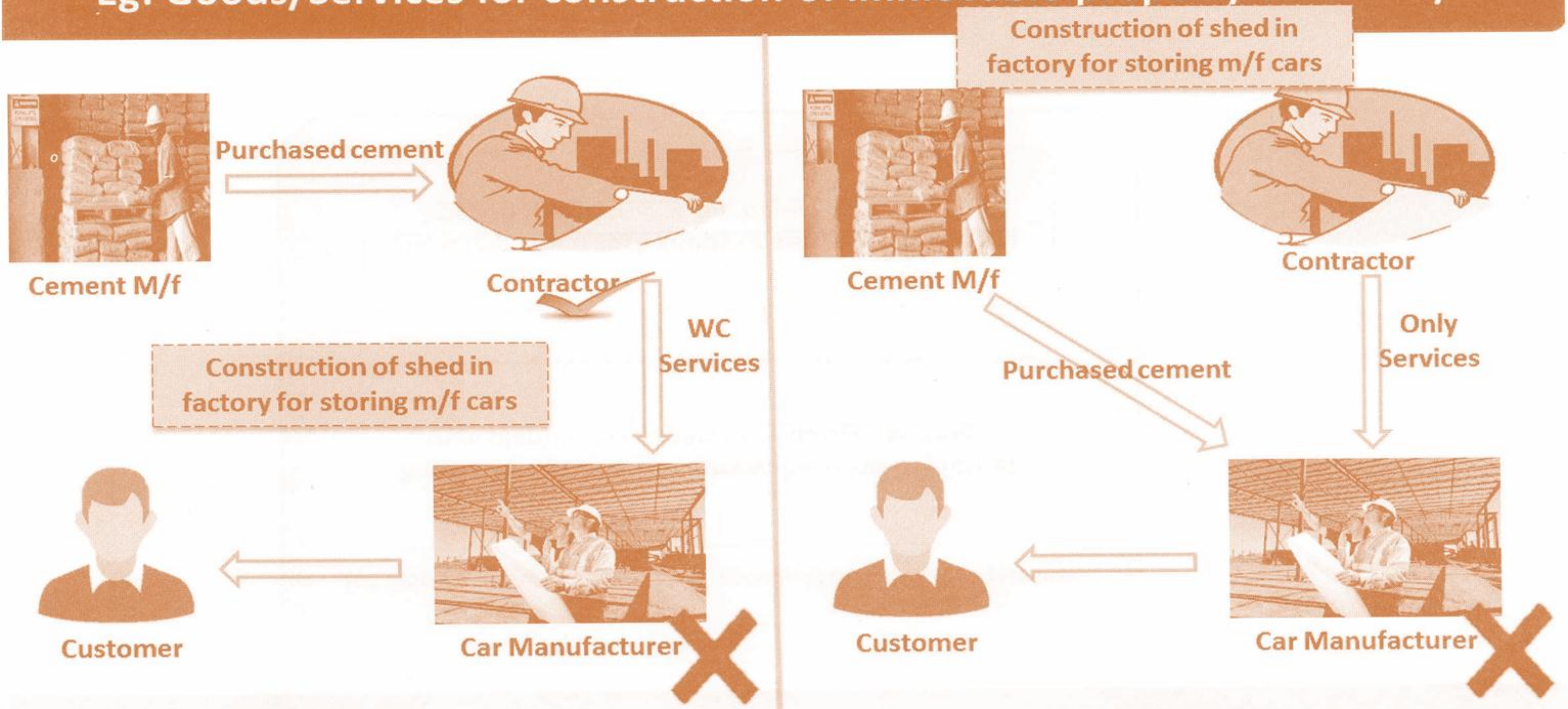
Goods/Services for construction of immovable property – Sec 17(5)(d)

(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

Eg: Goods/Services for construction of immovable property on own a/c



Meaning of term 'Construction'

Sec	Provision (CGST Act, 2017)
17 (5)(d)	**Meaning of term 'Construction'** *Explanation: For the purpose of clauses (c) and (d), the expression **"construction" includes** re-construction, renovation, additions or alterations or repairs, to the **extent of capitalization**, to the said immovable property.*

Rule 2 of CCR, 2004 Vs. GST Law

ITC on WC services used in relation to **modernisation**, **renovation** or **repairs** of a factory, premises of provider of output service or an office relating to such factory or premises

Pre-GST regime → ITC available
GST → ITC not available (If capitalized)

