



(5) **Details certified by CA/CMA to be furnished :** The details furnished in accordance with sub-rule (3) shall be **duly certified by a practicing chartered accountant or cost accountant.**

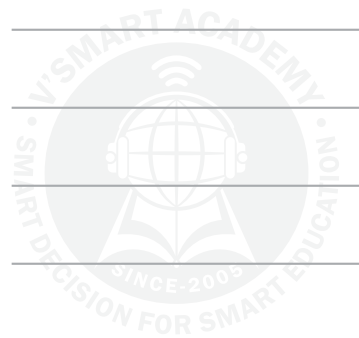
(6) **Determination of amount of credit in relation to capital goods :** The amount of input tax credit for the purposes of section 18(6) relating to capital goods shall be determined in the same manner as specified in clause (b) of sub-rule (1) and the amount shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax

Provided that where the amount so determined is more than the tax determined on the transaction value of the capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in **FORM GSTR-1**.

Example : Aspire Ltd. a registered person supplying taxable goods in Gujarat has opted to pay tax on composition scheme under Section 10 with effect from 01-04-2019. It provides following information relating to balance of input tax credit lying as on 31-03-2019 :

- (1) Inputs lying in stock as such valued at ₹ 2,50,000 (inclusive of CGST & SGST@12%)
- (2) Inputs contained in finished goods where tax invoice is not available relating to such inputs (The market price of such inputs (inclusive of CGST & SGST @ 12%) on 31-03-2019 is ₹ 1,20,000)
- (3) Input tax on capital goods purchased on 25-10-2018 is ₹ 75,000
- (4) Balance in Electronic credit ledger is ₹ 1,30,000.

Determine the amount payable by Aspire Ltd on 31/03/2019 under sec 18(4).





Sec18(6) : Supply of Capital goods or Plant & Machinery on which ITC taken

In case of **supply of capital goods or plant and machinery, on which input tax credit has been taken,**

the registered person shall pay an amount equal to

- ➔ the input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or
 - ➔ the tax on the transaction value of such capital goods or plant and machinery determined under section 15,
- whichever is higher**

Proviso

Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15.

Applicable CGST Rule :

Rule 40(2) -Manner of claiming credit in Special Circumstances

The amount of credit in the case of supply of capital goods or plant and machinery, for the purposes of section 18(6) ,

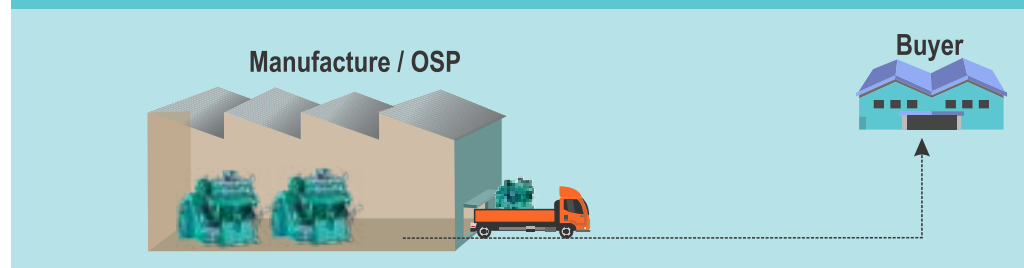
shall be calculated by reducing the input tax on the said goods at the rate of **5%** points for every quarter or part thereof from the date of the issue of the invoice for such goods.

Rule 44(6) -Manner or reversal of credit under Special Circumstances

The amount of input tax credit for the purposes of section 18(6) relating to capital goods shall be determined in the same manner as specified in clause (b) of sub-rule (1) and the amount shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax

Provided that where the amount so determined is more than the tax determined on the transaction value of the capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in **FORM GSTR-1**.

Removal of C.G.



