

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

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- One of the most litigated conditions under GST for claiming Input Tax Credit (ITC) is proof of receipt of goods or services (Section 16 of CGST Act).
- Many businesses face ITC denial not because tax wasn't paid — but because they couldn't adequately prove receipt.

Section 16(1) of CGST Act, 2017

- Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used 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.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Conditions for Availing ITC under Section-16(2):

Possession of valid document

- A tax invoice, debit note, or prescribed tax-paying document issued by a registered supplier.

Invoice details furnished by supplier

- The supplier must upload invoice/debit note details in the statement of outward supplies (Section 37), and the same must be communicated to the recipient.

Receipt of goods/services

- The recipient must have **received** the goods or services.
- Deemed receipt includes delivery to a third party on the recipient's direction.
 - In case of services, provision to another person on the recipient's direction qualifies.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Conditions for Availing ITC of section-16(2):

**No ITC
restriction
under
Section 38**



**Tax actually
paid to
Government:**
The tax must
have been paid
by the supplier
to the
Government.

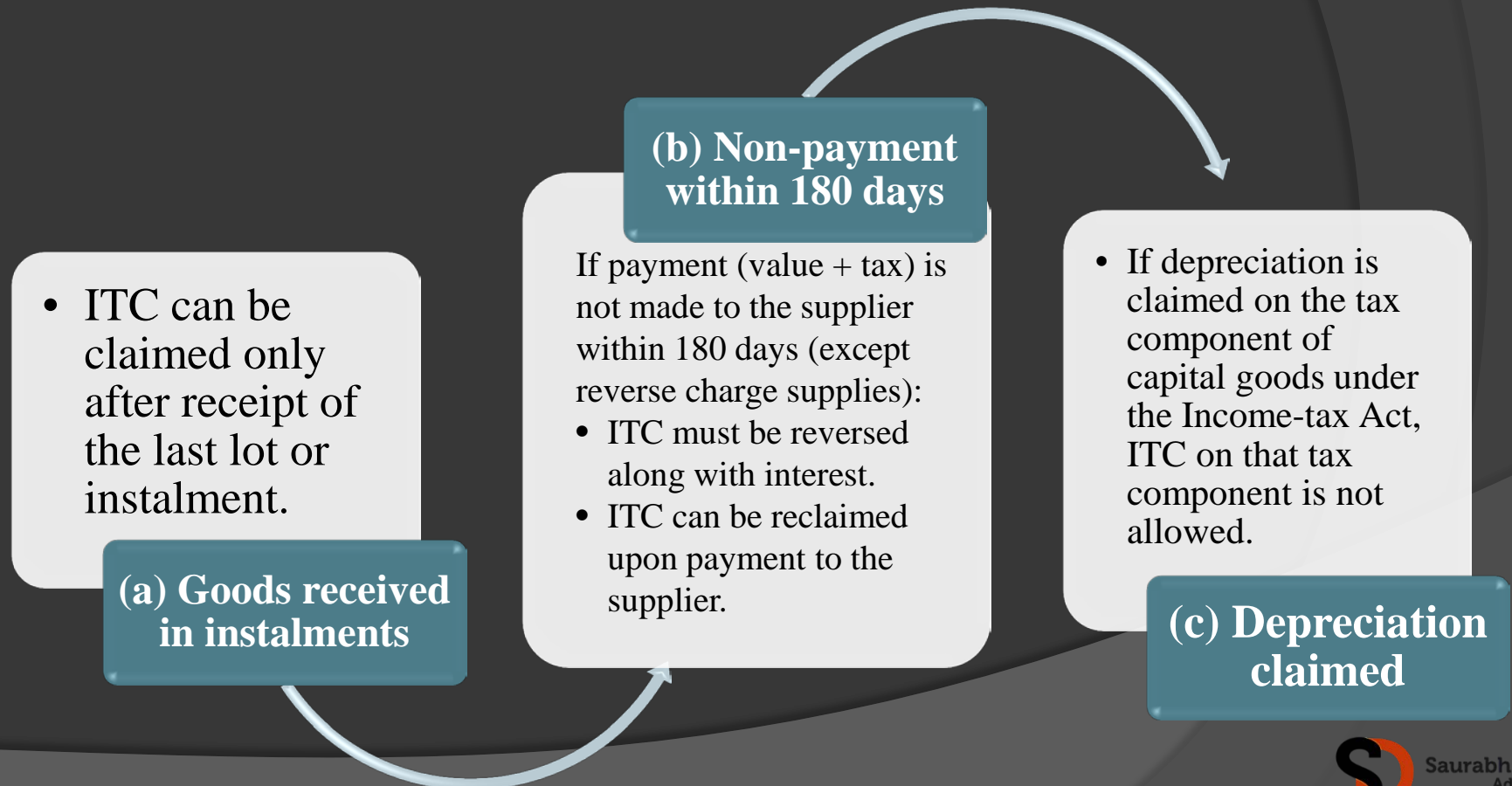


Return filed:
The recipient
must have
furnished the
return under
Section 39.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Special Situations Section 16(3):

Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961 (43 of 1961), the input tax credit on the said tax component shall not be allowed.



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Time Limit for Availing ITC Section 16(4)/16(5):

ITC cannot be claimed after:

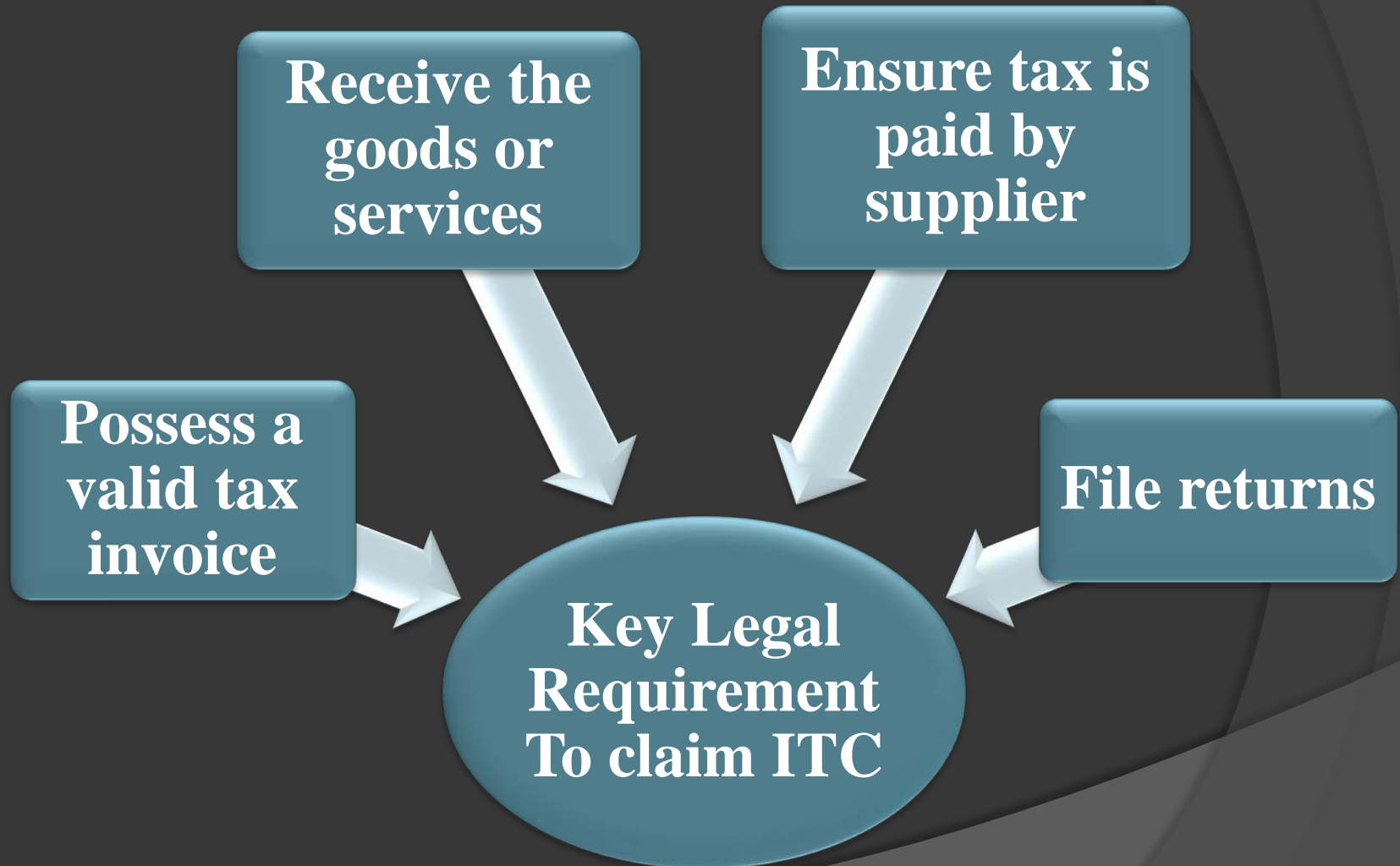
- 30th November following the end of the financial year to which the invoice/debit note relates, OR
- Filing of the relevant annual return,
- whichever is earlier.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Section 16(5):

Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the thirtieth day of November, 2021.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues in Case of Goods for claiming ITC:

**No
Transport
Documents
Available**



Issue: Supplier delivers goods without proper LR (Lorry Receipt), e-way bill, or transporter proof.

Risk: Department questions physical movement of goods.

Suggested Controls:

- Maintain copy of e-way bill.
- Preserve transporter GR/LR with vehicle number.
- Gate entry register.
- Delivery challan acknowledgment.
- Weighbridge slips (if possible).
- Toll records to show movement of goods (if possible)
- Picture of vehicle with invoice at your premises (some case laws relied upon such evidence to allow ITC)

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues in Case of Goods for claiming ITC:

**Goods
Delivered
Directly to
Third
Party (Bill-
to-Ship-to
Model)**

Issue: Goods delivered to job worker/site/customer directly.

Risk: Department alleges non-receipt by recipient.

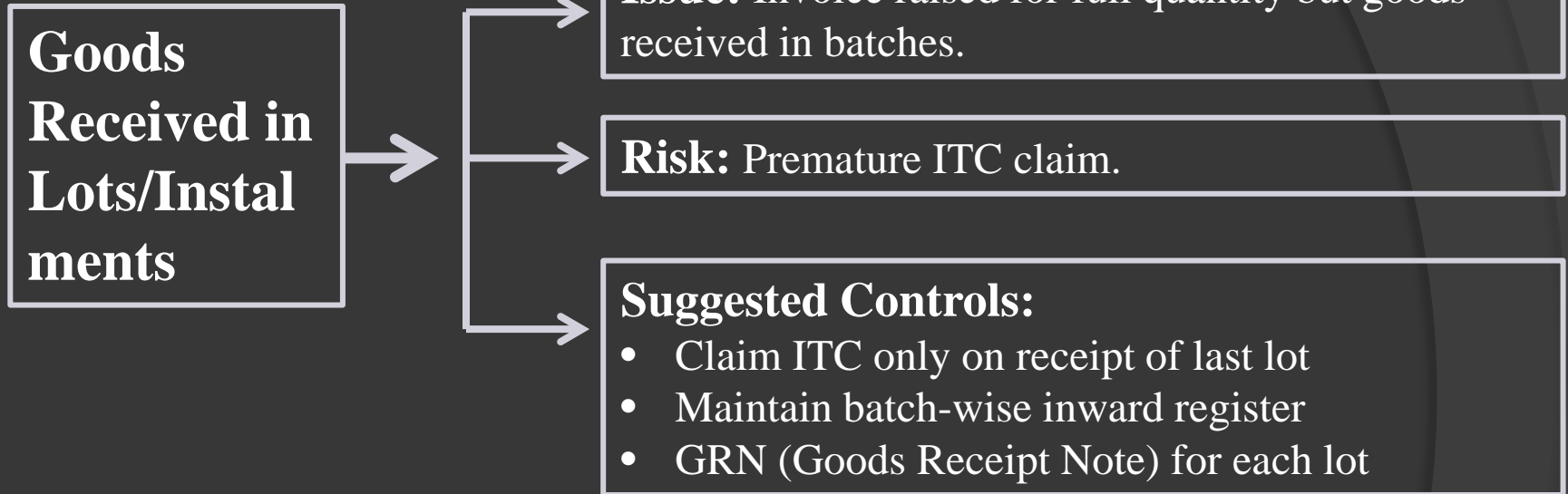
Suggested Controls:

- Proper documentation under Section 16(2)(b).
- Endorsed delivery proof.
- Job work challans.
- Acknowledgment from third party.
- Agreement copies reflecting transaction structure.
- All similar evidences as previous slide to show actual delivery.



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues in Case of Goods for claiming ITC:



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues in Case of Goods for claiming ITC:

Fake / Non-Genuine Suppliers

Issue: Supplier later declared non-existent or involved in fake invoicing.

Risk: ITC denied despite payment made.

Suggested Controls:

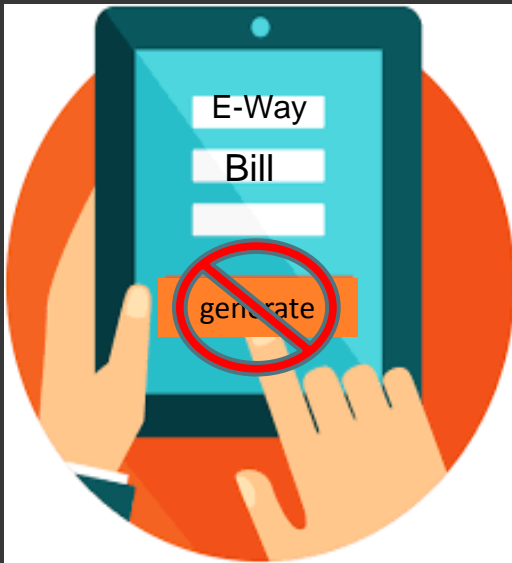
- Vendor due diligence (GST registration check).
- Vendor GSTR3B filing status check
- Regular GSTR-2B reconciliation.
- Payment through banking channels preferably.
- Maintain purchase orders & correspondence.
- Vendor onboarding policy.
- Keep proof of receipt of goods



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

**E-way Bill
Not
Generated**



Problem: Supplier failed to generate e-way bill; department questions genuineness of movement.

Solutions:

- Obtain LR/GR copy, transporter receipt, weighbridge slip, gate entry register.
- Take written declaration from supplier confirming supply.
- Ensure invoice appears in GSTR-2B.
- Insert clause in purchase agreement making supplier liable for non-compliance.
- In litigation: argue that ITC cannot be denied for procedural lapse if goods are received and tax paid.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

Mismatch between Invoice & E-way Bill

Problem: Clerical errors in GSTIN, value, HSN, vehicle number.

Solutions:

- Use reconciliation software monthly.
- Correct mistakes through:
 - Credit/debit note (if value error)
 - Fresh e-way bill (if within validity)
- Maintain reconciliation statement explaining differences.
- Document clerical nature of error to avoid allegation of fake billing



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

**Goods Not
Actually
Received**

Problem: ITC denied if no physical receipt of goods.

