



**The Institute of Chartered
Accountants of India**

GST & IDTC

Hosted by **Siliguri Branch of EIRC**

**Issues in
Input Tax
Credit (ITC)**

CA Sushil K Goyal

Topic

1

Discount

Section 15(3) valuation of taxable supply



Discount

Section 15(3)

The value of the supply **shall not include any discount** which is given—

- (a) **before or at the time** of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
- (b) **after** the supply has been effected, if—
 - (i) such discount is established in terms of an **agreement** entered into at or before the time of such supply and specifically linked to relevant invoices; and
 - (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been **reversed by the recipient** of the supply

Various types of discounts

In-bill discounts

Off-bill discounts

Cash discounts

Quantity discounts

Special discounts

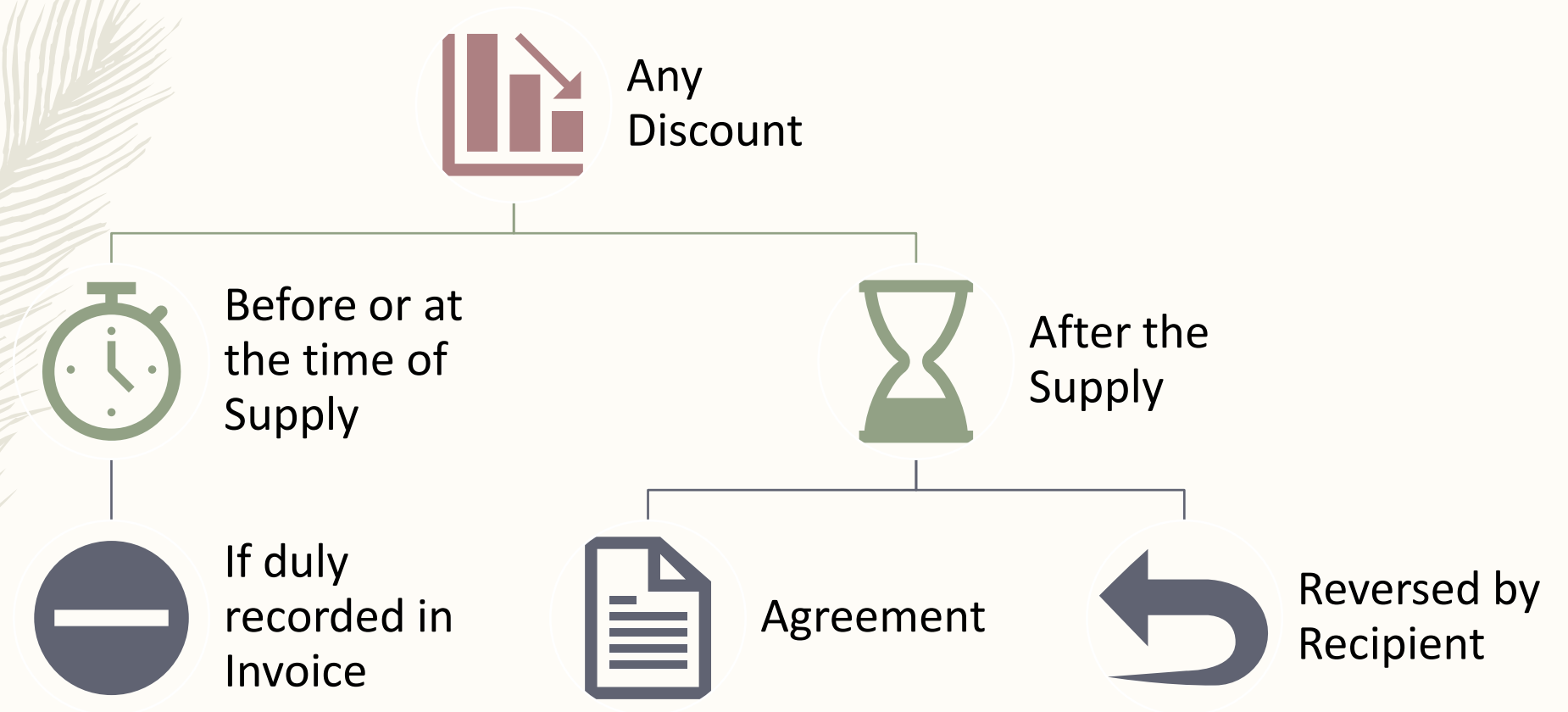
Discounts in kind

Free stocks

Buy one take two

Nominal value supplies

Value shall not include Section 15(3)