Example : S Ltd provides the following information

Particulars	Date/Amount ₹
Date of invoice in respect of purchase of plant and machinery	10-01-2018
Value of Plant and Machinery excluding GST	1500000
GST charged in respect of Plant and Machinery @12%	180000
Date of supply of Plant and Machinery as second hand machinery	12-10-2019
Value of supply of Plant and Machinery	900000

Determine GST payable or reversal at the time of supply?

Example : R Ltd provides the following information

Particulars	Date/Amount ₹
Date of invoice in respect of purchase of mould and dies	10-01-2018
Value of Moulds and Dies excluding GST	400000
GST charged in respect of Moulds and Dies @ 5%	20000
Date of supply of Moulds and Dies	12-10-2019
Value of supply of Moulds and Dies	100000



CHART

CHART



Sec19 : Input Tax Credit in respect of Input & Capital goods sent for Job Work

Input sent to Job Worker

- 1 **The principal** shall, subject to such conditions and restrictions as may be prescribed, **be allowed input tax credit on inputs sent to a job-worker for job-work.**



Tutorial Notes

As per sec 2(68) "job work" means any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be constructed accordingly;

As per sec 2(88) "principal" means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both

- 2 **Notwithstanding anything contained in section 16(2)(b)** ^(Goods are received by Supplier), **the principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job-work without being first brought to his place of business.**

- 3 **Receipt back of Inputs:** Where the inputs sent for job work
 ➤ are not received back by the principal after completion of job-work or otherwise or
 ➤ are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 ^(Refer tutorial note below)
within one year of being sent out, it shall be **deemed** that such inputs had been supplied by the principal to the job-worker on the day when the said inputs were sent out:

Proviso

Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.



Tutorial Notes

As per sec 143(1) relating to job work procedure, and as per clause

(a) bring back inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, within one year and three years, respectively, of their being sent out, to any of his place of business, without payment of tax

(b) supply such inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, within one year and three years, respectively, of their being sent out from the place of business of a job worker on payment of tax within India, or with or without payment of tax for export, as the case may be.

C.G. sent to Job Worker

- 4 **The principal shall**, subject to such conditions and restrictions as may be prescribed, **be allowed input tax credit on capital goods sent to a job worker for job work.**

- 5 **Notwithstanding anything contained in 16(2)(b)** ^(Goods are received by Supplier), **the principal shall be entitled to take credit of input tax on capital goods even if the capital goods are directly sent to a job worker for job-work without being first brought to his place of business.**