Solutions:

- Maintain:
 - E-POD (Proof of Delivery)
 - Stock register entries
 - Quality inspection report
 - Payment proof (bank statement)
- Implement internal GRN (Goods Receipt Note) system.
- Periodic physical stock verification.
- Take support from previous slides to prove receipt

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

**Expired
E-way Bill**

Problem: Validity expired during transit → detention/penalty.

Solutions:

- Monitor validity through ERP alerts.
- Extend validity before expiry (allowed in genuine cases).
- Maintain breakdown proof (mechanic invoice, photos).
- Pay penalty under protest if detained and appeal later, if officer detains goods and not willing to accept defence.



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

**GSTR-2B
& E-way
Bill
Mismatch**

Problem: Invoice not reflected in GSTR-2B.

Solutions:

- Monthly vendor compliance review.
- Vendor rating system.
- Release payment only after reflection in 2B- make it part of PO.
- Obtain CA certificate from supplier (in high-value cases).
- Ask vendor to ensure ITC reflects in your GSTR2B

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:

**Supplier
Found
Bogus**

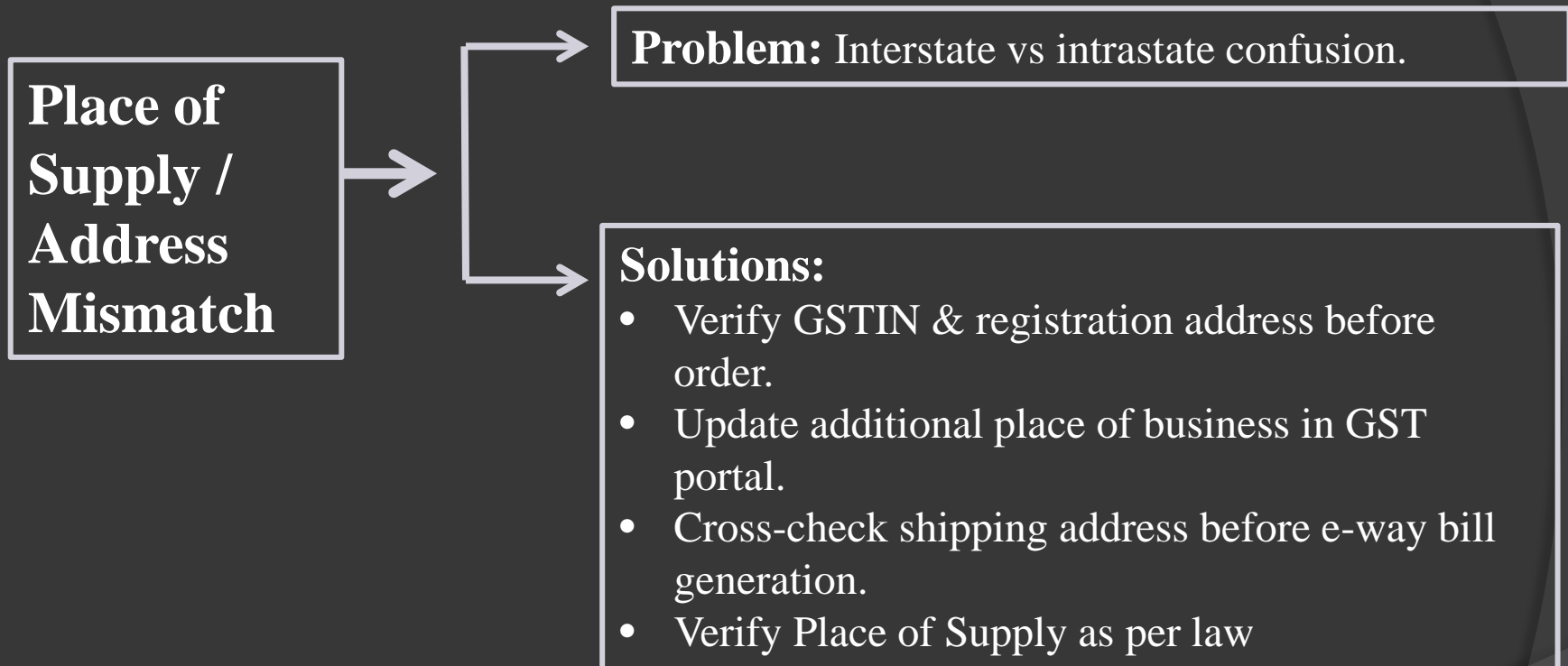
Problem: Department declares supplier fake → ITC reversal.

Solutions:

- Conduct vendor due diligence:
 - GST registration verification
 - Business premises verification
 - Check filing status
- Maintain:
 - Payment via banking channel
 - Contract/work order
 - Delivery proof
- Rely on judicial precedents protecting bona fide purchasers.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising due to e-way bill non-compliance under Goods and Services Tax:



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising When Supplier Issues a Credit Note:

ITC Reversal Required

- Supplier reduces output tax.
- Buyer must reverse proportional ITC.
- Many buyers miss reversal → interest & penalty.

Non-reflection in GSTR-2A/2B

- Supplier may not upload credit note in GSTR-1.
- Buyer doesn't see it in auto-generated statement.
- Creates reconciliation mismatch.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising When Supplier Issues a Credit Note:

Timing Difference

- Supplier issues credit note in later month.
- Buyer already filed return.
- Leads to adjustment complexity.

SOLUTION

- ✓ Monthly reconciliation of purchase register with GSTR-2B
- ✓ Reverse ITC immediately in the month of credit note
- ✓ Vendor follow-up before filing return
- ✓ Maintain debit/credit note tracking sheet
- ✓ SOP for ITC adjustment entries

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising When Supplier Issues a Debit Note:

Delay in ITC Claim

- Supplier uploads debit note late.
- Buyer can claim ITC only when reflected in GSTR-2B.
- Cash flow impact.

Time Limit for ITC Claim

- ITC must be claimed before:
 - 30th November following financial year (as per GST law in India), or
 - Filing annual return, whichever is earlier.
- Late debit note may cause ITC lapse
- Follow GSTR2B ITC eligibility

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising When Supplier Issues a Debit Note:

Mismatch in Tax Rate

- Debit note issued with different GST rate.
- System blocks ITC or causes notice.

Payment Condition (180 Days Rule – India)

- Buyer must pay supplier within 180 days.
- If not paid, ITC must be reversed.
- Debit note increases payable amount → affects compliance

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising When Supplier Issues a Debit Note:

SOLUTION

- ✓ Check debit note appears in GSTR-2B before claiming ITC.
- ✓ Claim ITC within statutory time limit.
- ✓ Maintain vendor reconciliation policy.
- ✓ Track 180-day payment compliance.
- ✓ Proper linking with original invoice (though not required for vendor to link it in Debit note necessarily).

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

1. Timely Return of Goods from Job Worker:

- Under GST:

- **Inputs** must be returned within **1 year**
- **Capital goods** within **3 years**

- **Practical Issues:**

- No proper tracking system for goods sent
- Goods consumed partially in process
- Delay due to production cycles
- Multiple job workers involved

- **Consequence:**

If goods are not returned within time, it is deemed as a **supply** from the principal to the job worker → GST becomes payable with interest.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

2. Non-receipt of Goods (Section 16(2) condition):

- ITC can be claimed even if goods are directly sent to job worker.
- **Practical Issues:**
 - Proof of dispatch directly to job worker.
 - Transport documents not in principal's name.
 - Goods never physically received by principal.
 - Disputes during audit regarding “receipt” condition.
- **Consequence:** Risk of ITC reversal if documentation is weak.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

3. Documentation & E-Way Bill Compliance:

- Required documents:
 - Delivery challan
 - E-way bill (if applicable)
 - Proper job work register
- Practical Problems:
 - Incorrect challan format
 - E-way bill generated in wrong GSTIN
 - Mismatch in quantity returned
 - No serial control of challans
- **Consequence:** During audit, mismatches often lead to ITC disputes.