Meaning of term 'Plant and Machinery'

Sec	Provision (CGST Act, 2017)
17	<u>**Meaning of term 'Plant and Machinery'**</u> *Explanation: For the purposes of this Chapter and Chapter VI, the expression* ***"plant and machinery"*** *means <u>apparatus</u>, <u>equipment</u>, and <u>machinery fixed to earth</u> by <u>foundation or structural support</u> that are* ***used for making outward supply*** *of goods or services or both and <u>includes such foundation and structural supports</u> but* ***<u>excludes</u>***— *(i) land, building or any other civil structures;* *(ii) telecommunication towers; and* *(iii) pipelines laid outside the factory premises*

Rule 2 of CCR, 2004 Vs. GST Law

Goods/Services used for laying of foundation or making of structures for support of capital goods – Excluded from purview of 'Inputs' [Rule 2(k)] and 'Input services' [Rule 2(l)] under CCR, 2004

But ITC available in GST

Other items of Negative list of GST ITC

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

(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*

Rule 3(5B) of CCR, 2004 Vs. GST Law

Rule 3(5B) of CCR, 2004 → If the value of any input, or capital goods before being put to use, on which CC has been taken is written off **fully or partially** or **where any provision to write off fully or partially has been made in the books of account** then, the manufacturer or service provider, as the case may be, shall pay an amount equivalent to the CC taken in respect of the said input or capital goods.

GST - NO Dispute of provisional entry of writing off in BOA

Other items of Negative list of GST ITC

(h) any tax paid in terms of ***sections 74, 129 or 130***

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

Sec 129: *Detention, Seizure and release of goods and conveyance in transit*

Sec 130: *Confiscation of goods or conveyance and levy of penalty*

Availability of ITC in special circumstances

Registration obtained in 30 days

Eligible person	ITC on					As on
	Inputs in stock	Inputs in SFG in stock	Inputs in FG in stock	Capital Goods	Input Services	
Sec 18(1)(a) read with Rule 40(1) of CGST Rules						
*A person who has <u>applied for registration</u> under this Act **within thirty days** from the date on which he becomes liable to registration <u>and has been granted such registration</u>*	✓	✓	✓	?	?	*on the day **immediately preceding** the <u>date from which he becomes liable to pay tax</u> under the provisions of this Act*

Rule 40(1): To claim ITC, registered person has to file a declaration on common portal in **Form GST ITC-01** within **30 days of becoming eligible to claim ITC:**

- ✓ Furnish details of stock – Inputs, Inputs in SFG/FG
- ✓ To be certified by CA or ICWA, where, Aggregate value of claim > Rs. 2 Lakhs

Credit lapse when registration not taken within 30 days

Sec 18(2) → *A registered person shall **<u>not be entitled</u>** to take input tax credit under sub-section **(1)**, in respect of any supply of goods or services or both to him **after the expiry of <u>one year</u>** from the date of issue of tax invoice relating to such supply.*

Voluntary Registration in GST

Eligible person	ITC on					As on
	Inputs in stock	Inputs in SFG in stock	Inputs in FG in stock	Capital Goods	Input Services	
Sec 18(1)(b) read with Rule 40(1) →						
A person, who **takes** **<u>Voluntary Registration</u>**	✓	✓	✓	?	?	*on the day immediately preceding the <u>date of grant of registration</u>*

Sec 18(2) → ITC shall not be available **after the expiry of** <u>one year</u> **from the date of issue of tax invoice** relating to such supply.

Rule 40(1) of ITC Rules: To claim ITC, registered person has to file a declaration on common portal in **Form GST ITC-01** within **30 days of becoming eligible to claim ITC:**

- ✓ Furnish details of stock – Inputs, Inputs in SFG/FG
- ✓ To be certified by CA or ICWA, where, Aggregate value of claim > Rs. 2 Lakhs

From Composition Dealer → to → Normal Taxable Person

Eligible person	ITC on					As on
Section 18(1)(c) read with Rule 40(1)	**Inputs in stock**	**Inputs in SFG in stock**	**Inputs in FG in stock**	**Capital Goods**	**Input Services**	
Where any registered person **ceases to pay tax under <u>Composition scheme</u>**	✓	✓	✓	✓	?	***on the day immediately preceding the <u>date from which he becomes liable to pay tax under section 9</u>***

Sec 18(2) → No Credit shall be available after the expiry of <u>one year</u> from the date of issue of tax invoice relating to such supply