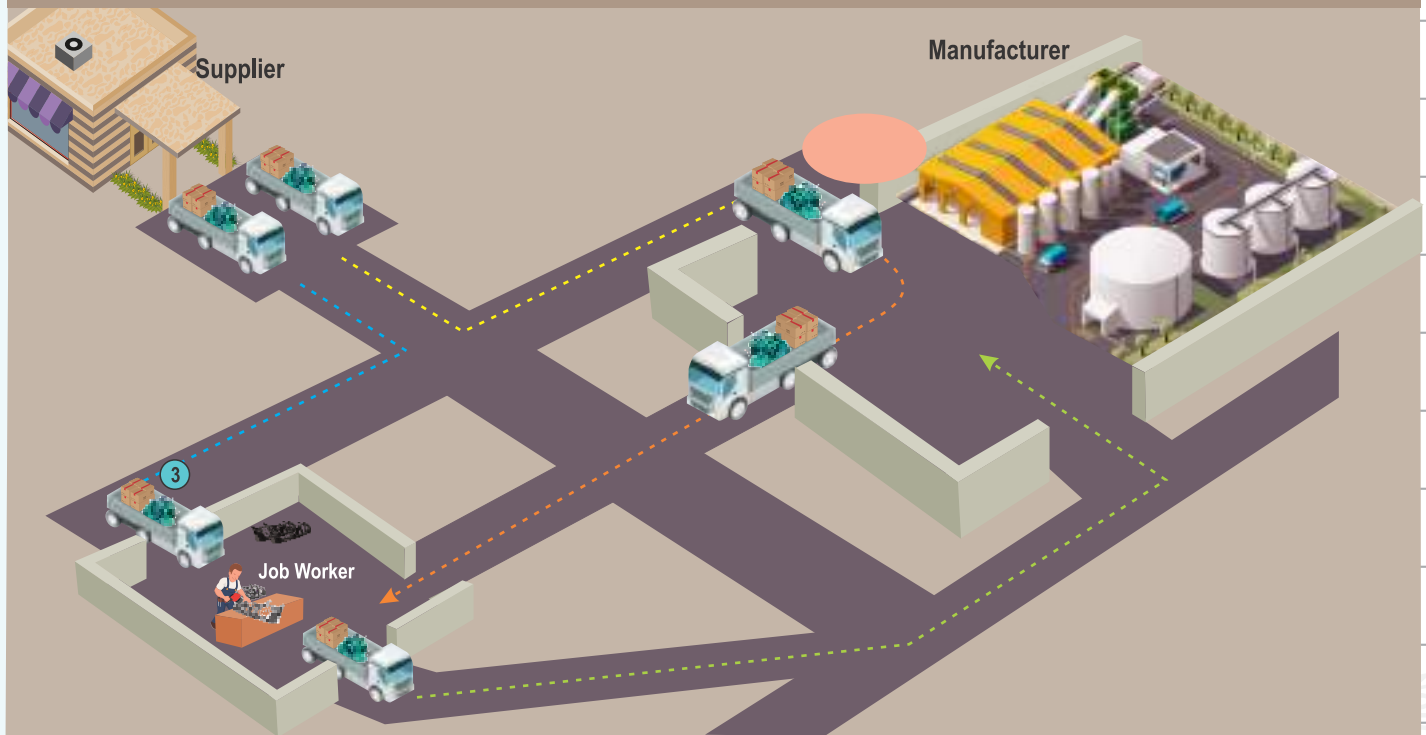


- 6 **Received back of Capital Goods:** Where the capital goods sent for job work are not received back by the principal within a **period of three years** of being sent out, **it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out**

Proviso

Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker.

Input / C.G sent to Job Work



- 7 **Nothing contained in sub-section (3) or sub-section (6) shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work.**

Explanation For the purpose of this section, "principal" means the person referred to in section 143.



Dies,



Jigs



Fixtures



Rule 45: Conditions and restrictions in respect of inputs and capital goods sent to the job worker.-

(1)	<p>Removal under the cover of Challan : The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker and where the goods are sent from one job worker to another job worker, the challan may be issued either by the principal or the job worker sending the goods to another job worker.</p> <p>Provided that the challan issued by the principal may be endorsed by the job worker, indicated therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal</p> <p>Provided further that the challan endorsed by the job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal (inserted via N/n 14/2018 - C.T dated 23-3-2018)</p>
(2)	<p>Content of Challan : The challan issued by the principal to the job worker shall contain the details specified in rule 55.</p>
(3)	<p>Details of Challan to be included in Returns : The details of challans in respect of goods dispatched to a job worker or received from a job worker during a quarter shall be included</p> <p>in FORM GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.</p> <p><i>To empower the CGST Commissioner or SGST/UTGST Commissioner to grant extension of time period for furnishing of the said details. (Inserted via N/N 51/2017 dt 28/10/2017)</i></p>
(4)	<p>Deemed supply of Goods if not returned within 1 or 3 years and declaration in GSTR 1 : Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143,</p> <p><i>it shall be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out</i> and</p> <p><i>the said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.</i></p>

Explanation.- For the purposes of this Chapter,-

- (1) the expressions "capital goods" shall include "plant and machinery" as defined in the Explanation to section 17;
- (2) for determining the value of an exempt supply as referred to in sub-section (3) of section 17-
 - (a) the value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty; and
 - (b) the value of security shall be taken as one per cent. of the sale value of such security.



