

Input Tax Credit Under GST

A new historical development in Tax regime; especially in Indirect Taxes evolves on 1st July 2017 in the shape of Goods and Service Tax (GST) after number of Constitutional & legislative changes and various Central and State Level Indirect Taxes are merged into a single regime, which is known globally as VAT (Value Added Tax). As the name suggests, GST or VAT means value added tax wherein the tax from taxpayer is expected on the value added portion while the credit is passed on for the taxes paid on purchases used for offering supplies. This is not a new phenomenon. The same was also present in the earlier regimes of Central Excise, Service Tax and even VAT when the same was known as MODVAT or CENVAT Credit. Read on...



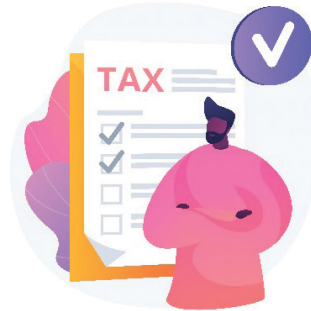
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Since the Goods and Services Tax removes the notion of manufacturing, job work, works contract and services and converts all of them into supply; commonality of law at the national level (One Nation – One Tax) further aims to offer ease of doing. In spite of all



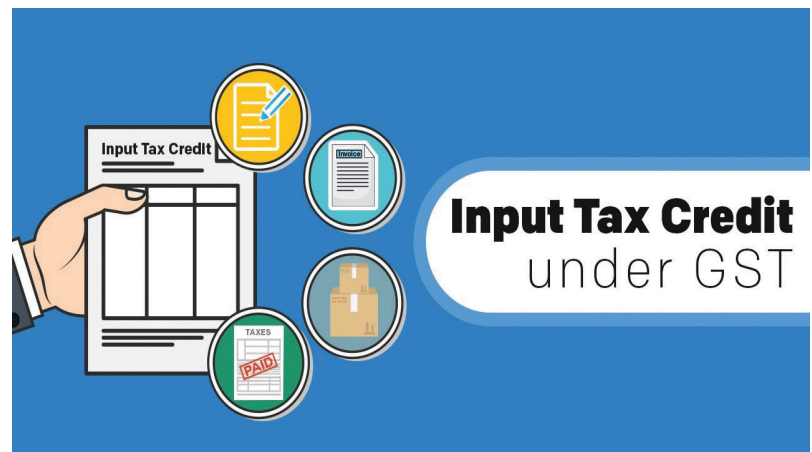
these efforts, understanding the various aspects around Input Tax Credit are still a tiresome

job for taxpayers, professionals and even for the authorities. Here, it is an attempt to offer a 360° view around Input Tax Credit (ITC) about the eligibility to claim and retain the credit, while dealing with specific issues like blocked credit, credit in case of taxpayer dealing in taxable and exempted supplies and others.

Eligibility of a Taxpayer to avail the Input Tax Credit

As per Section 16 of CGST Act there are certain eligibility conditions which a taxpayer has to fulfil before becoming eligible to avail credit. The same are:

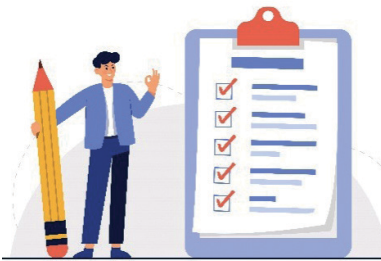
- a. *That supply of goods or services or both should be made to him which are used*



Input Tax Credit
under GST

or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

- b. He is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed.



- c. He has received the goods or services or both.
- d. Details of the invoice has been furnished by the supplier in GSTR-1.
- e. Tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply.
- f. He has furnished the return under section 39.
- g. In case of Capital Goods, either the depreciation or Input credit tax can be availed on the portion of GST paid on purchase of Capital Goods [Section 16(3)].
- h. Credit on any invoice need to be claimed in a time frame as prescribed under Section 16(4).

