

# GST –CREDIT REVERSAL

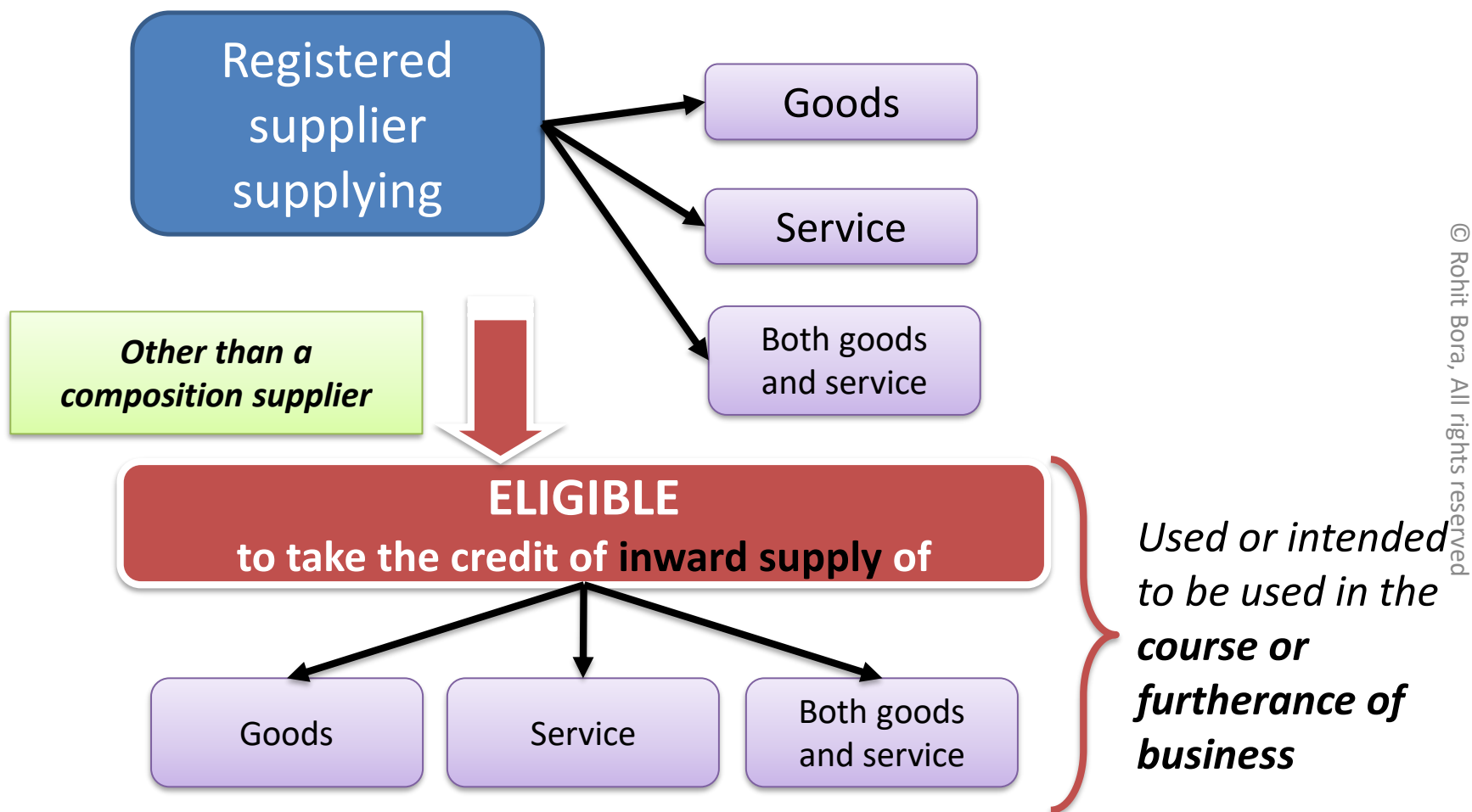


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# Input Tax Credit (ITC) - Eligibility



# ITC – Entitling conditions

- The claimant is in possession of the **tax paying document**;
  - ❖ The tax paying document should contain all the particulars prescribed under the Invoice Rules;
- The claimant has **received** the goods/ services\*;
- The tax on the supply has been **paid to the Government**;
- The claimant has **declared the details in his GSTR-2**;
- The claimant has **furnished his GSTR-3**.

