📘 Background – Section 17(5) of the CGST Act, 2017

The Goods and Services Tax (GST), implemented in India from July 1, 2017, introduced a uniform indirect tax regime with the promise of seamless input tax credit (ITC) across the supply chain.

However, to prevent revenue leakage and misuse of credit provisions, Section 17(5) of the CGST Act was introduced to specify a list of **"blocked credits"** — i.e., scenarios where ITC is not available, even if the expenses are incurred in the course or furtherance of business. These restrictions aim to strike a balance between business facilitation and revenue protection.

Section 17(5) of CGST Act 2017 :

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

1. Section 17(5)(a) of CGST Act 2017 :

Motor vehicles for transportation of persons → having approved seating capacity of **not more than thirteen persons** (including the driver),

→ **Except when they are used for making the following taxable supplies, namely:-**

(A) **further supply** of such motor vehicles; or

(B) **transportation of passengers**; or

(C) **imparting training on driving** such motor vehicles;

2. Section 17(5)(aa) of CGST Act 2017 :

Vessels and aircraft

→ **except when they are used-**

(i) for making the following taxable supplies, namely:-

(A) **further supply** of such vessels or aircraft; or

(B) **transportation of passengers**; or

(C) **imparting training on navigating** such vessels; or

(D) **imparting training on flying** such aircraft;

(ii) for **transportation of goods**;

3. Section 17(5)(ab) of CGST Act 2017 :

Services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):

Provided that the *input tax credit* in respect of such services shall be available-

(i) where the **motor vehicles, vessels** or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;

(ii) where received by a **taxable person** engaged-

(I) in the **manufacture** of such motor vehicles, vessels or aircraft; or

(II) in the **supply of general insurance services** in respect of such motor vehicles, vessels or aircraft insured by him;]

4. Section 17(5)(b) of CGST Act 2017 :

the following supply of goods or services or both-

(i) Section 17(5)(b)(i) of CGST Act 2017 :

- Food and beverages,
- Outdoor catering,
- Beauty treatment,
- Health services,
- Cosmetic and plastic surgery,
- Leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:

Provided that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both 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) Section 17(5)(b)(i) of CGST Act 2017 :

Membership of a club, health and fitness centre; and

(iii) Section 17(5)(b)(i) of CGST Act 2017 :

Travel benefits extended to employees on vacation such as leave or home travel concession:

Provided that the input tax credit in respect of such goods or services or both shall be available, where it is *obligatory for an employer to provide the same to its employees under any law for the time being in force.*

5. Section 17(5)(c) of CGST Act 2017 :

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*;

6. Section 17(5)(d) of CGST Act 2017 :

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;

6. Section 17(5)(e) of CGST Act 2017 :

Goods or services or both on which tax has been paid under section 10;

7. Section 17(5)(f) of CGST Act 2017 :

Goods or services or both received by a **non-resident taxable person**

→ except on goods imported by him;

8. Section 17(5)(fa)[1] of CGST Act 2017 :

1 Inserted (w.e.f. 1st October, 2023 vide Notification No. 28/2023-C.T., dated 31st July, 2023) by s. 139 of The Finance Act 2023 (No. 8 of 2023).

Goods or services or both received by a taxable person, *which are used or intended to be used for activities relating to his obligations* under **corporate social responsibility** referred to in section 135 of the Companies Act, 2013;]

9. Section 17(5)(g) of CGST Act 2017 :

Goods or services or both used for personal consumption;

10. Section 17(5)(g) of CGST Act 2017 :

Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

11. Section 17(5)(i) of CGST Act 2017 :

Any tax paid in accordance with the provisions of [2][section 74 in respect of any period up to Financial Year 2023-24]

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.

2 Substituted by section 119 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.

Clarification related to section 17(5) of CGST Act 2017	Link
1. Clarification on availability of input tax credit in respect of demo vehicles-reg.	View
2. Clarification on availability of input tax credit on ducts and manholes used in network of optical fiber cables (OFCs)	View
3. Clarification in respect of GST liability and input tax credit (ITC) availability in cases involving Warranty/ Extended Warranty, in furtherance	View
4. Entitlement of ITC by the insurance companies on the expenses incurred for repair of motor vehicles in case of reimbursement mode of insurance claim settlement-reg.	View
5. Clarification on the entitlement of input tax credit where the place of supply is determined in terms of the proviso to sub-section (8) of section 12 of the Integrated Goods and Services Tax Act, 2017 – reg.	View

📘 Q&A on Section 17(5) of the CGST Act, 2017 – Blocked ITC Provisions [3]

Q1. What is the objective of Section 17(5) of the CGST Act, 2017?
A1. Section 17(5) aims to **restrict input tax credit (ITC)** in certain cases to **prevent revenue leakage and misuse** of credit, despite the general availability of ITC for business-related expenses.

Q2. Is ITC available on motor vehicles for transportation of persons?
A2. ITC is **blocked** on motor vehicles used for transportation of persons having **seating capacity ≤13 (including driver)**, **except** when used for:
(A) further supply of such vehicles,
(B) transportation of passengers, or
(C) training on driving such vehicles.

Q3. Can ITC be claimed on vessels and aircraft?
A3. ITC is **not available** on vessels and aircraft **except** when used for:
(i) Taxable supply of the same (further supply), passenger transport, or training on navigation/flying,
(ii) Transportation of goods.

