

# TOPIC – AVAILMENT OF ITC

## Question 1

From the following information furnished by ABC Ltd, determine the amount of input tax credit admissible in respect of various inputs purchased during the month of September 2017:

Particulars	Amount (Rs)
Goods purchased without invoice	25,000
Purchase of goods not to be used for business purposes	18,000
Goods purchased from PQR Ltd (Full payment is made by ABC Ltd to PQR Ltd against such supply but tax has not been deposited by PQR Ltd)	1,20,000
Purchase of goods from TT Ltd (Invoice of TT Ltd is received in the month of September 2017, but goods were received in the month of October 2017)	24,000
Goods purchased against valid invoice from FF Ltd. Tax has been deposited by FF Ltd. ABC Ltd has made payment to FF Ltd for such purchases in October 2017.	36,000

## Answer 1

### Computation Of Admissible ITC:

Particulars	Amount (Rs)
Goods purchased without invoice {Input tax credit is not available in the absence of a supporting document}	Nil
Purchase of goods not to be used for business purposes {Input tax credit is available only where the goods are used or intended to be used in the course or furtherance of his business. Since ABC Ltd has purchased the goods for non-business purposes, hence no credit will be admissible on such purchases}	Nil
Goods purchased from PQR Ltd (Full payment is made by ABC Ltd to PQR Ltd against such supply but tax has not been deposited by PQR Ltd) {A registered person is entitled to claim credit of input taxes in respect of supply of goods only if the tax charged in respect of such supply has been actually paid to the government. Since PQR Ltd has not deposited the tax to the credit of government, no ITC can be claimed by ABC Ltd}	Nil
Purchase of goods from TT Ltd (Invoice of TT Ltd is received in the month of September 2017, but goods were received in the month of October 2017) {In case of purchase of goods, input tax credit is admissible only when such goods have been received. Since the goods are received in the month of October 2017, input tax credit cannot be taken in the month of September 2017}	Nil
Goods purchased against valid invoice from FF Ltd. Tax has been deposited by FF Ltd. ABC Ltd has made payment to FF Ltd for such purchases in October 2017. {Input tax credit shall be admissible in the month of September 2017 even if payment is made by ABC Ltd in the month of October 2017}	36,000
<b>Eligible Input Tax Credit</b>	<b>36,000</b>

**Question 2**

S Ltd, a manufacturer in Jaipur, entered into a contract with a supplier for supply of Input 'X' in the month of October 2017. As per contract, it was agreed that 10,000 kgs of Input 'X' will be supplied for Rs 7,28,000 (inclusive of CGST and SGST @ 6% each) in 4 lots. Invoice of Rs 7,28,000 has been issued with supply of first lot of Input 'X'. Following further information has been provided regarding supply of Input 'X' received in subsequent lots.

Input 'X' (In Lots)	Quantity (Kgs)	Date of Receipt of Supply
First Lot	2,500	19-10-2017
Second Lot	3,000	21-10-2017
Third Lot	1,500	12-11-2017
Fourth Lot	3,000	01-12-2017

Briefly explain whether S Ltd is eligible to take credit on proportionate basis.

**Answer 2**

Section 16(2) of CGST Act provides that where the goods against an invoice are received in lots or installments, credit can be taken only after the receipt of last lot. Therefore, S Ltd is not eligible to claim credit on proportionate basis. Since Input 'X' has been received in lots, the credit of tax of Rs 78,000 (Rs 7,28,000 x 12/112) can be taken only after the receipt of last lot (ie, credit can be taken on or after 01-12-2017).

**Question 3**

XYZ Ltd purchased goods valuing Rs 6,00,000 (exclusive of CGST and SGST @ 9% each) under the cover of an invoice dated 25-12-2017. The company made payment to the supplier on the same date. Since there was a doubt regarding admissibility of tax credit on such inputs, the company did not take the input tax credit at the time of receipt of input. The company obtained clarification from a legal consultant who opined that the goods were eligible as inputs under Input Tax Credit Rules. The opinion was received on 05-05-2018. The company now wants to avail input tax credit of the tax paid on such inputs. Can it do so? The company has filed its annual return for FY 2017-18 on 12-08-2018.