Rule 40(1)(a) → ITC shall be reduced by 5% per quarter of year or part thereof from the date of invoice/other document

Rule 40(1) of ITC Rules: To claim ITC, registered person has to file a declaration on common portal in **Form GST ITC-01** within **30 days of becoming eligible to claim ITC:**

- ✓ Furnish details of stock – Inputs, Inputs in SFG/FG, CG
- ✓ To be certified by CA or ICWA, where, Aggregate value of claim > Rs. 2 Lakhs
- ✓ Details to be verified with corresponding details of supplier in GSTR-1/GSTR-4

From Exempt Supply → to → Taxable Supply

Eligible person	ITC on					As on
Sec 18(1)(d) read with Rule 40(1)	**Inputs in stock**	**Inputs in SFG in stock**	**Inputs in FG in stock**	**Capital Goods**	**Input Services**	
*Where an **exempt supply** of goods or services or both by a registered person **becomes a taxable supply***	✓	✓	✓	✓ ***Exclusively used for such exempt supply***	?	*on the day **immediately preceding the date from which such supply becomes taxable***

Sec 18(2) → No Credit shall be available ***after the expiry of one year from the date of issue of tax invoice*** *relating to such supply*

Rule 40(1) of ITC Rules: To claim ITC, registered person has to file a declaration on common portal in **Form GST ITC-01** within **30 days of becoming eligible to claim ITC:**

- ✓ Furnish details of stock – Inputs, Inputs in SFG/FG, CG
- ✓ To be certified by CA or ICWA, where, Aggregate value of claim > Rs. 2 Lakhs
- ✓ Details to be verified with corresponding details of supplier in GSTR-1/GSTR-4

Change in constitution of registered taxable person – sale, merger etc.

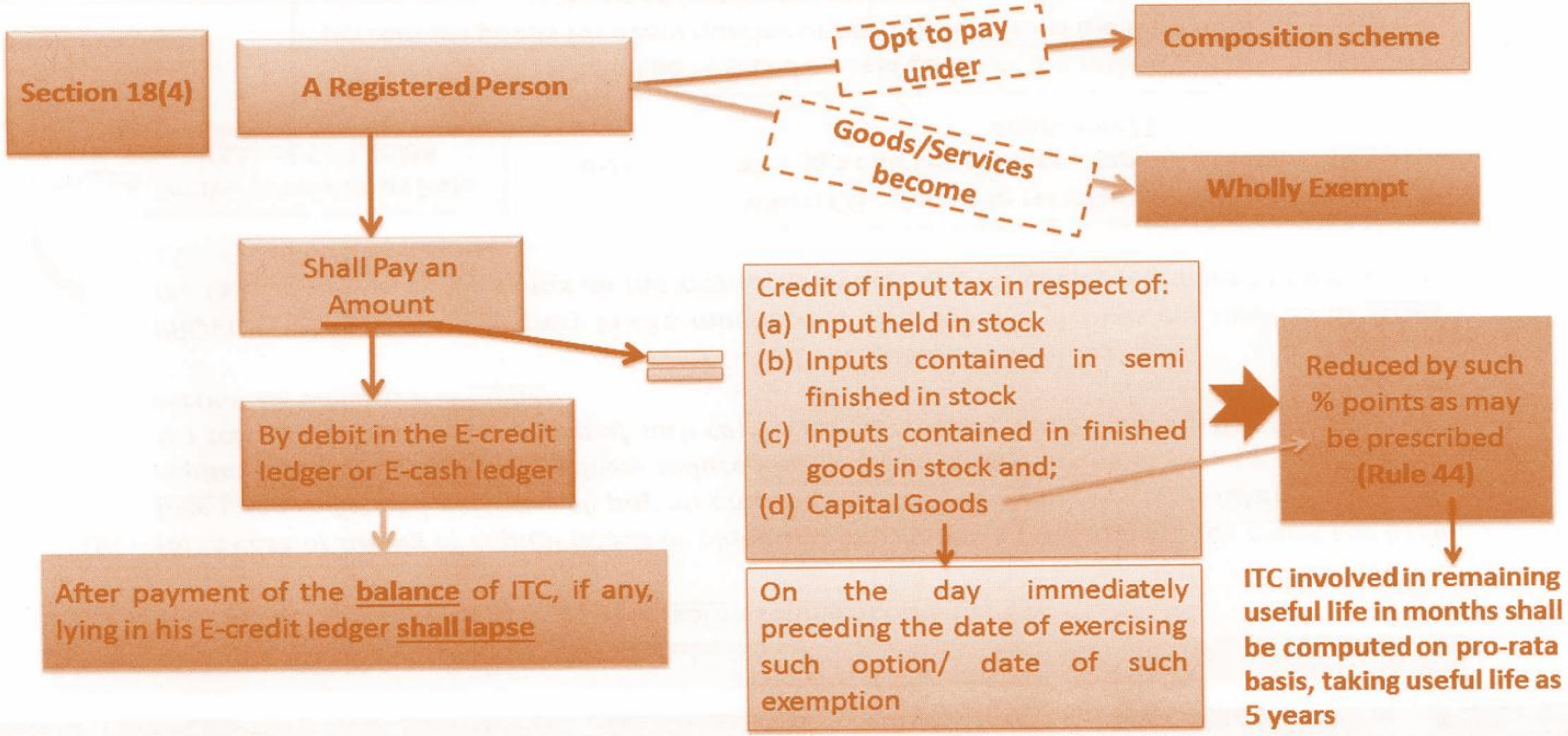
Eligible person	ITC on					As on
Sec 18(3) read with Rule 41 of CGST Rules	Inputs in stock	Inputs in SFG in stock	Inputs in FG in stock	Capital Goods	Input Services	
Where there is a **change in the constitution** due to → sale, merger, demerger, amalgamation, lease or transfer of the business with the **specific provision for transfer of liabilities**	✓	✓	✓	✓	✓	**ITC remaining unutilized in E-credit ledger**