Illustration :- Nilkamal Manufacturers received some inputs on 15-07-2018 and immediately availed input tax credit of the CGST and SGST of ₹ 1,32,000 paid on those inputs. On 20-07-2018 it sent the inputs to a job worker outside its factory for carrying out machining on the inputs and same were received by the Job worker on 22-07-2018. The Job worker returned the inputs on 05-07-2019 after carrying out the machining work on the inputs.

Discuss whether Nilkamal Manufacturers is required to take any further action with respect to the Input tax credit availed by it.

What would your answer be if such inputs were received back from Job worker on 05-08-2019

INPUT SERVICE DISTRIBUTOR (ISD)

Role of an input service distributor (ISD)

Companies may have their Head Office at one place and units at other places which may be registered separately. The Head Office would be procuring certain services which would be for common utilization of all units across the country. The bills for such expenses would be raised on the Head office but the Head Office itself would not be providing any output supply so as to utilize the credit which gets accumulated on account of such input services.

Since the common expenditure is meant for the business of all units, it is but natural that the credit of input services in respect of such common invoices should be apportioned between all the consuming units. ISD mechanism enables proportionate distribution of credit of input services amongst all the consuming units. The concept of ISD under GST is a legacy carried over from the service tax regime.

Input Service Distributor





Sec 2(61) "Input Service Distributor"

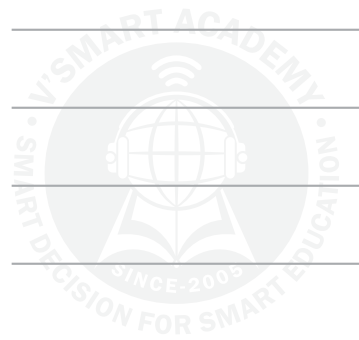
Means an **office** of the supplier of goods or services or both

which receives tax invoices issued under section 31 towards the receipt of input services
and

issues a prescribed document for the purposes of distributing the credit of

- ➡ Central tax,
- ➡ State tax,
- ➡ Integrated tax or
- ➡ Union territory tax paid on the said services

to a supplier of taxable goods or services or both having the same
Permanent Account Number as that of the said office.





SEC 20 : MANNER OF DISTRIBUTION OF CREDIT BY INPUT SERVICE DISTRIBUTOR.

1 The **Input Service Distributor** shall distribute the credit of

⇒ **central tax** as ¹**central tax** or ²**integrated tax**

and

⇒ **integrated tax** as ¹**integrated tax** or ²**central tax**,

⇒ **State tax** as ¹**State tax** or ²**integrated tax** as per SGST Act of the state

by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

2 The Input Service Distributor may distribute the credit subject to the following conditions, namely:—

(a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed

(b) *the amount of the credit distributed shall not exceed the amount of credit available for distribution*

(c) the credit of tax paid on input services attributable to a recipient of credit - shall be distributed only to that recipient

(d) the credit of tax paid on input services attributable to more than one recipient of credit-

shall be distributed amongst such recipients to whom the input service is attributable and

such distribution shall be **pro rata on the basis of**

the **turnover in a State** or turnover in a Union territory of such recipient, during the relevant period

to the **aggregate of the turnover of all such recipients** to whom such input service is attributable and which are operational in the current year, during the said relevant period

(e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution **shall be pro rata on the basis of**

the **turnover in a State** or turnover in a Union territory of such recipient, during the relevant period

to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

Explanation : For the purposes of this section,—

(a) the “relevant period” shall be—

(i)	if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed.	the said financial year
(ii)	if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed.	the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed



- (b) the expression “**recipient of credit**” means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;
- (c) the term “**turnover**”, in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under entry 84 & 92A of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.

