



Summary of Conditions for Availing Input Tax Credit in Normal Circumstances

Description

Sec 16 – Principle Eligibility & Conditions

- 16(1) Goods or Services to be used in course or furtherance of Business
- 16(2)(a)/R.36 Possession of Tax Inv/Dr.Note or any other Tax paying Document containing particulars
- 16(2) (aa) **Inv./Dr. Note to be furnished in GSTR-1 by the supplier [Rule 36(4)]**
- 16(2)(b) Recipient has received Goods or Services
- 16(2)(ba) ITC is not restricted u/s 38 **(No Condition/Restricted supplier or class of person has section 38)**
- 16(2)(c) Subject to Sec 41, tax on such supplies has been actually paid to the govt.
- 16(2)(d) Recipient has furnished return u/s 39 i.e. GSTR- 3B
- 1st Proviso to S.16(2) Goods received in Lots then ITC available on receipt of the last Lot
If Recipient fails to pay supplier within 180 days of issue of Invoice, proportionate credit shall be reversed along with Interest.
- 2nd Proviso to S.16(2) Not Applicable on – RCM Supplies & Supplies without consideration as per Section 15(2)(b)
- 3rd Proviso to S.16(2) –Value added as per Sec 15(2)(b) i.e. Any amount that supplier is liable to pay to the recipient is deemed to have been paid.
- Rule 37 –Recipient shall be entitled to re-avail the above-mentioned credit on payment of tax with Tax payable thereon
- 16(3) If depreciation on Tax Component of Capital Goods and P&M is claimed under Income Tax Act (if Tax Component is capitalised), then ITC of such Tax Component is not allowed
- 16(4) ITC of Inv/Dr. Note is not allowed to be taken after 30th Nov of following FY to which Income tax return is filed or date of filing annual return, whichever is earlier.

Sec 17 – Apportionment of credit and blocked credits.

- 17(1)/R.42,43 ITC restricted to business purpose when G&S used partly for business & partly for other

17(2)/17(3)

R.42-input/

Input Service

R.43Cap Goods

ITC attributable to only to Taxable Supplies (including Zero rated) is allowed, when G&S on Input Tax Credit (ITC) is availed on Taxable Supplies (including Zero rated) & partly for Exempt Supplies.

Exempt Supplies for this purpose includes RCM Supplies, Transaction in Securities, Sale of immovable taxable buildings but does not include Sch III transactions (other than said Land & Buildings).

Specifically for Banking Company/FIs/NBFCs – options to comply 17(2) or avail 50% ITC on monthly basis. Option once exercised cannot be withdrawn during remaining part of FY.

17(4)

Such 50% ITC restriction is not applicable on Distinct person (Reg, Person having same PAN).

BLOCKED CREDIT

17(5)

(a) Motor Vehicles (aa) Vessels & Aircraft (ab) services of general insurance, servicing, maintenance, related to (a) & (aa) above (c) Works Contract service for construction of immovable property (other than an input service for further supply of Works Contract) (d) G&S used for Construction of immovable property (e) G&S from Composition Dealers (f) G&S received by non-resident taxable person except in case of (g) G&S used for personal consumption (g) Goods lost, stolen, w/o, gift, free sample (h) Goods in accordance with sec [74](#), [129](#) and [130](#)

Sec 41 – Availing Self Assessed ITC, Reversal on Non payment of Tax by Supplier and Re-availment

41 (1)

Avail ITC on Self-Assessment Basis in return (3B) and such ITC will be credited to Electronic Credit Ledger (ECL).

41(2) & Proviso

ITC availed above shall be **REVERSED** along with applicable Interest, in manner prescribed in Sec 41(2) if the supply has not been paid by the supplier. Such reversed ITC may be **RE-AVAILED** in return (3B) if the said supplier makes payment of tax payable.

Rule 37A

Manner Prescribed for Reversal of ITC on non-payment of Tax by the Supplier and Re-availment as mentioned in Sec 41

– ITC availed w.r.t Invoice/Dr. Note furnished by supplier in GSTR-1/IFF for a tax period for which such tax period has not been filed till 30th Sep following the end of FY in which ITC has been availed, such ITC shall be reversed till the following 30th Nov without Interest.

– If ITC not reversed till the said 30th Nov then such ITC is payable along with Int u/s 50A.

– Once the supplier subsequently furnishes GSTR-3B for the said tax period, reversed ITC shall be **Re-availed in the GSTR-3B of Tax period THEREAFTER.**

Only 99% of Output Tax liability can be discharged using ITC where the value Taxable (Taxable Supply or Rated Supply) in a month exceeds fifty lakh rupees . This condition is not applicable in

1) Prop., Karta or any of 2 Partners/WTM/Member of Managing Committee have paid ITR for last two FY for which ITR due date has expired

2) Registered Person has received refund > 1lac in preceding FY of accumulated ITC on account of Rated Supply or Inverted Duty Structure

3) Received refund>1lac in preceding FY of accumulated ITC on account of Inverted Duty Structure

4) If cumulative payment through Cash ledger> 1% of Total Output Tax up to that month

5) If RP is Govt Dept, PSU, Local Authority or Statutory Body

Commissioner or his auth. Officer may remove said restriction after verification & satisfaction

Rule 86B

Category

1. GST

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