Topic

2

Gift

Section 17(5)(h) block credit on the Gift
Schedule I of section 7 of CGST Act 2017



Gift

Section 17(5)(h)

input tax credit shall not be available in respect of the following namely:-

(h) goods lost, stolen, destroyed, written off or disposed of by way of **gift** or free samples; and



Gift Schedule I

Supply of goods or services or both between **related persons** or between **distinct persons** as specified in section 25, when made in the course or furtherance of business:

Provided that **gifts not exceeding fifty thousand rupees** in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.



Gift

Publicity material given on new year or to marketing the product should not be considered as Gift

Topic

3

Sample

Section 17(5)(h) block credit on the Sample



Sample Section 17(5)(h)

input tax credit shall not be available in respect of the following namely:-

(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or **free samples**; and



Free Sample Schedule I

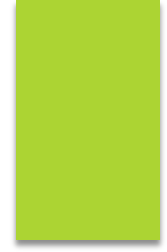
Supply of goods or services or both between **related persons** or between **distinct persons** as specified in section 25, when made in the course or furtherance of business:


Provided that **gifts not exceeding fifty thousand rupees** in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.



Lost, Stolen, Destroyed

Section 17(5)(h) block credit on the
Lost, Stolen or Destroyed





Lost, Stolen or Destroyed

Section 17(5)(h)

input tax credit shall not be available in respect of the following namely:-

- (h) **goods lost, stolen, destroyed**, written off or disposed of by way of gift or free samples; and

Topic

5

Exchange

Known as barter transactions and tax to be paid by both the person considering the market value of the product



Consideration is not wholly in money

Value of supply of goods or services where consideration is not wholly in money

The value of supply shall be-

- a) The **open market value** of such supply
- b) If open market value not available, be the sum total of consideration in money and such further amount in money as is **equivalent to consideration not in money** if such amount is not known at time of supply



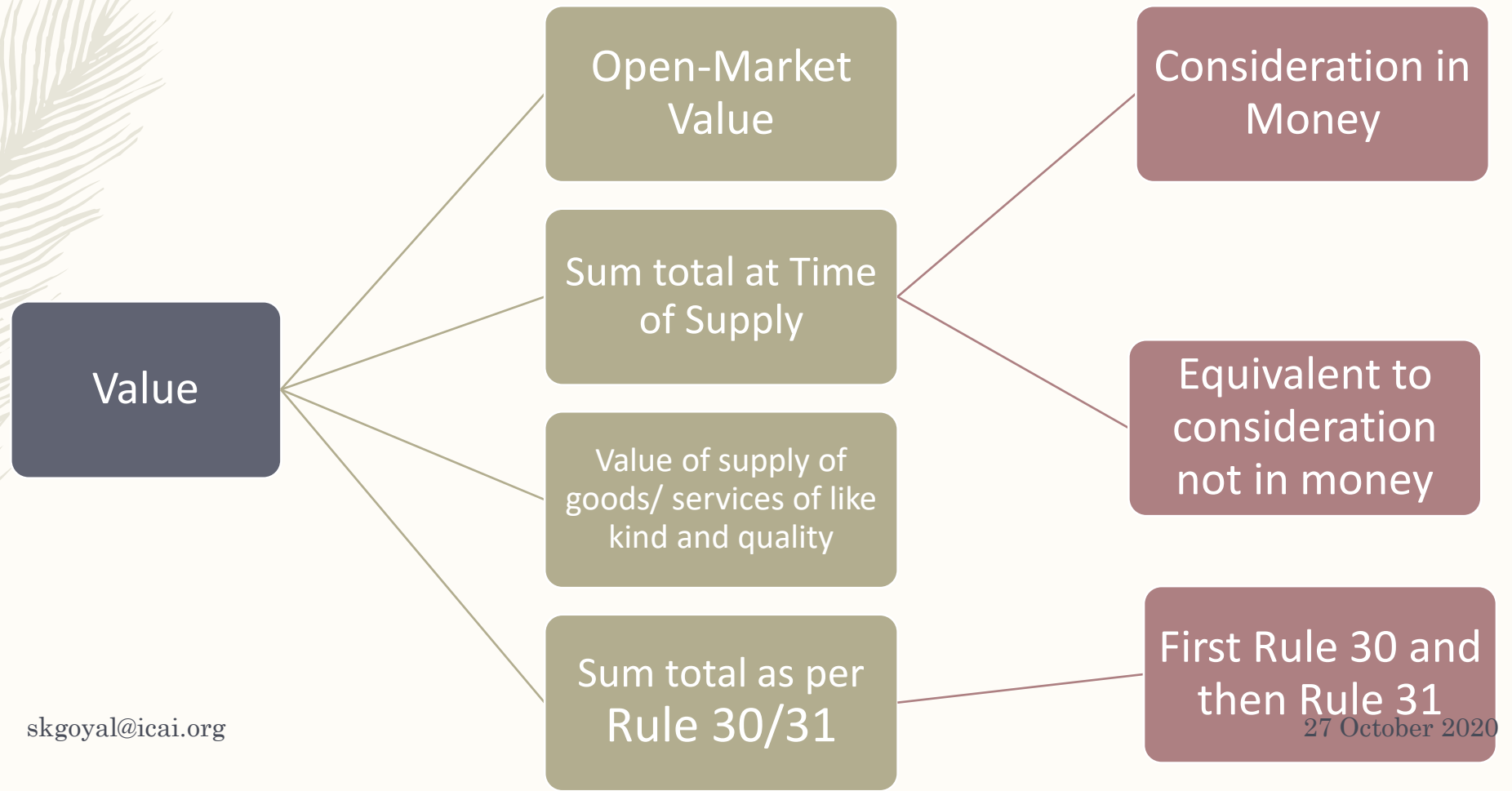
Consideration is not wholly in money


Value of supply of goods or services where consideration is not wholly in money

The value of supply shall be-

- c) If value is not determinable under (a) or (b), the **value of supply of goods/ services of like kind and quality.**
- d) If value not determinable under (a), (b) or (c), be the sum total of consideration in money and such further amount in **money that is equivalent to consideration not in money** as determined as per Rule 30 or 31 in that order.

Consideration is not wholly in money





Credit Note and Debit Note

Credit Note

“Credit Note” means a document issued by a registered person under sub-section (1) of section 34;



Credit Note

Sec 34 (1) Credit notes

*Where a tax invoice has been issued for supply of any goods or services or both and the **taxable value or tax charged** in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are **returned** by the recipient, or where goods or services or both supplied are found to be **deficient**, the registered person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed.*



Credit Note...