As per the first condition, the taxpayer has to ensure that the goods or services purchased on which he wishes to claim credit should be used for business. In case, the same is neither used nor intended to be used for his business from where further supplies are offered, then such credit should not be claimed by the taxpayer. An illustration of such in-eligible credit can be the processing charges paid by taxpayer on the bank loan related to the education of his son on which GST was paid.

The second condition which has been laid down through Section 16(2) is the availability of a valid tax invoice or tax paying document in the hand of recipient to claim credit. Here two things are mentioned deliberately; one is “**Valid Invoice/document**” and other is “**Tax paying document**”. Now one needs to understand that what all documents are making someone eligible to claim credit. So, as per legal jurisprudence, apart from Tax Invoice/Debit Note issued by supplier, the self invoice raised for supply falling under reverse charge mechanism (subject to payment of tax), bill of entry, invoice issued by input service distributor, invoice issued to transfer common input services to the Input Service Distributor are also the documents on which one can claim the credit but it is important to see the “**validity**” of such document before we proceed to avail credit. As per Notification No 39/2018-CT, the invoice number, name and address of supplier and recipient along with GST Number, description

of goods/services, rate of tax, amount of tax and place of supply are the necessary ingredients without which the document will become invalid to claim credit.

Besides the above, as per third condition, the goods/services mentioned on the invoice should also be received by the recipient who wishes to claim such credit. At times, we can have practical situations when goods are received in lots or instalment, but as clarified through Section 16, the taxpayer will be eligible to claim credit once the final instalment or lot will be received. To illustrate, if Mr. A has ordered certain goods in September and also received invoice in the month of September but the final lot of goods is received in October, then Mr. A cannot avail the credit on such invoice in the month of September and will become eligible only in the month of October. Hence, the role of stock register to verify



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the delivery of goods is an important eligibility condition.

We may also come across a situation that goods are supplied in bill to ship to model where the original recipient will never receive the goods as the same are further sold before delivery and necessary instructions are issued to original supplier to deliver goods to ultimate buyer. To illustrate, Mr. A purchased certain goods from Mr. B but advised him to deliver goods to Mr. C to whom he sold such goods in advance. Now, Mr. A will never receive the goods in his factory/warehouse, so can he claim the credit? As explained and clarified in Section 16, in case of bill to ship to model, the original recipient will be eligible to claim credit, irrespective of the fact that goods never reached the factory/warehouse of original recipient (here in illustration Mr. A). CGST (Amendment) Act, 2018 has inserted similar provisions for services, where the services are provided by the supplier to any person on the direction of and on account of original recipient.

In the other conditions (fourth and fifth) as mentioned, the taxpayer needs to ensure that tax paid to supplier must have been deposited by the supplier in government exchequer and the same is getting reflected in electronic credit ledger of recipient after filing of GSTR -1 by such supplier. GST law envisages the provision for matching of input tax credit; however this functionality has been suspended since the inception of GST. Later, Finance

Act, 2021 has inserted (*effective date yet to be notified*) one more condition for furnishing of invoice details in GSTR-1 filed by supplier.

In case of any credit which is not getting reflected, as per rule 36(4) of CGST Rules, a maximum of 5% (Originally 20% then reduced to 10% & now to 5%) credit can be claimed by the recipient. To illustrate, A purchased goods worth Rs. 10000 from B and paid 1800 as GST and at the same time from C for Rs. 20000 on which GST was paid Rs. 3600 (GST Rate is 18% in both cases). Now Mr. B duly filed his GSTR 1 at the appropriate time and credit reflected in A's Electronic credit ledger, whereas Mr. C failed to file his GSTR-1 and did not pay the tax. Now Mr. A can only take 5% of 1,800 (amount uploaded in GSTR-1) i.e., Rs. 90 till the time Mr. C will not rectify his mistake and complete his compliance. Though this provision was challenged at times and contrary judgments were passed, still it is always a matter of debate among legal sections.

In the sixth and important condition, the recipient of the supply to become eligible needs to file his GST Returns. At times, certain taxpayers may have this perception that they have sufficient credit against output liability so necessary compliance may be deferred, but as prescribed in the Section 16, to be eligible for a credit, the recipient of supply needs to file his return as required under Section 39. In the pre-GST



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regime, there were judgments to support eligibility of ITC availed in books of accounts however in GST to be eligible to avail ITC, recipient of supply is also required to file return.

