

Input tax credit (ITC)

October 25

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Reading of Input Tax Credit provision given under CGST Act, 2017

GST-1

Eligibility and conditions for taking input tax credit

Sec.16:

Every **registered person** shall,

- i. subject to such conditions and restrictions as may be prescribed and in the manner specified in **section 49 (Payment of tax, interest, penalty and other amounts, electronic cash ledger, electronic credit ledger etc.)**

be entitled to take **credit of input tax** charged on

- a. any supply of **goods** or **services** or both to him i.e. inward supply
- b. which are used or intended to be used in the course or furtherance of his business and
- c. the said amount shall be credited to the electronic credit ledger of such person.

no registered person shall be entitled to the credit of any input tax in respect of any inward supply **unless,—**

(a) he is in **possession** of

- i. a tax invoice or
- ii. debit note

issued by a supplier registered under this Act,

- a. or such other **tax paying documents** as may be prescribed

(b) he has **received the goods** or services or both.

Explanation.— For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—

(i) where the **goods are delivered by the supplier to a recipient or any other person on the direction of such registered person**, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the **services are provided by the supplier to any person on the direction** of and on account of such registered person;]

subject to the **provisions of section 41 (Claim of input tax credit and provisional acceptance thereof)** , the tax charged in respect of such supply

- (a) has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and
- (b) he has **furnished the return** under section 39:

Provided that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment:

Payment to supplier within 180 days

Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed:

Re-credit after payment is made

Provided, also that the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

Capital goods and depreciation

(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, the input tax credit on the said tax component shall not be allowed.

Time limit to claim ITC

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

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