Q4. What is the ITC position on general insurance, servicing, and maintenance of motor vehicles, vessels, or aircraft?
A4. ITC is **blocked** unless:
(i) The vehicle/vessel/aircraft is used for eligible purposes under clauses (a) or (aa), or
(ii) The recipient is a manufacturer or insurer of such motor vehicles, vessels, or aircraft.

Q5. Is ITC allowed on food, beverages, outdoor catering, and similar personal services?
A5. ITC is **not available** on services like:

- Food and beverages,

3 **Disclaimer:**
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- Outdoor catering,
- Beauty treatment,
- Health services,
- Cosmetic or plastic surgery,
- Leasing/renting of vehicles (as per clause a/aa),
- Life and health insurance,
  except when:
- The same category of supply is outwardly provided, or
- It forms part of a taxable composite or mixed supply.

Q6. Can ITC be claimed on club membership or fitness center services?
A6. No, ITC is **blocked** on **membership of a club, health and fitness center**.

Q7. Is ITC available on travel benefits for employees (LTC, etc.)?
A7. ITC is **not available** on travel benefits on vacation (leave/home travel) **unless** it is **obligatory** under a statutory law.

Q8. Can ITC be claimed on works contract services used for construction of immovable property?
A8. ITC is **not available** on works contract services for construction of immovable property (other than plant and machinery), **except** when it is an input for further supply of works contract service.

Q9. Is ITC available on goods/services used for construction of immovable property on own account?
A9. No, ITC is **blocked** even if used in course or furtherance of business, **if capitalised** in the books. Construction includes renovation, addition, repair, or alteration.

Q10. Can a composition taxpayer claim ITC?
A10. No, ITC is **not available** on goods/services on which tax has been paid under **Section 10** (Composition Scheme).

Q11. Can a non-resident taxable person claim ITC?
A11. ITC is **not available** to **non-resident taxable persons**, **except** on **imported goods**.

Q12. Is ITC allowed on CSR-related expenses?
A12. No, ITC is **blocked** on goods/services used for activities under **CSR obligations** as per **Section 135 of the Companies Act, 2013**.

Q13. Can ITC be claimed for goods/services used for personal consumption?
A13. No, ITC is **not available** on goods or services used for **personal consumption**.

Q14. Is ITC allowed on goods lost, stolen, destroyed, or given away as gifts/samples?
A14. No, ITC is **blocked** on **lost, stolen, destroyed, written-off goods**, or those **disposed of as gifts/free samples**.

Q15. Can ITC be availed on tax paid under Section 74?
A15. No, **any tax paid under Section 74** (relating to fraud or willful misstatement) **up to FY 2023-24** is **not eligible** for ITC.

Q16. What is excluded from the definition of "plant and machinery" under this section?
A16. "Plant and machinery" excludes:
(i) Land, building or civil structures,
(ii) Telecom towers,
(iii) Pipelines laid outside factory premises.

Q17. Can a company claim ITC on business class air tickets for official travel?
A17. Yes, ITC is **allowed** on air travel for business purposes, provided the invoice is in the company's name and used in the course or furtherance of business.

Q18. Is ITC available on rent-a-cab services for employee pick-up and drop?
A18. No, ITC is **blocked** on **rent-a-cab services**, **unless**:

- It is obligatory under law (e.g., factory compliance under Factories Act), or
- The company is in the business of supplying such service.

Q19. Can a hotel claim ITC on construction of its building?
A19. No, ITC is **blocked** on **construction of immovable property on own account**, including hotels and commercial buildings, even if capitalised.

Q20. Is ITC allowed on machinery foundation or structural support for machinery?
A20. Yes, ITC is **allowed** on goods/services used to build **foundation and structural support** of **plant and machinery**, as per explanation to Section 17.

Q21. Can a company claim ITC on laptop purchases for staff use?
A21. Yes, ITC is **allowed** on laptops/computers if used in the course or furtherance of business and not for personal use.

Q22. Is ITC allowed on free promotional goods distributed by a company?
A22. No, ITC is **blocked** on goods **distributed as free samples or gifts**, even if given for business promotion.

Q23. Can a registered person claim ITC on goods purchased for exhibitions and later brought back?
A23. Yes, if the goods are not consumed or disposed of and are returned, ITC may be **allowed**, subject to use in business and proper documentation.

Q24. Is ITC available on mobile phones purchased for employees for official use?
A24. Yes, ITC is **allowed** if the phones are used **exclusively** for business purposes and invoiced in the company's name.

Q25. Can ITC be claimed on security services hired for the office premises?
A25. Yes, ITC is **allowed** on **security services** if used for business operations.

Q26. Is ITC allowed on employee uniform or protective gear?
A26. Yes, ITC is **allowed** on **safety gear, helmets, shoes, or uniforms** if used by employees in the course of business (e.g., in manufacturing units).

Q27. Can a company claim ITC on insurance of company-owned cars?
A27. ITC on **motor vehicle insurance** is **blocked**, unless:

- The vehicle is used for eligible transport purposes under Section 17(5), or
- The company is in the **insurance business**.

Q28. Is ITC available on catering services for employees during working hours?
A28. No, ITC is **blocked**, **unless** providing such service is **obligatory** under a statutory provision (e.g., under Factories Act).

Q29. Can ITC be claimed on civil works of repair and maintenance in office?
A29. No, if capitalised and related to **immovable property**, ITC is **blocked**, even if it's for repair.

Q30. Is ITC allowed on software purchased via cloud subscription?
A30. Yes, ITC is **allowed** on cloud-based software or SaaS subscriptions, provided it's used for business and not personal use.