Moving further, as prescribed under Section 16(3) of CGST Act, in case of purchase of capital goods which are normally capitalised in the Financial statements following the Accounting Standards (Ind-AS) the taxpayer has to choose one out of available option. In case taxpayer opted to claim depreciation on the full value of capital goods including the GST portion, then on such purchase he will become ineligible to claim any credit. To illustrate, If Mr. A has purchased Capital Goods worth Rs. 1,00,000 and paid GST @18% i.e. 18,000, then he has the option to either claim depreciation of entire value of Rs. 1,18,000 and no Input tax credit of Rs. 18,000 or he can capitalise Rs. 1,00,000 as Capital Goods and claim 18,000 as Input tax Credit.



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Lastly, in the condition prescribed under Section 16(4), the taxpayer has the obligation to avail credit of any invoice related to such goods/ services within a prescribed period given under section 16(4). As per Section 16(4) the taxpayer can avail credit on or before the due date of filing of GST return under Section 39 for the month of September of the following financial year or actual date of filing of Annual return of previous year, whichever is earlier. To clarify, let us take an illustration— Mr. A who is having operations in 2020-21 makes a number of purchases. Due date for September 2021 GST return is 20th October 2021 and Annual Return was filed on 31st Dec 2021. Now, for all such purchases made in financial year 2020-21, Mr. A can avail credit on or before 20th October, 2021 and failure to do so will lead to lapse of credit forever. Here, it needs to be clarified that the above limit is for availing the credit first time and not for utilisation of credit. Once availed within the time limit prescribed under Section 16(4), taxpayer can utilise the credit anytime without any time restrictions.

Eligibility of a taxpayer to retain the Input Tax Credit so availed



In the preceding sections we discussed the conditions which make a taxpayer eligible to avail the credit. Besides this, as prescribed under Section 16 the taxpayer should also fulfil the very important requirement to retain such credit, failure of which will require the taxpayer not only to reverse the credit so availed but also end up paying interest as if he has availed the ineligible credit. Now as per provision inserted in Section 16, every taxpayer who has availed the credit on purchase of goods/ services need to pay to such supplier (other than those where he is paying under reverse charge basis) the value of such supply along with applicable GST within 180 days from the date of invoice, else GST availed as Input Tax credit need to be reversed. There are certain provisions which are associated with this provisions, which are:

- i. The taxpayer needs to reverse the entire credit of unpaid portion along with interest @18%.
- ii. In case of part payment is made that pro-rata credit can be retained and balance credit needs to be reversed along with interest.
- iii. 180 days need to be counted from the date of invoice and

not on the basis of credit availed.

- iv. Credit so reversed can be re-availed based on the payment made to supplier without any time limit irrespective of time period as mentioned in Section 16(4).

Here, it is important to clarify that in the earlier regime of Service Tax/Excise the levy of interest and penalty was on “wrongful availment and utilisation” of input tax credit whereas in the GST regime for undue and excess claim of Input tax Credit under section 42(10) i.e., invoice matching mechanism the word “AND” has been replaced with “OR”, meaning thereby that even if the credit is not being utilised the interest and penalty can be imposed on wrongful availment.



As per provision inserted in Section 16, every taxpayer who has availed the credit on purchase of goods/services need to pay to such supplier (other than those where he is paying under reverse charge basis) the value of such supply along with applicable GST within 180 days from the date of invoice, else GST availed as Input Tax credit need to be reversed.

Illustration

Mr. A purchased goods and / or availed services worth Rs 1,18,000 (1,00,000+ 18,000 GST) from Mr. Y on 01 Mar 2019 and received invoice on the same date and availed the credit in the month of Mar 2019. He paid to Mr. Y against this bill on 01.12.2019. What will be the liability of Mr. A for non-payment to Mr. Y within 180 days?

