

GST – Input Tax credit

Mr. A	Good Day Sir, how are you?
CA	Hi Mr. A, I am doing fine, how about you?

Mr. A	I am doing fine sir. Under transition I understand now that how can I carry forward my input tax credit but if under GST regime I am a small trader and after sometime I need to register under GST then how can I take my input credit?
CA	<p>Hi Mr. A, If you are applying for registration under GST (once the GST is started) then you can take input credit on stock held in trade on the day immediately preceding the day of grant of registration.</p> <p>Further, if you become liable to pay tax and apply for same within 30 days then you can take input credit on stock held in trade on the day immediately preceding the day of liable to registration.</p> <p>For example, you applied for the voluntary registration and got the same by 20th October. In this case you can claim input tax credit on the stock held on 19th October.</p> <p>And if you become liable to pay tax on 1 October. You applied for the registration and got the same by 20th October. In this case you can claim input tax credit on the stock held on 30 September.</p>

Mr. A	Ohkey, and if I am using the GST paid goods for both of my taxable and exempted goods supply, then can I take full input credit?
CA	No, the input credit can only be taken which is attributable to the supply of taxable goods or services.

Mr A	Oh, then what about my export supply, it is exempt supply and I will not be eligible for claiming input tax credit on the goods which I have used for export?
CA	<p>Mr A, Under GST, export is a ZERO rated supply and this is included within taxable supplies. Hence, you can claim input tax credit on the goods which are used further for export.</p> <p>So input tax credit is only disallowed in case of exempted supplies and not on ZERO rated supplies.</p>

Mr A	Ok, and If am a person registered under composition and then crosses my limit of 50 Lac in current year. In this case what will happen to my input tax credit if any on the stocks held in trade?
CA	Same as above, on the date immediately preceding the day of liable to registration .

Mr A	Ok, what will happen in vice versa case i.e. I am under normal registered person and now migrating into composition scheme?
CA	In such case, there will be two cases: i) On the stock you have on which you have already claimed input tax credit should be paid back to government. ii) Any balance of input tax credit available with you shall lapse.

Mr A	Ok, what will happen if the input tax credit mentioned by me and my supplier is different in the respective returns?
CA	The input tax credit will be allowed provisionally for two months. The differences will be communicated to supplier and you. And in case the mismatch continues then the input tax credit will be reversed automatically.

Mr A	Ok, suppose I receive the goods in instalment with respect to an invoice then do I need to claim input tax credit partially?
CA	No, in such case you can claim input tax credit only the receipt of last lot or instalment..

Mr A	Ok, and I can use input tax credit on every GST paid item or service I use for my business?
CA	To a large extent yes. But there are certain item on which input tax credit (ITC) is specifically not available for use. These items are : i) Motor vehicles and conveyances except: a) the vehicle is used for the supply of other vehicles or conveyances b) the rule shall not apply if the vehicle is used for transportation of passengers c) the vehicle is used for imparting training on driving, flying, navigating such vehicle or conveyances No ITC can be claimed for motor vehicles or conveyances used for transportation of goods. ii) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where the category of Inward and outward supply is same or the component belongs to a mixed or composite supply under GST iii) sale of membership in a club, health, fitness centre iv) ITC would not available for rent-a-cab, health insurance and life insurance v) any services which are made obligatory for an employer to provide its employee by the Indian Government under any current law in force vi) in the case of travel, benefits extended to employees on vacation such as leave or home travel concession vii) ITC of any works contract service viii) ITC for the construction of an immovable property cannot be availed, except where the input service is used for further work contract services ix) No ITC will be provided for materials used in the construction of immovable property of for furtherance of business. x) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples are not available for claiming ITC under GST.