*\* Where supplier delivers goods to a person on the direction of an another person, goods are deemed to be received by such other person*

# ITC – Additional Conditions

- In case of goods received in lots/ instalments, ITC only on receipt of the **last lot/ instalment**;
- If consideration + tax not paid to supplier within **180 days** from date of invoice:
  - ❖ Declare details of such goods/ services in GSTR-2 of such subsequent month (after 180 days of inward supply);
  - ❖ Pay **tax** (equal to ITC availed) + **interest** on the same.
- **No ITC where:**
  - “Tax paid” is in pursuance of any **demand order on account of fraud**, wilful misstatement or suppression of facts;
  - **Depreciation** under Income Tax law claimed on tax component.

# ITC – tax paying documents

- Tax invoice issued by the supplier u/s 31;
- Debit note issued by a supplier u/s 34;
- Bill of entry;
- Invoice raised by recipient u/s 31(3)(f) in case of inward supplies from unregistered suppliers;
- ISD invoice issued by the ISD.

Claim in relation to an **invoice/ debit note** to be made latest by:

- **20<sup>th</sup> October** of FY following the FY to which the **invoice** for supply pertains; or
- Date of furnishing the **Annual Return** *if furnished prior to 20<sup>th</sup> Oct.*

# Blocked credits

**Conveyances veh** except when they are used for - **Sec 17(5)(a)**:

- Further supply of such vehicles or conveyances
- Transportation of passengers
- Imparting training on driving, flying, navigating such conveyances
- Transportation of goods

Supplies received by a non-resident taxable person except when – **Sec 17(5)(f)**:

- Goods imported by him

Inward supplies used for personal consumption - **Sec 17(5)(g)**

Goods lost, stolen, destroyed, written off or disposed of as gift or free samples – **Sec 17(5)(h)**

# Blocked credits Sec 17(5)(b)

Following inward supplies **unless used for making outward supply of same category**

- Food and beverages;
- Outdoor catering;
- Beauty treatment;
- Health services;
- Cosmetic and plastic surgery

Membership of a club, health and fitness centre

Rent-a-cab, life insurance and health insurance unless notified as obligatory on part of the employer

**Travel benefits** extended to employees on vacation such as LTC

# Blocked credits

Inward works contract service for **construction of immovable property** – unless used for further supply of WC service – Sec 17(5)(c)

Inward supplies for **construction of immovable property** (other than plant or machinery) on own account – Sec 17(5)(d)

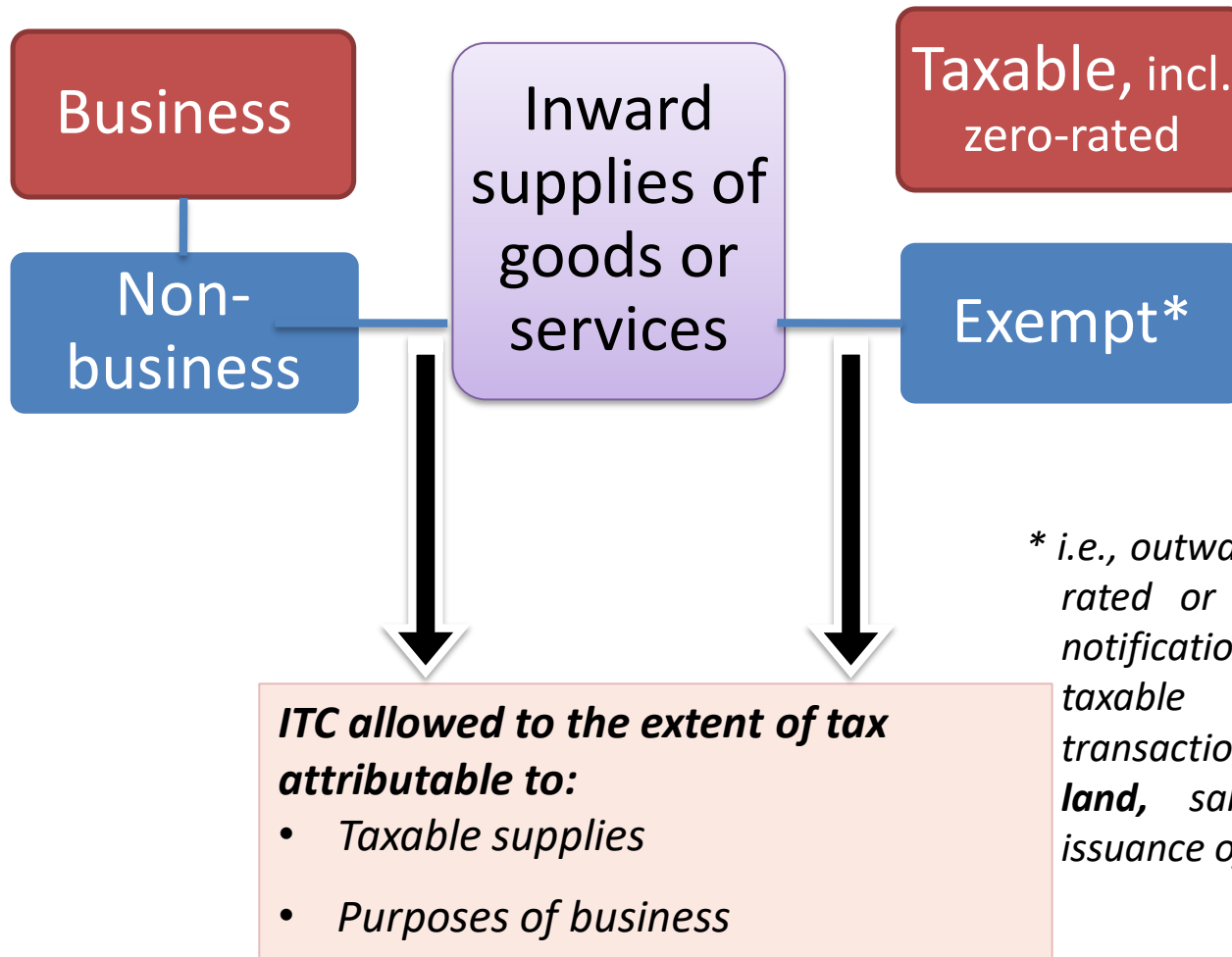
Inward supplies on which tax paid is **composition tax** – Sec 17(5)(e)