**Answer 3**

- Section 16(4) of CGST Act provides that a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services after:
  - the due date of furnishing of the return u/s 39 for the month of September following the end of financial year to which such invoice pertains; or
  - furnishing of the relevant annual return, whichever is earlier.
- In this case the inputs were purchased by invoice dated 25-12-2017, hence the time by which input tax credit in respect of such inputs can be taken shall be earlier of following dates:
  - 20-10-2018, being the due date of furnishing return for the month of September 2018; or
  - 12-08-2018, being the date of furnishing of annual return.
- Since XYZ Ltd can avail credit of input tax paid on inputs till 12-08-2018, therefore, it can avail credit of CGST Rs 54,000 and SGST of Rs 54,000 on 05-05-2018.

**Question 4**

A registered supplier of taxable goods supplied goods valued Rs 1,12,000 (inclusive of CGST Rs 6,000 and SGST Rs 6,000) to PQR Ltd under forward charge on 12-11-2017 for which tax invoice was also issued on the same date. The inputs were received by PQR Ltd on 12-11-2017. PQR Ltd availed credit of Rs 12,000 on 15-12-2017. But PQR Ltd did not make any payment towards such supply along with tax thereon to the supplier. Is PQR Ltd eligible to avail input tax credit on such supply?

Discuss ITC implications if PQR Ltd makes payment of Rs 78,400 to the supplier on 15-09-2018 and balance payment of Rs 33,600 on 06-10-2018.

#### Answer 4

- PQR Ltd can avail input tax credit on receipt of goods. But it is required to pay the consideration along with tax within 180 days from the date of issue of invoice.
- Where a registered person has availed credit on any inward supply of goods or services without making payment and such person fails to make payment to the supplier within 180 days from the date of issue of invoice, he shall furnish the details of such supply and the amount of input tax credit proportionate to such unpaid amount in his returns for the month in which the prescribed time period of 180 days expires.
- In this case since PQR Ltd has not made any payment within 180 days from date of invoice (ie upto 11<sup>th</sup> May 2018), therefore amount equal to input tax credit availed by PQR Ltd shall be considered as an output tax liability for the month of May 2018. Such details need to be furnished in the returns which are to be filed in the month of June 2018.
- Interest shall be calculated @ 18% p.a for the period starting from date of availing credit till the date when input tax credit added to the output tax liability is paid.

Amount of input tax	Rs 12,000
Date of availing credit	15-12-2017
Date of payment of ITC added to output tax liability	20-06-2018
No of days for which interest is to be paid	187 days
<b>Interest @ 18% p.a. to be paid on 20-06-2018 (Rs 12,000 * 18% * 187/365)</b>	<b>1,107</b>

- If PQR Ltd makes payment of Rs 78,400 to the supplier on 15-09-2018 and balance payment of Rs 33,600 on 06-10-2018, PQR Ltd shall be entitled to avail input tax credit of Rs 8,400 and Rs 3,600 on 15-09-2018 and 06-10-2018 respectively.

#### Question 5

XYZ Ltd, a manufacturer, which is engaged in supply of taxable goods has purchased 10,000 kgs of inputs for Rs 1,00,000 (exclusive of CGST @ 6% and SGST @ 6%) on which input tax credit has been taken. Due to technical changes in manufacturing process, the said inputs became obsolete and their value has been written off in the books of accounts. Explain treatment of input tax credit in the above case.

#### Answer 5

As per Section 17(5) of CGST Act, if the value of any goods is written-off in the books of accounts, then no input tax credit shall be allowed in respect of the said input. Where input tax credit has been taken in respect of the said goods, the same has to be paid back by the recipient. Since XYZ Ltd has availed input tax credit in the given case, thus it has to pay Rs 6,000 (Rs 1,00,000 @ 6%) towards CGST and Rs 6,000 towards SGST liability.