*Person shall be allowed to **transfer the ITC that remains unutilized in his electronic credit ledger** to such sold, merged, demerged, amalgamated, leased or transferred business*

Rule-41

Transferor shall Request in Form GST ITC - 02 → Also Submit a copy of certificate by CA or ICWA to certify t/f of liabilities → Transferee shall accept the details furnished by transferor → Upon acceptance, the unutilized credit shall be credited to E-credit ledger → Inputs & Capital Goods so transferred shall be duly accounted for by Transferee

From Normal Taxable Person → to → Composition Dealer/ Exempt supplies



ITC reversal on supply of CG and P&M

Sec	Provision (CGST Act, 2017)
	<u>ITC reversal on supply of CG and P&M</u>
18	*(6) In case of **supply of capital goods or plant and machinery**, on which <u>input tax credit has been taken</u>, the registered person shall **pay an amount** equal to the **input tax credit taken** on the said capital goods or plant and machinery **reduced by such percentage points** as may be prescribed **<u>or</u>** the **tax on the transaction value** of such capital goods or plant and machinery determined under section 15, whichever is **<u>higher</u>**:* *PROVIDED that where **refractory bricks, moulds and dies, jigs and fixtures** are supplied as <u>scrap</u>, the taxable person **may pay tax on the transaction value** of such goods determined under section 15.*

Similar provision as Rule 3(5A) of CCR, 2004

BUT

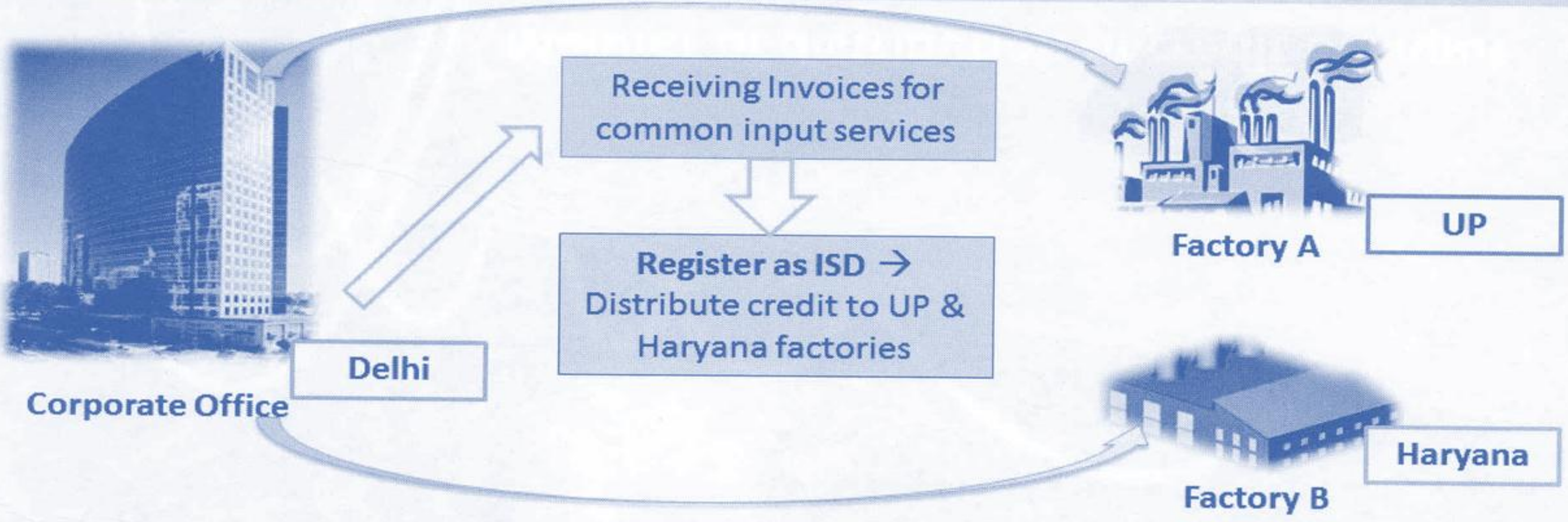
When CG other than refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap – TV not applicable??