Inward supplies on which tax has been paid u/s 74, 129 and 130 – Sec 17(5)(i)

- Tax not paid/ short paid/ erroneously refunded, or ITC wrongly availed by reason **of fraud** or any wilful misstatement or suppression of facts
- Goods on which tax has been paid on **detention or confiscation**



# ITC Restrictions



*\* i.e., outward supplies that are nil-rated or exempted by way of notification or non-taxable or taxable on **RCM basis** or transactions in **securities**, sale of **land**, sale of **building** after issuance of completion certificate*

## **Rule 7- Manner of determination of input tax credit in respect of inputs or input services and reversal thereof**

- (1) The input tax credit in respect of inputs or input services, which attract the provisions section 17(1) or Sec 17(2), being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-
  - (a) total input tax involved on inputs and input services in a tax period, be denoted as 'T';
  - (b) the amount of input tax, out of 'T', attributable to inputs and input services intended to be **used exclusively for purposes other than business**, be denoted as '**T1**';
  - (c) the amount of input tax, out of 'T', attributable to inputs and input services intended to be used exclusively for **effecting exempt supplies**, be denoted as '**T2**';
  - (d) the amount of input tax, out of 'T', in respect of inputs and input services on which credit is **not available under sub-section (5)** of section 17, be denoted as '**T3**';

- (e) the amount of input tax credit credited to the electronic credit ledger of registered person, be denoted as 'C1' and calculated as: **C1 = T - (T1+T2+T3)**;
- (f) the amount of input tax credit attributable to inputs and input services intended to be used exclusively for effecting supplies other than exempted but including zero rated supplies, be denoted as '**T4**';
- (g) 'T1', 'T2', 'T3' and 'T4' shall be determined and declared by the registered person at the invoice level in **FORM GSTR-2**;
- (h) input tax credit left after attribution of input tax credit under clause (g) shall be **called common credit**, be denoted as 'C2' and calculated as: **C2 = C1 - T4**;
- (i) the amount of input tax credit attributable towards exempt supplies, be denoted as 'D1' and calculated as: **D1 = (E ÷ F) × C2**  
where, 'E' is the aggregate value of exempt supplies during the tax period, *and* 'F' is the total turnover in the State of the registered person during the tax period.