Example : A Ltd as an ISD has input service credit of ₹ 35 lakhs used by more than one location, to be distributed among recipient's locations X, Y and Z. The turnover of X, Y, Z in preceding financial year, is ₹ 10 crores, ₹ 15 crores and ₹ 5 crores respectively. The credit of ₹ 5 lakhs pertains to input service received only by Z. The credit attributable to X, Y, Z is as follows:-

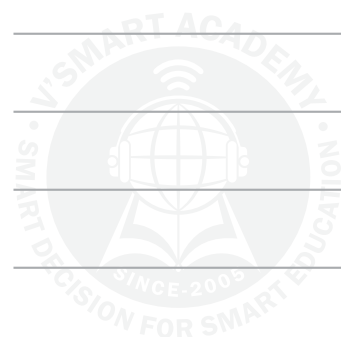
Sr.no	Particulars	Amount (in ₹)
1	Total Credit to be distributed as ISD	35 lacs
2	Credit of service used only by Z unit	5 lacs
3	Credit available for distribution for all units	30 lacs
4	Credit distributable to X unit 10 crores / 30 crores * 30 Lakhs	10 lacs
5	Credit distributable to Y unit 15 crores / 30 crores * 30 Lakhs	15 lacs
6	Credit distributable to Z unit 5 crores / 30 crores * 30 Lakhs 5 Lakhs Credit directly attributable to Z unit 5 Lakhs	10 lacs

Rule 39. Procedure for distribution of input tax credit by Input Service Distributor.-

- (1) An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely,-
- Distribution in same month :** the input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in **FORM GSTR-6** in accordance with the provisions of Chapter VIII of these rules
 - Ineligible and eligible ITC to be distributed separately :** the Input Service Distributor shall, in accordance with the provisions of clause (d), separately distribute the amount of ineligible input tax credit (ineligible under the provisions of sub-section (5) of section 17 or otherwise) and the amount of eligible input tax credit
 - CGST/SGST/UTGST/IGST credit to be distributed separately :** the input tax credit on account of central tax, State tax, Union territory tax and integrated tax shall be distributed separately in accordance with the provisions of clause (d)
 - Distribution of credit on the basis of turnover :** the input tax credit that is required to be distributed in accordance with the provisions of clause (d) and (e) of sub-section (2) of section 20 to one of the recipients ‘R₁’, whether registered or not, from amongst the total of all the recipients to whom input tax credit is attributable, including the recipient(s) who are engaged in making exempt supply, or are otherwise not registered for any reason, shall be the amount, “C₁”, to be calculated by applying the following formula -

$$C_1 = (t_1 \div T) \times C$$

where,
“C” is the amount of credit to be distributed,
“t₁” is the turnover, as referred to in section 20, of person R₁ during the relevant period, and
“T” is the aggregate of the turnover, during the relevant period, of all recipients to whom the input service is attributable in accordance with the provisions of section 20.



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Value of turnover for the purpose of pro rata distribution of ITC by an ISD to exclude central sales tax also [Section 20 of the CGST Act]

Prior Amendment : As per explanation to **sec 20 clause (c) Value of turnover means** supply of taxable goods as well as goods not taxable under this Act to mean the value of turnover, reduced by the amount of any duty or tax levied under **entry 84** of List I of the Seventh Schedule to the Constitution and **entries 51 and 54** of List II of the said Schedule.

After Amendment : With effect from 01.02.2019, As per explanation to **sec 20 clause (c) Value of turnover means** the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under **entries 84 and 92A** of List I of the Seventh Schedule to the Constitution and **entries 51 and 54** of List II of the said Schedule.

Impact : In other words, apart from excise duty, State excise duty and VAT, the value of turnover would now exclude central sales tax also. It may be noted that the power to levy central sales tax is derived from the **entry 92A** of the List I of the VII Schedule to the Constitution.

Example 1 : K Ltd is registered as an input service distributor . In respect of the July, 2019 it has credit of tax paid on Advertisement Services of Rs 50 Lakhs which is attributable to all recipients of credit located at Delhi, Haryana and Punjab. All branches are operational during the current year 2019-2020

Particulars	Amount ₹ in crores
Turnover in preceding financial year 2018-2019	
Delhi	15
Haryana	10
Punjab	5
Total	30

Example 2 : Above mentioned Problem 1 is slightly amended and it is given that credit of Advertisement Services is attributable only to Delhi and Punjab branches. Further, both the aforesaid branches are operational during the current year 2019-20. In this situation how is the credit of tax paid on input services be distributed?