Where a tax invoice has been issued for supply of goods or services or both

Taxable **value** in invoice < Taxable value in respect of such supply

OR

Tax charged in invoice > Tax in respect of such supply

OR

Where **goods** supplied are returned by the recipient

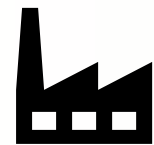
OR

Where **goods or services** or both are found to be deficient



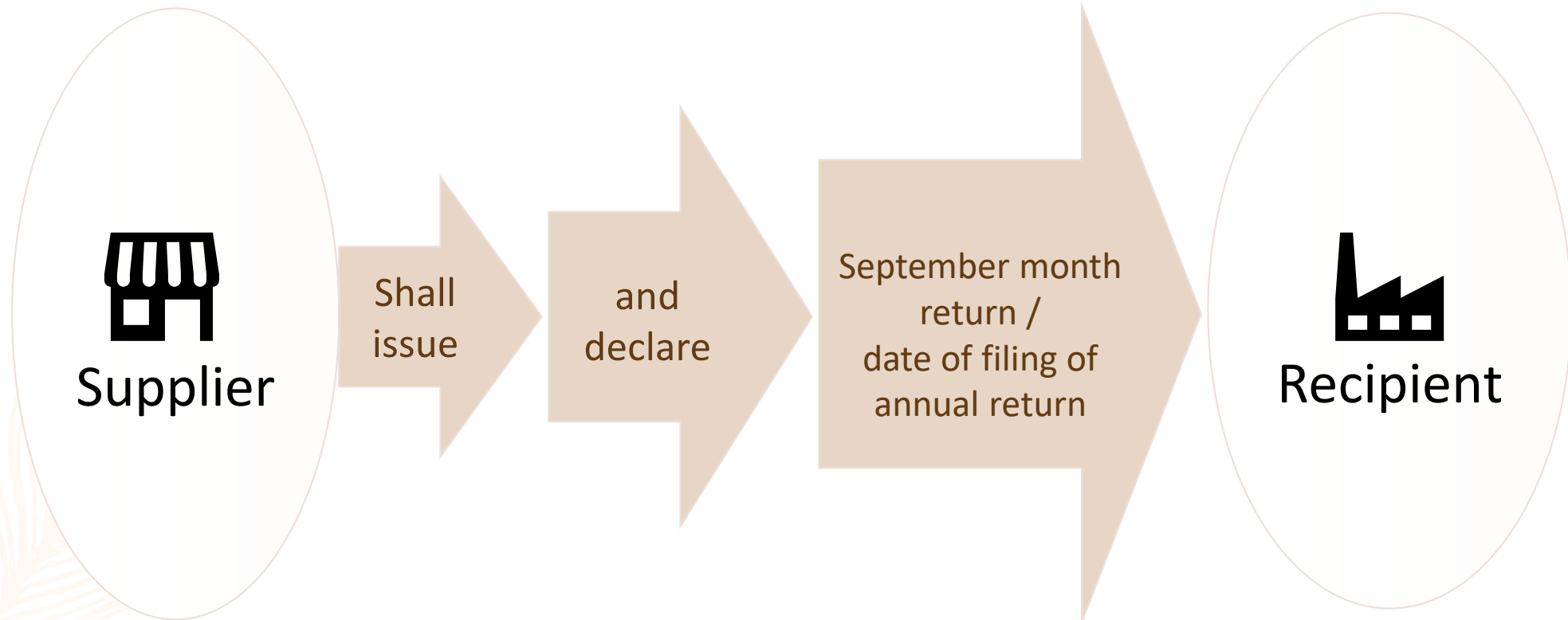
Supplier

Shall issue Credit Note



Recipient

Credit Note...



Debit Note

“Debit Note” means a document issued by a registered person under sub-section (3) of section 34;



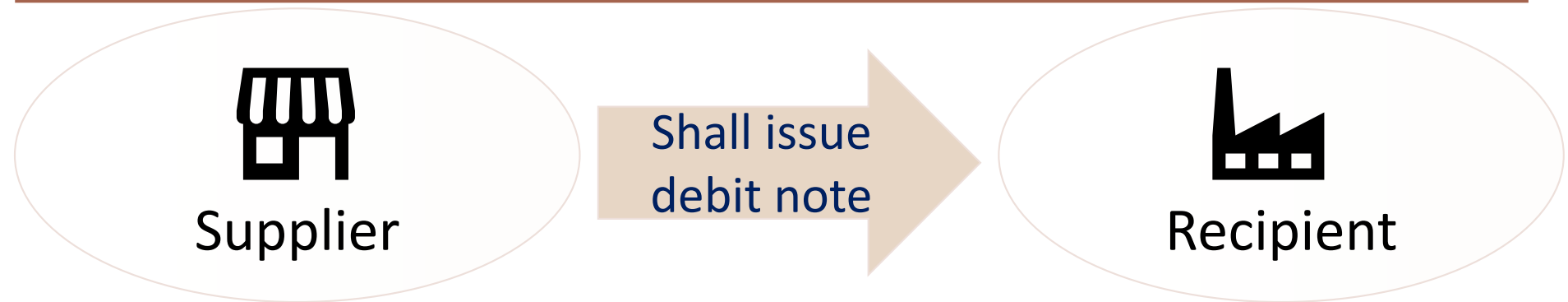
Debit Note

Section 34(3) Debit Note

*Where a tax invoice has been issued for supply of any goods or services or both and the **taxable value or tax charged** in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing such particulars as may be prescribed.*



Debit Note...