Rule 40(2) → ITC shall be reduced on said goods at the rate of 5 percentage points for every quarter or part thereof from the date of issue of invoice for such goods

Manner of distribution of credit by Input Service Distributor ("ISD")

Meaning of ISD

Sec	Provision (CGST Act, 2017)
2 (61)	**Meaning of ISD** ***"Input Service Distributor"*** *means an office of the supplier of goods or services or both which receives tax invoices issued under* *section 31* ***towards the receipt of input services*** *and issues a* ***prescribed document*** *for the purposes of* ***distributing the credit of central tax, State tax, integrated tax or Union territory tax*** *paid on the said services to a supplier of taxable goods or services or both* ***having the same Permanent Account Number*** *as that of the said office;*



Essential conditions for distribution of credit by ISD

Sec 20(2) → *The Input Service Distributor may distribute the credit subject to the* ***following conditions****, namely:*

(a) Credit can be distributed against ISD Invoice in accordance to Rule 54(1) [Tax invoice in special cases]

(b) Amount of credit distributed **shall not exceed the amount of credit available** for distribution;

(c) ITC **attributable to a recipient** → Distributed **only** to that recipient

(d) ITC attributable to **more than one** recipient → Distributed only amongst such recipient(s) → **pro rata***

(e) ITC attributable to **all recipients** → Distributed amongst such recipients → **pro rata** *

** on the basis of the* ***turnover in a State/UT*** *of such recipient, during the relevant period, to the aggregate of the turnover of* ***all such recipients/ all recipients*** *and which are operational in the current year, during the said relevant period*

Other Conditions under Rule 39

- ITC available for distribution in a month should be distributed in the **same month** and details thereof shall be Furnished in **FORM GSTR-6**
- **Ineligible & eligible** credit should be distributed **separately**
- ITC on account of **CGST, SGST, UTGST and IGST** shall be distributed **separately**
- For **reduction of credit** in case the ITC already distributed gets reduced for any reason → ISD shall issue an **ISD credit note**
- Any **additional amount** of ITC on account of issuance of a **debit note** to ISD by the supplier → Shall be **distributed in the month** in which the debit note is included in the return **in FORM GSTR-6**
- ITC required to be **reduced** on account of issuance of a **credit note** to ISD by the supplier → Shall be apportioned to each recipient in **same ratio** in which ITC contained in the original invoice was distributed