Example 1 : VSmart Ltd. a registered supplier of goods having Head Office at pune, also registered as ISD, furnishes the following information for month of July, 2019 and asks you to distribute the credit to various units :

Input Service	Particulars	CGST	SGST	IGST	Total
"Training"	Used exclusively in Unit-III	29,000	29,000	—	58,000
"Advertisement"	Used in Unit-I,II and III	—	—	48,000	48,000
"Auditing"	Used in Unit-I,II,III and IV	14,600	14,600	—	29,,200
"Tour Operator"	Used in Unit-I (Input service is availed for employee on vacation during the month to its Unit I)	1,280	1,280	—	2,560
Total Amount of Credit		44,880	73,880	48,000	

Total Turnover of the units for year ending 31st March, 2019 are as under:

Unit-I	—	30,00,000
Unit -II	---	20,00,000
Unit - III	Not registered as exclusively engaged in supply of exempt goods	75,00,000
Unit- IV		60,00,000
Total Turnover of Vsmart Ltd.		1,65,00,000

All units are operational during the current year.

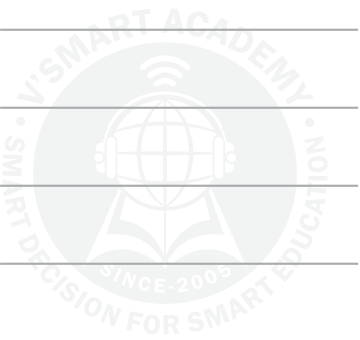
Unit I is located in Pune whereas units II, III and IV are located in Mumbai, Delhi and Gujarat respectively.

Compute credit attributable to each of the units.

Example : What would your answer be if in Illustration 1, Unit IV started its operations in April, 2019 and following details of Turnover of units for April,2019 to June, 2019 are as follows:

Unit-I	—	2,55,000
Unit-II	—	3,89,000
Unit-III	Not registered as exclusively engaged in supply of exempt goods	6,10,000
Unit-IV	—	4,12,000
		16,66,000







SEC 21 : MANNER OF RECOVERY OF CREDIT DISTRIBUTED IN EXCESS

Where the **Input Service Distributor** distributes the credit in contravention of the provisions contained in section 20 resulting in excess distribution of credit to one or more recipients of credit, the excess credit so distributed shall be recovered from such recipients along with interest, and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of amount to be recovered.

SEC 41: CLAIM OF INPUT TAX CREDIT AND PROVISIONAL ACCEPTANCE THEREOF

1	Every registered person shall, subject to such conditions and restrictions as may be prescribed, <i>be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger</i>
2	The credit referred to in sub-section (1) shall be utilised only for payment of self-assessed output tax as per the return referred to in the said sub-section

Rule 86A- Conditions of use of amount available in electronic credit ledger

(1) The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner,

having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as

a) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-

i) issued by a registered person who has been found ***non-existent or not to be conducting any business from any place for which registration has been obtained***; or

ii) ***without receipt of goods or services or both***; or

b) ITC avail in respect of any supply, the ***tax charged*** in respect of which has ***not been paid to the Government***; or

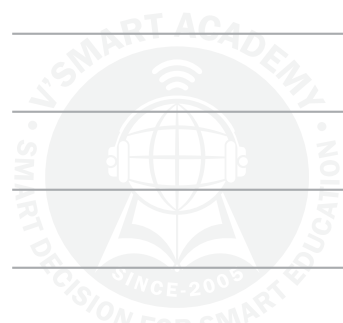
c) The ***registered person availing the credit of input tax*** has been found ***non-existent or not to be conducting any business*** from any place for which registration has been obtained; or

d) The registered person availing any credit of input tax is ***not in possession of a tax invoice or debit note or any other document*** prescribed under rule 36,

may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

(2) The Commissioner, or the officer may, upon being satisfied that ***conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.***