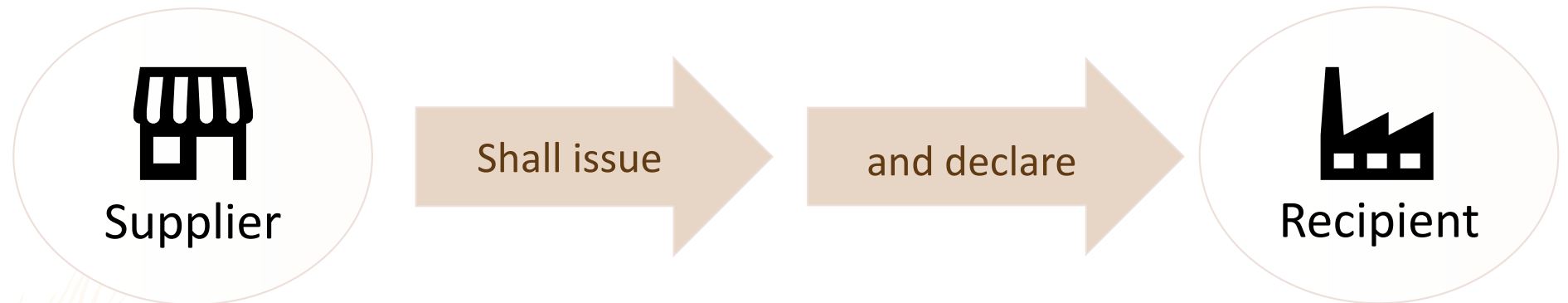
Where a tax invoice has been issued for supply of goods or services or both

Taxable **value** in invoice <
Taxable value in respect of
such supply

Tax charged in invoice >
Tax in respect of such
supply



Debit Note...



the expression "debit note" shall include a supplementary invoice.



Credit Note Vs Adjustment/ Refund



27 October 2020

Invoice Issued, Service not Provided

- An advance is received by a supplier for a Service contract which **subsequently got cancelled**.
- The supplier has **issued the invoice** before supply of service and paid the GST thereon.
- Whether he can claim refund of tax paid or is he required to adjust his tax liability in his returns ?

Invoice before Service



Professional

Service Not Provided



Client A

Outward Supply Register

GST No.	Invoice No.	Value	Tax
xxx	CA-0001/17-18	20000	3600

Credit Note



Professional

No Output



Client A

Credit Note Details

GST No.	Invoice No.	Value	Tax
xxx	CA-0002/17-18	20000	3600

Refund – RFD 01



Professional

Refund Details

GST No.	Invoice No.	Value	Tax
xxx	CA-0002/17-18	20000	3600



Excess Payment of Tax,
if any

Receipt Voucher Issued, Service not Provided

- An **advance is received** by a supplier for a Service contract which got cancelled subsequently.
- The supplier has **issued receipt voucher** and paid the GST on such advance received.
- Whether he can claim refund of tax paid on advance or he is required to adjust his tax liability in his returns?

Receipt Voucher of Service



Professional

Service Not Provided



Client A

Receipt Voucher Details

GST No.	Invoice No.	Value	Tax
xxx	CA-0001/17-18	10000	1800

Refund Voucher



Professional

No Option to Adj



Client A

Refund Voucher Details

GST No.	Invoice No.	Value	Tax
xxx	CA-0002/17-18	10000	1800

Refund – RFD 01



Professional

Refund Details

GST No.	Invoice No.	Value	Tax
xxx	CA-0002/17-18	10000	1800



Excess Payment of Tax,
if any

Invoice Issued, Goods returned by Recipient

- Goods supplied by a supplier under cover of a tax invoice are **returned by the recipient**.
- Whether he can claim refund of tax paid or is he required to adjust his tax liability in his returns ?