Solution:

Since we have to calculate 180 days from the date of invoice which falls on 28th Aug 2019 and Mr. A has not paid to the supplier in 180 days, Rs 18,000 should have been added in his outward liability in GSTR 3B for the month of Sep 2019. Now he has to reverse credit so availed along with interest @18% calculated from **the date of ITC availed** i.e. 01.03 .2019 to the date of payment 01.12.2019

Days on which interest liability to be calculated = 1st March 2019- 30th Nov 2019

Interest Liability =
 $18,000 * 18\% * 275/365 = 2,441$

Total Liability = 18,000+2,441 = 20,430

Blocked Credit under GST – Inputs on which credit is not available



Since the Service Tax regime, on certain assumption including the assumption that certain goods/services are more of personal use, credit of the few input supplies is blocked under the law books. Section 17(5) of CGST Act 2017 deals with specific expenditure related to consumption of Goods/ Services even if they are used for business purpose, credit of which is generally not available to taxpayer. Such Goods/services on which credits are blocked (taxpayer should not avail credit of these expenditures) are listed below:

- a. **Motor vehicles and other conveyances (with seating capacity of up to 13 persons including driver)** except when they are used for further supply of such vehicles or conveyances, transportation of passengers; or imparting training on driving, flying, navigating such vehicles or conveyances;
- b. General insurance, servicing, repair and maintenance of motor vehicles and other conveyances except when taxpayer is eligible for Input Tax Credit on motor vehicles and other conveyances or where taxpayer is engaged in manufacture of such vehicle or supply of insurance services in respect of such vehicle. To illustrate, Maruti is eligible to Input Tax Credit of general insurance and repair and maintenance of motor vehicles manufactured by it.
- c. Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is blocked except when used for the purposes specified therein, life insurance and health insurance except where an inward supply of goods or services or both of a particular category 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 or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
- d. Membership of a club, health and fitness centre except where it is obligatory for an employer to provide the same to its employees under any law for the time being in force;
- e. Travel benefits extended to employees on vacation such as leave or home travel concession except where it is obligatory for an employer to provide the same to its employees under any law for the time being in force;
- f. 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;

- g. 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. Whereas the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;
- h. Goods or services or both on which tax has been paid under section 10 i.e., where supplier has opted composition scheme;
- i. Goods or services or both received by a non-resident taxable person except on goods imported by him;
- j. Goods or services or both used for personal consumption;
- k. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- l. Any tax paid in accordance with the provisions of sections 74, 129 and 130.

Analysis

While reviewing the exhaustive list of expenditure related to goods/services on which credits are specifically blocked

generally, there are various carve outs when credit can still be claimed subject to fulfilment of certain conditions related to a particular class of credit. To illustrate,

- a. Credit related to motor vehicle is generally not available. To illustrate, if Mr. A management consultant who is buying a motor vehicle for office use, still the credit will not be available. But if Mr. B has a showroom to buy and sell motor vehicles, then as required, he is using the credit of motor vehicles for further supply of same line of supply i.e., motor vehicle and thus, credit will be available.
- b. Similarly, the credit related to food & beverages, outdoor catering, works contract, rent a cab, etc. is also not available unless the same is used for the same line of business. To illustrate again, if Mr. A is providing rent a cab services and to provide services to a customer, takes cab from another vendor Mr. B, then Mr. A can claim credit of GST paid to Mr. B for obtaining rent on cab services.
- c. As we are aware that any purchase from dealer opted for composition scheme, the recipient of such supply cannot claim any credit on such purchase (Section 10 of CGST).
- d. In case of goods that are stolen or offered as gift whereas on purchase GST



While reviewing the exhaustive list of expenditure related to goods/services on which credits are specifically blocked generally, there are various carve outs when credit can still be claimed subject to fulfilment of certain conditions related to a particular class of credit.

was paid, credit of the same will not be available. Here we need to read this provision with schedule 1 of Section 7 which deals with activity classified as supply even without consideration.

- e. Section 74, 129 and 130 deals with situation when the duty has been paid to government exchequer after certain provisions were invoked involving evasion of duty under relevant provision of CGST Act.

Utilisation of GST Input Credit- Rule 42 read with Section 17 of CGST Act 2017



As per Section 17 of CGST Act, once the taxpayer will arrive to

the net credit {Total available credit less blocked credit less credit related to personal (non-business use)}, and the taxpayer may have different supply, some of them are subject to GST and others not, then he needs to follow certain Rules to claim the pro-rata credit related to his taxable/zero rated supply. To arrive at the pro-rata credit, the government has prescribed Rule 42 and 43 to read with Section 17 respectively for Input and Capital Goods. Before we venture into understanding Rule 42 and 43, let us recognise some basic fundamentals for better understanding:

- a. Credit specifically attributable to Non-business or personal consumption cannot be availed and classified as T1 in the Rule 42.
 - b. Credit specifically attributable to NIL Rated Supply (Supply which attract 0% GST) cannot be availed. The same is classified as T2 in the Rule 42. Similarly, credit related to activity classified under Schedule III of CGST Act or Non-Taxable supply like petroleum product also classified as exempted supply for this section cannot be availed.
 - c. Credit related to exempted activity (Say GST paid on Rental Charges paid for leasing of godown to keep exempted goods) is also not allowed and classified as T2 in the Rule 42.
 - d. Export related supply are classified as zero rated supply but as they enjoy special benefit, credit related to them is available for utilisation.
 - e. Exempt supply as defined under Section 2 *means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply*; As per Section 17(3) of CGST Act the value of exempt supply includes:
 - i. *Outward Supplies on which recipient is liable to pay tax under reverse charge,*
 - ii. *Transaction in securities (value shall be 1% of sale value),*
 - iii. *Sale of land (value shall be the same as adopted for the purpose of paying stamp duty),*
 - iv. *Sale of building subject to para 5(b) of schedule II (value shall be the same as adopted for the purpose of paying stamp duty).*
- Practical Case Study – Rule 42 read with Section 17 of CGST Act**
- XYZ has a turnover of Rs.10 cr. out of which Rs.7 cr. is taxable supply and Rs.3 cr. is exempted supply. Total Input Tax Credit available is Rs.80 Lakh (Equal amount of CGST and SGST). It includes:
- 5 Lakh GST credit is available for services availed for personal consumption.
 - Input tax credit of Rs.5 Lakh is available on rental paid related to exempted goods.
 - XYZ paid Rs.20 lakh as GST for purchase of building materials and services for construction of building on his own account for furtherance of business.
 - Rs.10 lakhs GST Credit is available for procuring works contract service for further supply of both taxable and exempt works contract service for construction of immovable property. Such works contract service is also used for non-business purposes.
 - XYZ has a Motor Vehicle which is used for providing taxable and exempt service of transportation of passengers. The motor vehicle is also used for non-business purposes. The amount of GST paid on servicing for such motor vehicles is Rs. 12 Lakh.
 - XYZ paid for Food and Beverages for staff on which Input Tax of Rs.1 Lakh is available.
 - XYZ Paid for Servicing of Motor Vehicle (used for director) purchased by it for which 1 Lakh paid as GST

- Goods on which GST Credit of Rs.6 lakhs was paid were stolen from the factory of XYZ
- GST Credit balance of Rs.20 Lakh is available exclusively for taxable purpose.

Calculate the credit which will be available to utilize for the month.

Note:

- The below calculations are based on Rule 42 read with Section 17 of CGST Act.
- As per Rule in spite of Credit directly attributable for personal consumption, clause (j) of Rule 42 requires 5% reversal from common credit.

- Banking Companies, NBFC has the option to go for this calculation or reverse 50% of Net Credit (Total credit- credit attributed from services received from branches).
- Similarly for Capital Goods, one has to go for calculation as prescribed under Rule 43.