(3) Such ***restriction shall cease*** to have effect ***after the expiry of a period of one year from the date of imposing such restriction.***





Rule 86B- Restrictions on use of amount available in electronic credit Ledger

Notwithstanding anything contained in these rules,

the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of **99%** of such tax liability,

in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds **₹50 lakhs**: (Taxable supplies = total taxable supplies – (exempt supplies + zero rate supplies)).

Exceptions: Provided that the said restriction shall not apply where –

a)	Payment of income tax	<div>➤ the said person or</div> <div>➤ karta or</div> <div>➤ any of its two partners,</div> <div>➤ whole-time Directors,</div> <div>➤ Members of Managing Committee of Associations or</div> <div>➤ Board of Trustees,</div> <div>➤ the proprietor or</div> <div>➤ the managing director or</div>	have paid more than ₹1 lakh <div>➤ as income tax under the Income-tax Act,</div> <div>➤ in each of the last two financial years</div> <div>within normal time limits under income tax act; or</div>								
b)	Refund of ITC in case of ZRS	The registered person has received a refund <i>in the preceding financial year</i> on account of unutilised ITC under clause (i) of first proviso of sub-section (3) of section 54; or (i.e. zero rated supplies made without payment of tax;)	amount of more than ₹1 lakh								
c)	Refund of ITC in case of ITS (Inverted Tax Structure)	The registered person has received a refund <i>in the preceding financial year</i> on account of unutilised ITC under clause (ii) of first proviso of sub-section (3) of section 54; or (i.e. where the credit has accumulated on account of Inverted Tax Structure)	amount of more than ₹1 lakh								
d)	Payment of Tax through E-cash Ledger	The registered person has <i>discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively,</i> upto the said month in the current financial year; or									
e)	Notified Person	the registered person is – <table><tr><td>(I)</td><td><i>Government Department; or</i></td></tr><tr><td>(ii)</td><td><i>a Public Sector Undertaking; or</i></td></tr><tr><td>(iii)</td><td><i>a local authority; or</i></td></tr><tr><td>(iv)</td><td><i>a statutory body</i></td></tr></table>		(I)	<i>Government Department; or</i>	(ii)	<i>a Public Sector Undertaking; or</i>	(iii)	<i>a local authority; or</i>	(iv)	<i>a statutory body</i>
(I)	<i>Government Department; or</i>										
(ii)	<i>a Public Sector Undertaking; or</i>										
(iii)	<i>a local authority; or</i>										
(iv)	<i>a statutory body</i>										

Provided further that the Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.”.





Question :-

Mr. Luis , a registered supplier of goods at MH(Pune) who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 2021:

Source	Purchase (₹)	Sales (₹)	Tax Rate (₹)
New Delhi	15,00,000	42,00,000	18%
Mumbai	17,50,000	12,00,000	9% each for SGST & CGST
Total	32,50,000	54,00,000	Total

He has complied with all the conditions for availing the ITC and has the following opening balance of ITC on 01-04-2021:

Source	CGST(₹)	SGST(₹)	IGST (₹)
Taxes	80,000	80,000	1,60,000

Compute the net CGST, SGST and IGST payable by Mr. Luis during April 2021 in cash?