Outward Supply of Goods



Grocery Shop

Outward Supply Register

GST No.	Invoice No.	Value	Tax
xxx	0001/17-18	20000	3600



Client A

Goods Return



Grocery Shop

Outward Supply Register

GST No.	Invoice No.	Value	Tax
xxx	0001/17-18	20000	3600



Client A

Credit Note



Grocery Shop

No Output



Client A

Credit Note Details

GST No.	Invoice No.	Value	Tax
xxx	0002/17-18	20000	3600

Refund – RFD 01



Grocery Shop

Refund Details

GST No.	Invoice No.	Value	Tax
xxx	0002/17-18	20000	3600



Excess Payment of Tax,
if any

Restriction on ITC Rule 36(4)

- Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of section 37, shall **not exceed 20 per cent.** of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37.

Restriction on ITC Rule 36(4)

- Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of section 37, shall **not exceed 10 per cent**. of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37.

Restriction on ITC Rule 36(4)

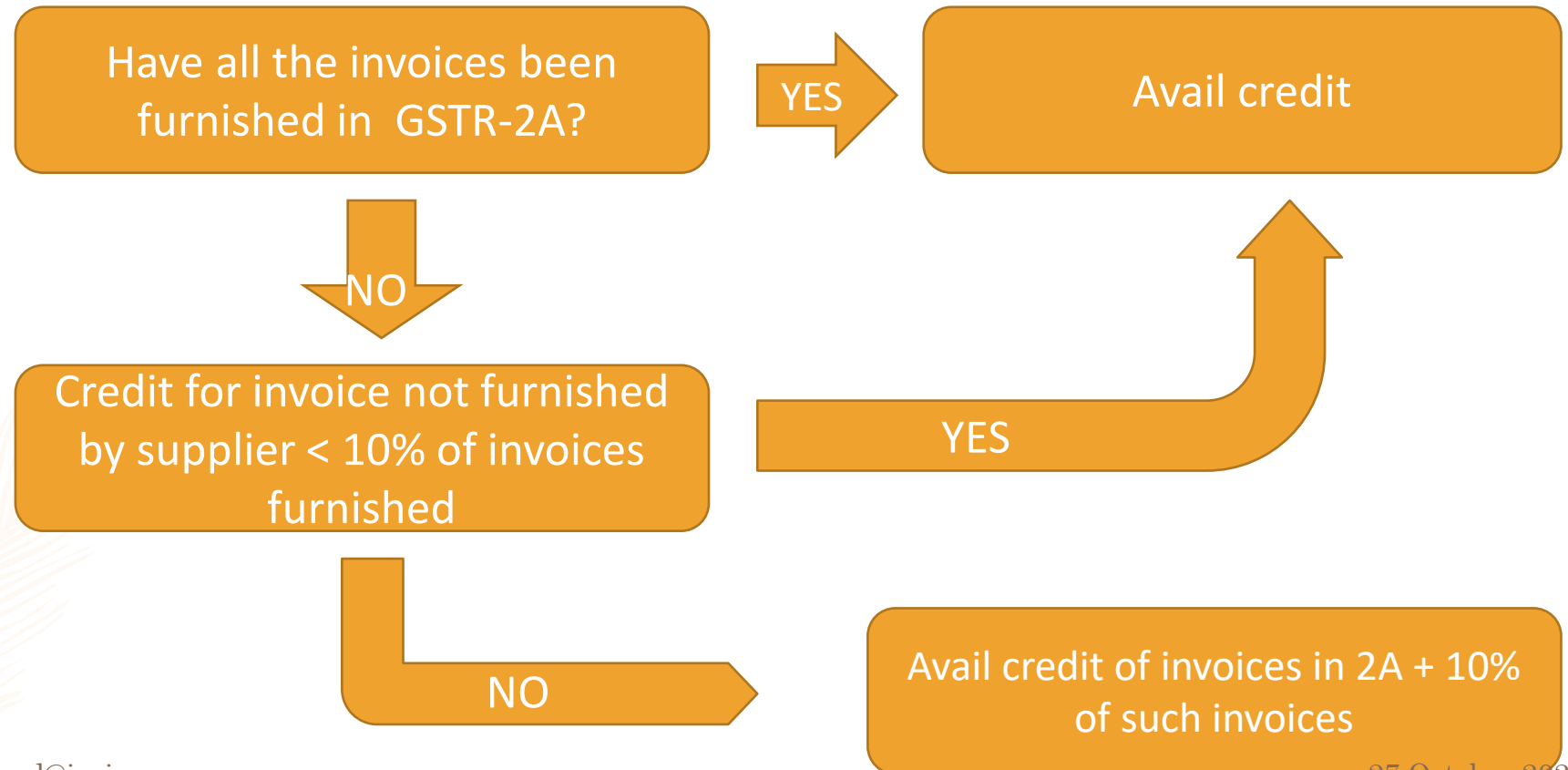
- taxpayers may avail full ITC in respect of
 - IGST paid on import,
 - documents issued under RCM,
 - credit received from ISD etc.
- details of which have been uploaded by the suppliers as on the **due date of filing of the returns in FORM GSTR-1** of the suppliers for the said tax period.