Provided that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the **last tax period for which details of such turnover are available**, previous to the month during which the said value of 'E/F' is to be calculated;

*Explanation: For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.*

(j) the amount of credit attributable to non-business purposes if common inputs and input services are used partly for business and partly for non-business purposes, be denoted as '**D2**', and shall be equal to **5% of C2**; and

(k) the remainder of the common credit shall be the eligible input tax credit attributed to the purposes of business and for effecting supplies other than exempted supplies but including zero rated supplies and shall be denoted as 'C3', where, **C3 = C2 - (D1+D2)**;

(l) the amount 'C3' shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated tax;

(m) the amount equal to aggregate of 'D1' and 'D2' shall be added to the output tax liability of the registered person:

Provided that where the amount of input tax relating to inputs or input services used partly for purposes other than business and partly for effecting exempt supplies has been identified and segregated at invoice level by the registered person, the same shall be included in 'T1' and 'T2' respectively, and the remaining amount of credit on such inputs or input services shall be included in 'T4'.

(2) The input tax credit determined under sub-rule (1) shall be calculated finally for the financial year before the due date for furnishing of the return for the month of September

following the end of the financial year to which such credit relates, in the manner prescribed in the said sub-rule and,

- (1) where the **aggregate of the amounts calculated** finally in respect of 'D1' and 'D2' **exceeds** the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2', **such excess shall be added to the output tax liability** of the registered person in the month not later than the month of September following the end of the financial year to which such credit relates and the said person shall be liable to pay interest on the said excess amount at the rate specified in sub-section (1) of section 50 for the period starting from first day of April of the succeeding financial year till the date of payment; or
- (2) where the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2' exceeds the aggregate of the amounts calculated finally in respect of 'D1' and 'D2', **such excess amount shall be claimed as credit** by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.

SR No .	particulars	Reference	CGST	SGST/ UTGST	IGST
1	Total input tax on inputs and input services for the tax period May 2018	T	1,00,000	1,00,000	50,000
	Out of the total input tax (T):				
2	Input tax used exclusively for non-business Purposes	T1	10,000	10,000	5,000
3	Input tax used exclusively for effecting exempt Supplies	T2	10,000	10,000	5,000

Sr. No	PARTICULARS	Reference	CGST	SGST/UTGST	IGST
4	Input tax ineligible under Section 17(5)	T3	5,000	5,000	2,500
	TOTAL		<b>25,000</b>	<b>25,000</b>	<b>12,500</b>
	ITC credited to Electronic Credit Ledger	$C1 = T - (T1 + T2 + T3)$	75,000	75,000	37,500
	Input tax credit used exclusively for Taxable supplies including zerorated supplies)	T4	50,000	50,000	25,000
	<b>Note 1: T1, T2, T3 and T4 shall be determined as above and declared in Form GSTR-2</b>				



Sr. No	PARTICULARS	Reference	CGST	SGST/UTGST	IGST
	Common credit	$C2 = C1 - T4$	25,000	25,000	12,500
	Aggregate value of exempt supplies for the tax period May 2018	E	25,00,000	25,00,000	25,00,000
	Total Turnover of the registered person for the tax period May 2018	F	1,00,00,000	1,00,00,000	1,00,00,000
	Credit attributable to exempt supplies	$D1 = (E/F) * C2$	6,250	6,250	3,125

Sr. No	PARTICULARS	Reference	CGST	SGST/UTGST	IGST
	Credit attributable to non-business Purposes	$D2 = C2 * 5\%$	1,250	1,250	625
	Net eligible common Credit	$C3 = C2 - (D1 + D2)$	17,500	17,500	8,250
	<b>Total credit eligible (Exclusive + Common)</b>	<b><math>G = T4 + C3</math></b>	<b>67,500</b>	<b>67,500</b>	<b>33,750</b>



# Goods and Services Tax

A<sup>+</sup> A<sup>-</sup>

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Dashboard > Returns > GSTR-2

## ITC Reversal - Summary

Uploaded by Taxpayer

This section shows you summary of ITC Reversal.

Reason for ITC Reversal	Actions
Reversal on ITC availed on common input/input services	 
ITC availed on inputs and capital goods, the value of which is written off fully or partially	 
Others	 

1-3 of 3 < >

BACK

ADD DETAILS

UPLOAD



This section helps you to Add details of ITC Reversal.

## ITC Reversal - Add

Supply Type \*

Reason for ITC Reversal \*

Select ▾

Select ▾

### Item Details

ADD ITEM

Sr.No	Description	ITC Reversal	Action
		IGST	
		Amount (₹)	
1	<input type="text"/>	<input type="text"/>	

BACK

SAVE

This section helps you to Edit details of ITC Reversal.