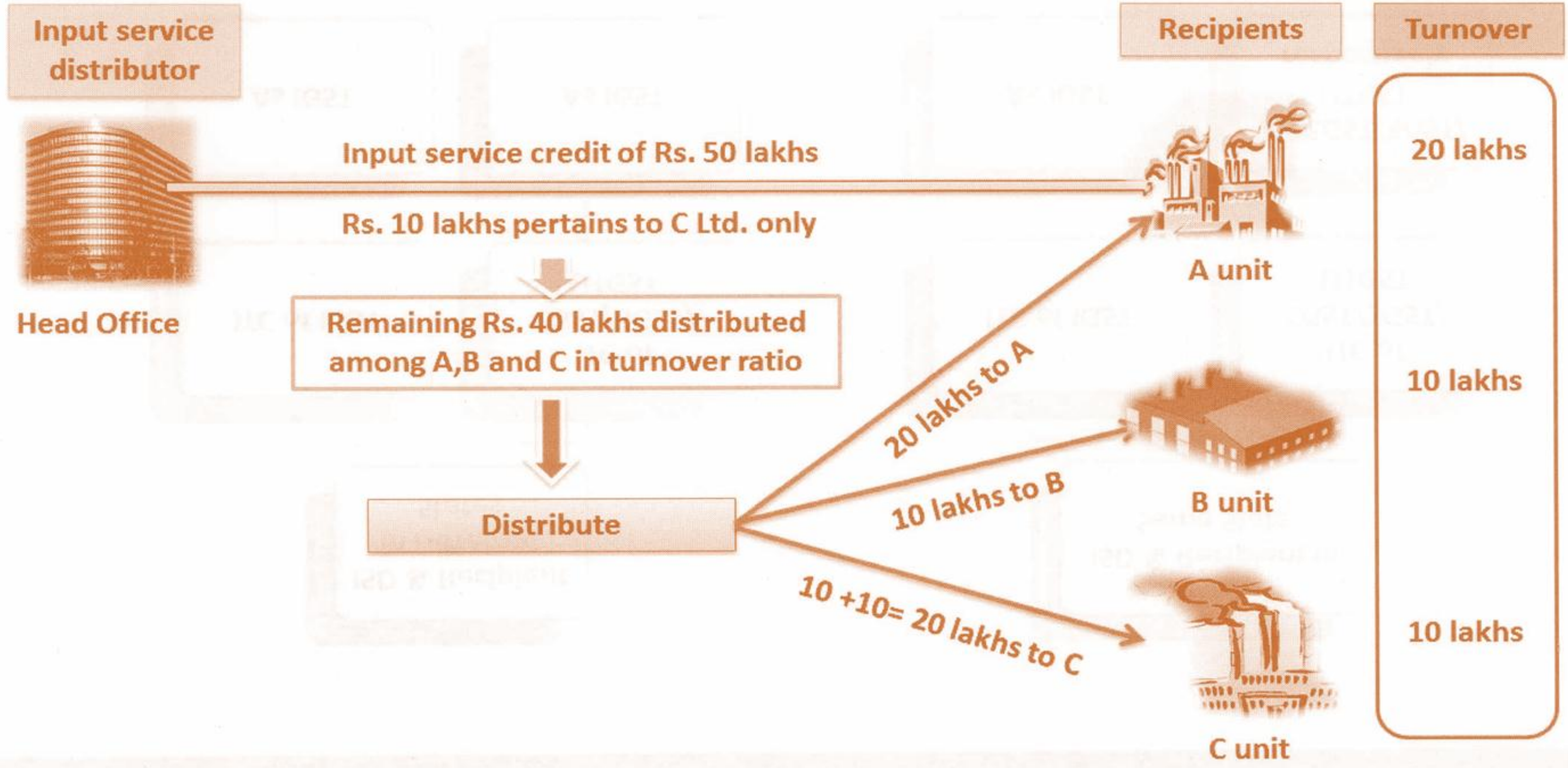
  → Reduced from amt to be distributed in that month

  → If negative, then, added to output liability of recipient

Manner of distribution of credit by ISD – Sec 20(1) r.w. Rule 39(1)(f)

- **ISD & Recipient in Different States**
  - ITC of IGST
    - As IGST
  - ITC of CGST/SGST/ UTGST
    - As IGST
- **ISD & Recipient in Same State**
  - ITC of IGST
    - As IGST
  - ITC of CGST/SGST/ UTGST
    - As CGST/SGST/ UTGST respectively

Eg: Manner of distribution of credit by ISD



Manner of recovery of credit distributed in excess

Sec	Provision (CGST Act, 2017)
21	<u>Manner of recovery of credit distributed in excess</u> *Where the <u>Input Service Distributor distributes</u> the credit **in contravention of the provisions** contained in section 20 **resulting in excess distribution of credit to one or more recipients** of credit, the excess credit so distributed shall be **recovered from such <u>recipient(s)</u> along with <u>interest</u>**, and the provisions of section 73 or 74 as the case may be, shall mutatis mutandis, apply for determination of amount to be recovered.*

Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized for any reason **<u>other than</u> fraud or any wilful misstatement or suppression of facts**

Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized **<u>by reason of</u> fraud or any willful misstatement or suppression of facts**