Restriction on ITC Self assessed basis

- This being a new provision, the restriction is not imposed through the common portal and
- It is the **responsibility of the taxpayer** that credit is availed in terms of the said rule and therefore, **self-assessment basis** by the tax payers.



Restriction on ITC Rule 36(4)



Restriction on ITC Rule 36(4)

Cases	Invoices available in GSTR-2A (A)	10% of invoices furnished (B)	ITC to be taken in GSTR-3B (A)+(B)
Case 1	₹ 10,00,000	₹ 1,00,000	₹ 10,00,000
Case 2	₹ 9,50,000	₹ 95,000	₹ 10,00,000
Case 3	₹ 8,00,000	₹ 80,000	₹ 8,80,000

Restriction on ITC Rule 36(4)

- Full ITC of balance amount may be availed, in present, in the above cases **total ITC pertaining to invoices the details of which have been uploaded** reaches Rs. 9.09 lakhs (Rs 10 lakhs /1.10).
- When it will reach Rs.9.09 lakhs by that time credit taken by the registered person Rs.10 lakhs.
- No further credit available beyond 10 lakhs.

Restriction on ITC Self assessed basis

Credit in October'2019 Return

Bill No.	Date	Tax Amount	Eligible Credit	GSTR 2A	ITC to be taken	Remarks
Oct011/2019-20	31.10.2020	20,000.00	20,000.00	Yes	-	Goods Not Received
Oct021/2019-20	31.10.2020	4,000.00	-	Yes	-	Block u/s 17(5)
Oct031/2019-20	31.10.2020	25,000.00	25,000.00	Yes	25,000.00	-
Oct041/2019-20	31.10.2020	22,000.00	22,000.00	No		Appearing in GSTR 2A Late
Oct051/2019-20	31.10.2020	3,000.00	3,000.00	No	3,000.00	RCM Liability
Oct061/2019-20	31.10.2020	6,000.00	6,000.00	No	-	Quarterly filler
		80,000.00	76,000.00		28,000.00	

GST - COVID-19 Impact

Restriction on ITC Rule 36(4)

- Proviso has been inserted in CGST Rules 2017 to provide that the said condition **shall not apply**
- for the months of **February, March, April, May, June, July and August, 2020,**

GST - COVID-19 Impact

Restriction on ITC Rule 36(4)