#### Question 6

XYZ Ltd is engaged in supply of works contract services for construction of immovable property. It gives a part of the construction work to a sub-contractor. The sub-contractor charges GST in his invoice to XYZ Ltd. You are required to advise XYZ Ltd if it can avail input tax credit of the GST charged to it by the sub-contractor.

#### Answer 6

As per Section 17(5) of CGST Act, input tax credit shall not be available in respect of works contract services when supplied for construction of an immovable property. However, credit is allowed where it is an input service for further supply of works contract service. In the given case, the services supplied by the sub-contractor have been used by XYZ Ltd for supply of works contract service. Hence, XYZ Ltd can avail input tax credit of the GST charged on the input service provided by the sub-contractor.

**Question 7**

XYZ Ltd is engaged in supply of passenger transportation services. During September 2017, it has purchased two motor vehicles for Rs 36,00,000 plus GST @ 28%. You are required to advise XYZ Ltd if it can avail input tax credit of the GST paid by it on motor vehicles.

**Answer 7**

As per Section 17(5) of CGST Act, input tax credit shall not be available in respect of motor vehicles and conveyances. However, credit will be available when they are used for making taxable supplies of transportation of passengers. Since XYZ Ltd is engaged in transportation of passengers, it will be entitled to take credit of GST amounting to Rs 10,08,000 (Rs 36,00,000 \* 28%).

**Question 8**

XYZ Ltd conducted its 50<sup>th</sup> Annual General meeting at its head office in New Delhi and availed services of 'Delicious Caterers' on that occasion. Delicious Caterers charged Rs 15,00,000 plus GST @ 18% for the supply of outdoor catering services. You are required to advise XYZ Ltd if it can avail input tax credit of GST paid on outdoor catering service.

**Answer 8**

As per Section 17(5) of CGST Act, input tax credit shall not be available in respect of supply of outdoor catering services. Hence, XYZ Ltd is not entitled to avail input tax credit of GST paid on outdoor catering services availed from Delicious Caterers.

**Question 9**

X Ltd, a registered manufacturer engaged in taxable supply of goods, procured the following goods during the month of October 2017. The same has been capitalized in the books of accounts of X Ltd. Determine the amount of input tax credit available by giving necessary explanations for treatment of various items:

<b>Inward Supplies</b>	<b>GST (Rs)</b>
Electrical transformers used in the factory	2,16,000
Moulds and dies used in the factory	26,000
Pollution control equipment used in the factory	2,34,000
Capital goods purchased on which depreciation has been taken on full value including input tax thereon	1,35,000
Capital goods used as parts purchased from supplier who paid tax of Rs 10,000 under composition scheme and the composition tax has not been collected from X Ltd.	

**Answer 9****Computation of Input Tax Credit Available:**

<b>Inward Supplies</b>	<b>GST (Rs)</b>
Electrical transformers used in the factory {Credit available as the goods are being used in the course or furtherance of business}	2,16,000
Moulds and dies used in the factory {Credit available as the goods are being used in the course or furtherance of business}	26,000
Pollution control equipment used in the factory {Credit available as the goods are being used in the course or furtherance of business}	2,34,000

Capital goods purchased on which depreciation has been taken on full value including input tax thereon {ITC is not admissible where registered person has claimed depreciation on the tax component of the cost of capital goods u/s 32 of Income Tax Act}	Nil
Capital goods used as parts purchased from supplier who paid tax under composition scheme and the composite tax has not been collected from X Ltd {Tax paid under composition scheme by a supplier cannot be claimed as credit by the recipient}	Nil
<b>Total Input Tax Credit Available</b>	<b>4,76,000</b>

**Question 10**

Determine the amount of input tax credit available with Posco Ltd in respect of the following items procured by them in the month of January 2018:

S.No.	Inward Supplies	GST (Rs)
(i)	Input used for the manufacture of the final product	72,000
(ii)	Food and beverages procured from Sweet Caterers for being used in dealer's meet	48,000
(iii)	Goods used for providing services during warranty period	12,000
(iv)	Goods used for setting up telecommunication towers being immovable property	90,000
(v)	Inputs stolen from the factory store	13,200

**Answer 10****Computation of Input Tax Credit Available:**

Inward Supplies	GST (Rs)
Input used for the manufacture of the final product {Credit available as the goods are being used in the course or furtherance of business}	72,000
Food and beverages procured from Sweet Caterers for being used in dealer's meet {ITC is available in respect of food and beverages only where an inward supply of such goods is used for making a similar outward taxable supply. Hence, no ITC is available on food and beverages procured from Sweet Caterers for being used in dealer's meet}	Not Available
Goods used for providing services during warranty period {Credit available as the goods are being used in the course or furtherance of business}	12,000
Goods used for setting up telecommunication towers being immovable property {Goods used by a person for construction of an immovable property on his own account shall be considered as ineligible inputs. Since telecommunication tower is an immovable property, no ITC shall be allowed in respect of goods used for setting it up}	Not Available
Inputs stolen from the factory store {Goods lost, stolen, destroyed, written-off or disposed of by way of gift or free samples are considered as ineligible input and credit of GST paid on such goods cannot be taken}	Not Available
<b>Total Input Tax Credit Available</b>	<b>84,000</b>

**Question 11**

Determine the amount of input tax credit admissible to PQR Ltd in respect of the following goods procured by it in the month of January 2018:

S.No.	Inward Supplies	GST (Rs)
1.	Goods used in constructing an additional floor of office building	28,800
2.	Packing materials used in a factory	6,000
3.	Goods destroyed due to natural calamities	12,500
4.	Goods used for repairing office building and cost of repairs is debited to P&L A/c	12,000
5.	Paper for photocopying machine used in administration office	950
6.	Goods given as gifts	25,000
7.	Inputs used for tests or quality control check	15,600

**Answer 11****Computation of Input Tax Credit Available:**

Inward Supplies	GST (Rs)
Goods used in constructing an additional floor of office building {Goods used by a person for construction of an immovable property on his own account shall be considered as ineligible inputs. Hence, ITC shall not be available in respect of goods used in construction of an additional floor of office building}	Nil
Packing materials used in a factory {Credit available as the goods are being used in the course or furtherance of business}	6,000
Goods destroyed due to natural calamities {ITC shall not be available in respect of goods lost, stolen, destroyed, written-off or disposed of by way of gift or free samples}	Nil
Goods used for repairing the office building and cost of repairs is debited to P&L A/c {Goods used for revenue repairs of an immovable property are considered as an eligible input and credit shall be allowed on the same}	12,000
Paper for photocopying machine used in administration office {Credit available as the goods are being used in the course or furtherance of business}	950
Goods given as gifts {ITC shall not be available in respect of goods lost, stolen, destroyed, written-off or disposed of by way of gift or free samples}	Nil
Inputs used for tests or quality control check {Credit available as the goods are being used in the course or furtherance of business}	15,600
<b>Total Input Tax Credit Available</b>	<b>34,550</b>

**Question 12**

Determine the amount of input tax credit admissible to P Ltd in respect of the following items procured by them in the month of November 2017:

S.No.	Inward Supplies	GST (Rs)
1.	Goods purchased for being used in repairing the factory shed and same has been capitalized in books	18,000
2.	Cement used for making foundation and structural support to P&M	14,000
3.	Inputs used in trial runs	14,560
4.	Food and beverages purchased for the employees during office hours	8,400

**Answer 12****Computation of Input Tax Credit Available:**

Inward Supplies	GST (Rs)
Goods purchased for being used in repairing the factory shed and same has been capitalized {Goods used by a person for construction of an immovable property on his own account shall be considered as ineligible inputs. Construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property. Since the cost of repairs is capitalized in books, ITC on goods used shall not be allowed}	Nil
Cement used for making foundation and structural support to P&M {ITC is admissible in respect of goods or services or both received by a taxable person for construction of plant or machinery. Hence, tax paid on cement shall be available for ITC}	14,000
Inputs used in trial runs {Credit available as the goods are being used in the course or furtherance of business}	14,560
Food and beverages purchased for the employees during office hours {ITC is available in respect of food and beverages only where an inward supply of such goods is used for making a similar outward taxable supply. Hence, no ITC is available on food and beverages for use of employees during office hours}	Nil
<b>Total Input Tax Credit Available</b>	<b>28,560</b>

**Question 13**

Compute the input tax credit available with Ujjwal Motors Ltd, manufacturer of cars, in respect of the following services availed by it in the month of October 2017:

S.No.	Inward Supplies	GST (Rs)
(i)	Accounting and auditing services	7,200
(ii)	Health insurance services for employees (Services are not provided under government obligation)	16,200
(iii)	Routine maintenance of the cars manufactured by Ujjwal Motors Ltd	18,000
(iv)	Repair services for office building (Cost of repairs is charged to P&L A/c)	14,400
(v)	Hotel accommodation and conveyance facility to employees on vacation	3,360
(vi)	Testing services availed for car engines	9,000

**Answer 13****Computation of Input Tax Credit Available:**

Inward Supplies	GST (Rs)
Accounting and auditing services {Credit available as the services are being used in the course or furtherance of business}	7,200
Health insurance services for employees {Services not provided under government obligation} {No input tax credit shall be available in respect of health insurance services availed for employees since the Government has not notified the said services as obligatory services to be provided to employees}	Nil
Routine maintenance of the cars manufactured by Ujjwal Motors Ltd {Credit available as the services are being used in the course or furtherance of business}	18,000
Repair services for office building {Cost of repairs is charged to P&L A/c} {Services used for revenue repairs of immovable property are considered as an eligible input service and credit shall be allowed on the same}	14,400

Hotel accommodation and conveyance facility to employees on vacation {Credit is not available for services extended to employees on vacation}	Nil
Testing services availed for car engines {Credit available as the services are being used in the course or furtherance of business}	9,000
<b>Total Input Tax Credit Available</b>	<b>48,600</b>

**Question 14**

XYZ Ltd, engaged in supplying taxable goods, has availed the following services in September 2017. Compute the input tax credit admissible on such input services.

S.No.	Inward Supplies	GST (Rs)
1.	Sales promotion services	16,200
2.	Health care services availed from Physique Club for upkeep of health of employees	10,800
3.	XYZ Ltd hired cab on rent for employees. {Government has issued a notification for such service to be mandatorily provided to employees}	4,500
4.	Market research services	10,080
5.	Quality control services	18,000
6.	Work contract services for construction of office building	45,000

**Answer 14****Computation of Input Tax Credit Available:**

Inward Supplies	GST (Rs)
Sales promotion services {Credit available as the services are being used in the course or furtherance of business}	16,200
Health care services availed from Physique Club for upkeep of health of employees {Input tax credit is available in respect of food and beverages, outdoor beauty treatment, health services, cosmetic and plastics surgery only where an inward supply of such services is used by a registered person for making an outward taxable supply of similar services. Thus, no input tax credit shall be admissible on health care services provided to employees}	Nil
XYZ Ltd hired cab on rent for employees. {Government has issued a notification for such service to be mandatorily provided to employees} {Since the government has notified cab services as obligatory services to be provided to employees, hence credit of tax paid on such services shall be allowed}	4,500
Market research services {Credit available as the services are being used in the course or furtherance of business}	10,080
Quality control services {Credit available as the services are being used in the course or furtherance of business}	18,000
Work contract services for construction of office building {Not considered as eligible input service}	Nil
<b>Total Input Tax Credit Available</b>	<b>48,780</b>