Answer- Computation of net CGST, SGST and IGST payable in cash by Mr. Luis during April 2021

Particular	Amount	IGST@18%	CGST @9%	SGST@9%
Sales made outside MH (New Delhi)- [Being inter-state sale, the same is liable to IGST]	42,00,000	7,56,000		
Sales made in Mumbai	12,00,000	-	1,08,000	1,08,000
Total output tax payable		7,56,000	1,08,000	1,08,000
Less: ITC available during April 2021 for set off [Refer Working Note Below] IGST - ₹ 4,30,000 CGST - ₹ 1,06,920 SGST - ₹ 1,06,920		(4,30,000)	(1,06,920)	(1,06,920)
Net tax liability payable in cash		3,26,000	1,080	1,080

Working Note: ITC available during April 2020 is computed as under:

Particular	Turnover	IGST	CGST	SGST
Opening balance of ITC		1,60,000	80,000	80,000
Purchases from New Delhi [Being inter-State purchase, IGST would have been paid on it.]	15,00,000	2,70,000		
Purchases from Mumbai	17,50,000	-	1,57,500	1,57,500
Total input tax credit		4,30,000	2,37,500	2,37,500

ITC utilization restricted to 99% of output tax [Note-3]				
Output tax		7,56,000	1,08,000	1,08,000
99% of output tax		7,48,440	1,06,920	1,06,920
Therefore Maximum ITC that can be utilized during month of Apr-2020		4,30,000	1,06,920	1,06,920
ITC Balance C/F		Nil	1,30,580	1,30,580



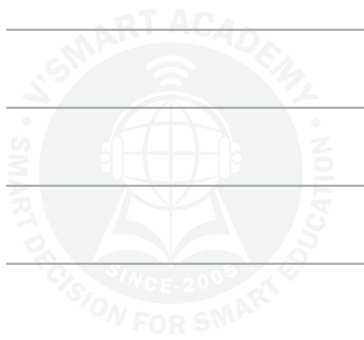
**Note:**

1. ITC of IGST has been utilized to pay IGST liability first and the balance ITC of IGST has been used to pay CGST or SGST, in any manner & in any order liability. Interest and penalty paid are not available as credit.
2. In given case the IGST balance has been fully used for CGST but student can use that balance either equally for CGST & SGST or fully for SGST also and answer will vary accordingly.
3. **As per "Rule 86B"** is inserted as per N/N 94/2020-CT-DT-22.12.20- Restrictions on use of amount available in electronic credit ledger.-

Notwithstanding anything contained in these rules, the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards **output tax in excess of ninety-nine per cent** of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹50 lakh . However there are certain exceptions to this rule.

In the present case turnover during the month exceeds ₹50 Lakhs, therefore ITC is restricted as per above provisions.

4. We assume that Mr. Luis is not following exception to Rule 86B.





Q1 : A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover of the other products of the factory and exempted uniforms in July is ₹ 4 crore and ₹ 1 crore respectively, the ITC on thread and lining material procured in July is ₹ 5000 and ₹ 15000 respectively.

Calculate the eligible ITC on thread and lining material. (ICAI Material)

Ans.:

Q 2: Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f. 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC? (ICAI Material)

Ans.:





Q.3: Genie Engineers had a mould delivered directly to a job worker from the supplier for making certain precision parts for use in the factory of Genie Engineers. As per agreement, the mould was to remain with the job worker as long as work was being sent to him.

After four years a departmental audit team that visited the job worker noticed the mould and traced it to Genie Engineers. GST was demanded from Genie Engineers for taking ITC without receiving the mould and furthermore for not bringing the mould back after three years of delivery to the job worker.

How should they respond to this? (ICAI Material)

Ans.:

Q.4: Ceramity Ltd. has following units:

A: Factory in Hassan, Karnataka; closed from 2017-18 onwards, no turnover.

B: Factory in Tumkur, Karnataka; turnover of ₹ 27 crores in 2017-18;

C: Service centre in Hyderabad, Telangana; turnover of ₹ 1 crore in 2017-18;

D: Service centre in Chennai, Tamil Nadu; turnover of 2 crores in 2017-18;

Ceramity Ltd.'s corporate office functions as ISD. It has to distribute ITC of ₹ 9 lakh for December, 2018. Of this, an invoice involving tax of ₹ 3 lakh pertains to technical consultancy for Tumkur unit.

What should be the distribution of the credit? (ICAI Material)

Ans.:



