

## FAQs on ITC

1. What is the ITC entitlement of a newly registered person?

**Ans.** A person applying for registration can take input tax credit 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. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then input tax credit of inputs held in stock and inputs contained in semi finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken. This is subject to further condition that the invoices pertaining to such inward supplies should not be more than a year old.

2. Whether transitional credits are part of ITC as per GST laws or do they have a separate existence?

**Ans.** Sections 140 and 141 provide the transitional arrangements for ITCs. As per these sections, the credit under various scenarios shall be transitioned to the GST regime from old regime as input tax in electronic credit ledger by filing the transitional forms. Accordingly, whichever tax credit will be allowed to transit, it will be added to the pool of ITC of GST regime as valid input tax. Therefore, transitional credits are part of ITC under GST law and they do not have a separate existence.

3. Can a person take input tax credit without payment of an invoice?

**Ans.** Yes, the recipient can take an input tax credit. However the tax payer should pay the consideration along with tax within 180 days from the date of the issue of the invoice. This condition is not applicable where tax is payable on reverse charge basis.

4. Which are the Specific Conditions for ITC Reversal?

**Ans.** The ITC is required to be reversed under various scenarios defined in the Act. Some of those scenarios are summarised below:

Circumstances	When is ITC Reversal Required
The recipient fails to pay consideration to the supplier (whether fully or partly) for a particular supply	Within 180 days from the date of issue of the invoice.
Depreciation under the Income Tax Act has been claimed on the GST component of capital goods purchased	Reversal is required at the time of closing books of accounts for that financial year.
Inputs have been used to make an exempt supply	On a periodic basis (monthly/yearly) using a formula given below for common credits if inputs are exclusively used for making

	exempt supply, then reverse it as and when identified to have been claimed.
Inputs have been used for manufacturing supplies some of which were used for non-business or personal purposes	On a periodic basis (monthly/yearly) using a formula given below for common credits (if inputs used are exclusively attributable to a supply used for consumption, reverse such ITC upon identifying as having been claimed).
Cancellation of GST registration or	While filing form REG-16 under various situations explained in detail in our article on the cancellation of GST registration.
Reversal of 50% of ITC by banking and other financial companies under special rules	At the time of filing regular returns.
Reversal of 5/6th of the ITC taken on gold dores in stock as on 1st July 2017	At the time of supply of either the gold dore bar or the gold/gold jewellery.
ITC has been availed on 'blocked credits'	At the time of filing regular returns up to the date of filing annual returns.
Inputs used in goods that were lost, destroyed, stolen, etc.	At the time of filing the regular returns in relation to the month in which such loss had occurred.
Inputs used in goods what give out as free samples	At the time of filing regular returns in relation to the month in which such free sample were given out

5. Can DRC-03 be used for ITC Reversal?

**Ans.** In general, you cannot use DRC-03 to reverse the ITC. DRC-03 is a voluntary tax payment from to pay the GST liability voluntarily or in response to a show –cause Notice (SCN). The correct mode to reverse ITC is to show it in GSTR3Bas reversal. However you are allow to use DRC-03 as mode to reverse ITC, if you do not wish to claim it back and it was wrongly availed, and you are voluntarily reversing the same to regularise the matter. In fact, using DRC-03 allows you to mention in remarks the purpose for which it is being reversed, for easy verification of issue specific reversal. In fact, During GST audit, the auditors themselves require you to adopt DRC-03 route for ITC Reversal.

6. A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

**Ans.** No. ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passengers or goods or is providing the services of imparting training on motor vehicle or further supply of such vehicles.

7. Whether input tax credit on motor vehicles is admissible?

**Ans.** Input tax credit is admissible for motor vehicles meant for transport of goods Motor Vehicles for transportation of persons: Input tax credit on motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons is not allowed except when they are used for making the following taxable supplies, namely: –further supply of such motor vehicles; transportation of passengers; or imparting training on driving such motor vehicles.

8. Whether tax paid on repairs, maintenance and insurance of Motor Vehicles used for the purpose of business is eligible for ITC?

**Ans.** The ITC on repairs, maintenance and general insurance of those motor vehicles is blocked if the ITC is blocked under Section 17(5) (a) of the CGST Act 2017. Motor Vehicles for transportation of Goods: ITC on repairing, maintenance and insurance of motor vehicles for transportation of goods is admissible with no restrictions. Motor Vehicles for transportation of persons:

Thus, ITC on repairing, maintenance and insurance of motor vehicles for transportation of persons carrying more than 13 persons will be admissible. However, motor vehicles for transportation of persons carrying up to 13 persons will be admissible only if it is used for transportation of passengers, further supply of such motor vehicles and imparting training on driving such motor vehicles.

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.

9. Can we claim ITC for personal use?

**Ans.** ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed. Apart from these, there are certain other situations where ITC will be reversed.

10. Can we claim ITC if place of supply is different?

**Ans.** If the place of supply is within the same State where the supplier has taken registration, then the supplier will pay CGST and SGST and the same will be available as ITC to the recipient. If the recipient is located in another State then the supplier will pay IGST and the same will be available as ITC.