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

4. Reconciliation Issues:

- Common reconciliation challenges:
 - ITC as per books vs GSTR-2B.
 - Quantity sent vs quantity received back.
 - Scrap generated at job worker's premises.
 - Loss in process (normal vs abnormal loss).
- **Consequence:** Department may question ITC on goods not received back.

5. ITC on Tools & Capital Goods at Job Worker Premises

- Capital goods can be sent directly to job worker.
- Issues:
 - Tracking 3-year time limit
 - No physical verification by principal

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

6. Job Worker Not Registered:

- If job worker is unregistered:
 - Supply of waste/scrap must be made by principal.
 - Processed goods to come back to Principal and direct supply from job worker premises not possible
- Practical Issue:
 - Scrap sold locally by job worker without GST compliance.
 - Tax liability confusion.
 - ITC complications.

7. Valuation & Cross-Charge Confusion:

- In some cases:
 - Tools/moulds provided free to job worker.
 - Job charges undervalued.
- **Consequence:** Department may allege undervaluation → indirect ITC impact.



PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

- Practical Issues arising for Claiming Input Tax Credit (ITC) in case of job work:

➤ Interest & Penalty

Risk:

- Time limit breach
- ITC claimed but goods not traceable
- Non-maintenance of job work register
- Missing ITC reversal entries

➤ Best Practices:

- Maintain detailed **Job Work Register**
- Track 1-year / 3-year deadlines in ERP
- Monthly reconciliation of:
 - ITC vs GSTR-2B
 - Quantity sent vs received:
 - ✓ Proper delivery challan numbering system
 - ✓ Obtain periodic stock confirmation
 - ✓ from job worker
 - ✓ Ensure scrap accounting
 - ✓ Conduct annual physical verification

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Practical Issues in Case of Services for claiming ITC:

Lack of Documentary Evidence of Service Delivery

Issue: Only invoice available; no evidence of actual service performed.

Risk: ITC disallowed for “no actual supply”.

Suggested Controls:

- Work completion certificates
- Email correspondence
- Engagement letters / contracts
- Timesheets (for manpower/consultancy)
- Performance reports

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Issues in Case of Services & Practical Safeguards:

Professional / Consultancy Services

Issue: Difficult to prove actual deliverables

Risk: Department alleges paper transactions.

Suggested Controls:

- Scope of work documentation
- Advisory reports
- Presentation copies
- Meeting minutes
- Payment approval notes

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Issues in Case of Services & Practical Safeguards:

Marketing / Advertisement Services

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graph TD; A[Marketing / Advertisement Services] --> B[Issue: ITC challenged due to lack of visibility of service execution.]; A --> C[Suggested Controls: Campaign reports, Photographs / screenshots, Vendor performance summary, Agreements mentioning deliverables];
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Issue: ITC challenged due to lack of visibility of service execution.

Suggested Controls:

- Campaign reports
- Photographs / screenshots
- Vendor performance summary
- Agreements mentioning deliverables

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

➤ Payment-Related Issues:

“As per Section 16(2) of the Central Goods and Services Tax Act, 2017 read with Rule 37 of the CGST Rules, 2017, payment to the supplier must be made within 180 days from the date of invoice as a condition for availing input tax credit. In case of failure to make such payment within the prescribed period, the input tax credit availed shall be reversed.”

PRACTICAL TIPS TO SAFEGUARD YOUR ITC CLAIMS

Under GST, “Substance + Documentation = ITC Protection.”



- The burden to prove receipt lies on the recipient.
- The stronger your internal controls, the safer your ITC.

thank you



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