Solution:

Sl. No	Details of Credit (CGST+SGST)	Classification	Amount (in Rs.)
1.	GST Credit of Rs. 5 Lakhs specifically related to Personal Consumption (Not Available)	T1	5,00,000
2.	GST Credit on Rental for Exempted Activity(goods) – Not Available	T2	5,00,000
3.	Building Material and Service for use in Office – Not Available as Blocked Credit U/s 17(5)	T3	20,00,000
4.	GST Credit related to Works Contract – Used partially for taxable works contract service and partially for exempt works contract service – Common Credit	C2	10,00,000
5.	GST Credit on servicing of motor vehicle used for both taxable and exempt service of transportation of passengers – Common credit	C2	12,00,000
6.	GST Credit for Food and beverages for office use – Blocked credit under section 17(5)	T3	1,00,000
7.	GST Credit on Service of Motor vehicle used for office – Blocked credit under Section 17(5)	T3	1,00,000
8.	GST Credit on goods stolen from factory – Credit needs to be reversed	T3	6,00,000
9.	GST Credit exclusively for Taxable activity	T4	20,00,000
10.	Total Credit	T	80,00,000
11.	Rule 42 – Calculation of C1 = T-(T1+T2+T3)		42,00,000
12.	Calculation of Common credit C2 = C1-T4		22,00,000
13.	Credit related to Exempted Activity from common credit = D1 = C2XE/F where E is the Exempted turnover of 3 Crore and F is the total turnover of 10 Crore	$\frac{22,00,000 \times 3}{10}$	6,60,000
14.	Credit related to non-business purposes from common credit = D2 = 5% of C2 (refer note (ii) of Rule 42)	22,00,000 X 5%	1,10,000
15.	Common Credit available for Taxable Activity = C3 = C2- (D1+D2)		14,30,000
16.	Total Credit available for XYZ	C3+T4	34,30,000



A person who takes registration under sub-section (3) of section 25 (Voluntary Registration) shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration.

Input Tax Credit in Special Cases

As per Section 18(1) to 18(3), there will be different situations when taxpayer will look for utilisation of available credit. The same are explained as below:

- a. A person who has applied for new registration (within thirty days from the date on which he becomes liable to registration) is entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act;
- b. A person who takes registration under sub-section (3) of section 25

(Voluntary Registration) shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration;

- c. Where any registered person ceases to pay tax under section 10 (Moved from Composition scheme to Normal Tax payment scheme), he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9. Credit on capital goods shall be reduced by 5% Per quarter of Asset used under compositions scheme.
- d. Where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable. Credit on capital goods shall be reduced by 5% Per quarter of Asset

used under Exemption period.

Note: A registered person in all the four provisions mentioned above shall not be entitled to take input tax credit in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.

Input Tax Credit under Merger/Amalgamation etc.

Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific



Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.

provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed. To claim such credit, a company who wishes to transfer credit need to file ITC-02 which need to accompany certificate from a Chartered Accountant/ Cost Accountant and has to be accepted by the entity in whom this entity is merging with.

Reversal of GST Credit in case of Sale/Disposal of Capital Goods



As per Section 18(6) in case of supply of capital goods or plant and machinery, on which input tax credit has been taken, 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 5% per quarter used or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher:

Illustration

Mr. A Purchased Capital Goods worth Rs. 5,00,000 on 1st Jan 2018 and paid GST@18%, Rs. 90,000. After use of Capital Goods for certain period, now Mr. A wishes to dispose of Capital Goods for Rs. 70,000 in the open market on 31st Dec 2020. GST rate on Capital Goods is still 18%. Calculate the GST liability on the transaction.

Solution



As per Section 18(6), Mr. A has to calculate the two values, (a) GST on Transaction value and (b) Credit need to be reversed as asset is not used for complete 5 years and then take the higher of the two:

- $70000 \times 18\% = 12,600$
- Since the asset was used for 12 Quarters As per the provisions, 5% per quarter Mr. A can retain and rest has to be reversed. So 40% of the credit earlier claimed need to



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be reversed as per option b which will be $90000 \times 40\% = 36,000$

Since, higher of the above two is 36,000 the total liability on this transaction will be Rs. 36,000. Mr. A will charge 12,600 from buyer as GST and rest Rs. 23,400 will be reversed from credit otherwise available.

Note: Where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15 of CGST Act 2017. In the above illustration, if Mr. A has sold moulds as scrap for Rs. 70,000, total tax liability will be Rs. 12,600. ■■■