## ITC Reversal - Edit

Supply Type \*

Reason for ITC Reversal \*

Inter-State

Reversal on ITC availed on common input/inpu

### Item Details

ADD ITEM

Sr.No	Description	ITC Reversal	Action
		IGST	
		Amount (₹)	
1	Reversal of ITC	1,00,000.00	

BACK

SAVE

## **Rule 8. Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases**

- (1) Subject to the provisions of sub-section (3) of section 16, the input tax credit in respect of capital goods, which attract the provisions of sub-sections (1) and (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-**

- (a) the amount of input tax in respect of capital goods used or intended to be used exclusively for non-business purposes or used or intended to be used exclusively for effecting exempt supplies shall be indicated in **FORM GSTR-2 and shall not be** credited to his electronic credit ledger;
- (b) the amount of input tax in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero-rated supplies shall be indicated in **FORM GSTR-2 and shall be credited to the electronic** credit ledger;
- (c) the amount of input tax in respect of capital goods not covered under clauses (a) and
- (b), denoted as 'A', shall be credited to the electronic credit ledger and the useful life of such goods shall be taken as five years from the date of invoice for such goods:

Provided that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, the value of 'A' shall be arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof and the amount 'A' shall be credited to the electronic credit ledger;

*Explanation: An item of capital goods declared under clause (a) on its receipt shall not attract the provisions of sub-section (4) of section 18 if it is subsequently covered under this clause. (d) the aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c), to be denoted as 'Tc', shall be the common credit in respect of capital goods for a tax period:*



Provided that where any capital goods earlier covered under clause (b) is subsequently covered under clause (c), the value of 'A' arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof shall be added to the aggregate value 'Tc';

(e) the amount of input tax credit attributable to a tax period on common capital goods during their useful life, be denoted as 'Tm' and calculated as:-

$$Tm = Tc \div 60$$

(f) the amount of input tax credit, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such capital goods.

(g) the amount of common credit attributable towards exempted supplies, be denoted

as 'Te', and calculated as:  **$Te = (E \div F) \times Tr$**

'E' is the aggregate value of exempt supplies, made, during the tax period, *and* 'F' is the total turnover of the registered person during the tax period:

Provided that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which details of such turnover are available, previous to the month during which the said value of 'E/F' is to be calculated;

*Explanation: For the purposes of this clause, the aggregate value of exempt supplies and total turnover shall exclude the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule;*

(h) the amount  $T_e$  along with applicable interest shall, **during every tax period of the useful** life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit.

(2) The amount  $T_e$  shall be computed separately for central tax, State tax, Union territory tax and integrated tax.

## ANNEXURE A

Sr No.	Particulars	Reference	IGST
FOR MAY ,2018			
1	Inward supply value of Machinery X	A	12,50,000
	IGST @ 12%	B	1,50,000
	<b>Invoice Value</b>		<b>14,00,000</b>
	Date of inward supply		<b>12 April 2018</b>
	Life of the capital goods (in months) - for GST purpose is 5 years	c	60
	ITC attributable for 1 month	$Tm1 = b/c$	2,500

Sr No.	Particulars	Reference	IGST
2	Inward supply value of Machinery Y	E	20,00,000
	IGST @12%	F	2,40,000
	Invoice Value		22,40,000
	Date of inward supply		<b>21 May 2018</b>
	Life of the capital goods (in months) - for GST purpose is 5 years	g	60
	ITC attributable for May 2018 (1 month)	$Tm2 = f/g$	4,000
	Aggregate of ITC on common credits	$Tr = Tm1 + Tm2$	<b>6,500</b>

Sr No.	Particulars	Reference	IGST
1	ITC on capital goods used exclusively for non business purposes	T1	10,000
2	ITC on capital goods used exclusively for effecting exempt supplies	T2	10,000
	<b>TOTAL</b>		<b>20,000</b>
3	ITC on capital goods used exclusively for taxable supplies (including zero-rated supplies)	T3	50,000
4	ITC on capital goods (other than T1, T2 and T3)(Annexure A)	A=b+f	3,90,000
5	ITC on capital goods whose residual life remain in beginning of tax period	Tr	6,500
6	Aggregate value of exempt supplies for the tax period May 2018	E	25,00,000

Sr No.	Particulars	Reference	IGST
7	Total Turnover of the registered person for the tax period May 2018	F	1,00,00,000
8	Credit attributable to exempt supplies	$Te = (E/F) * Tr$	1,625



*Thank  
you*



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