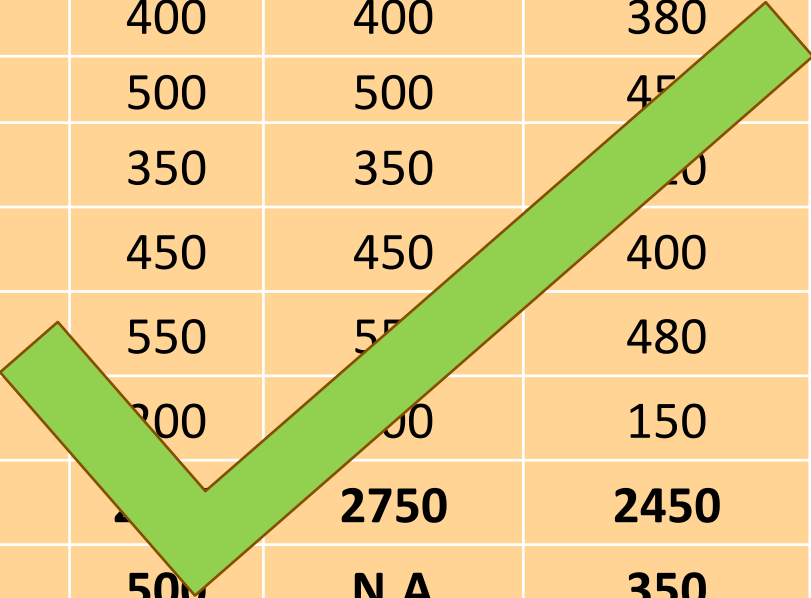
- the said restriction shall apply **cumulatively** in **FORM GSTR-3B** for the tax period of September, 2020
- Hence, cumulative adjustment of input tax credit for the said months in accordance with the condition under rule 36(4).

ITC Case Study 1



Month	Eligible	Taken	Form 2A/2B	110%
Feb, 2020	300	300	270	297
March, 2020	400	400	380	418
April, 2020	500	500	450	495
May, 2020	350	350	320	352
June, 2020	450	450	400	440
July, 2020	550	550	480	528
August, 2020	200	200	150	165
Set'2020	500	N.A.	350	385
TOTAL	3250	2750	2800	3080

ITC Case Study 2



Month	Eligible	Taken	Form 2A	110%
Feb, 2020	300	300	270	297
March, 2020	400	400	380	418
April, 2020	500	500	450	495
May, 2020	350	350	320	352
June, 2020	450	450	400	440
July, 2020	550	550	480	528
August, 2020	200	200	150	165
TOTAL	2750	2750	2450	2695
Set'2020	500	N.A.	350	385

ITC Case Study 3

Month	Eligible	Taken	Form 2A	110%
Feb, 2020	300	300	270	297
March, 2020	400	400	380	418
April, 2020	500	500	450	495
May, 2020	350	350	320	352
June, 2020	450	450	400	440
July, 2020	550	550	550	605
August, 2020	200	200	150	165
TOTAL	2750	2750	2520	2772
Set'2020	500	N.A.	350	385

ITC Case Study 4

Month	Eligible	Taken	Form 2A	110%
Feb, 2020	300	300	270	297
March, 2020	400	400	380	418
April, 2020	500	500	450	495
May, 2020	350	350	320	352
June, 2020	450	450	400	440
July, 2020	550	550	400	440
August, 2020	200	200	150	165
TOTAL	2750	2750	2370	2607
Feb to Aug'2020			100	110
Set'2020	500	N.A.	350	385

ITC Case Study 5

Month	Eligible	Taken	Form 2A	110%
Feb, 2020	300	300	270	297
March, 2020	400	400	380	418
April, 2020	500	500	450	495
May, 2020	350	350	320	352
June, 2020	450	450	400	440
July, 2020	550	550	400	440
August, 2020	200	200	150	165
TOTAL	2750	2750	2370	2607
Feb to Aug'2020			200	220
Set'2020	500	N.A.	350	385



GSTR-3B Reversal

The excess ITC availed arising out of reconciliation in Sept'20 for the period Feb'20 to Aug'20, if any, shall be required to be reversed in Table 4(B)(2)



ITC in Sept'20

In the FORM GSTR-3B for the month of Sept'20, the tax payer shall avail ITC under Table 4(A)



Time for Query



Thanks

skgoyal@icai.org

9830088400

