

Input Tax Credit



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Sec 2(59) Input : Means any goods used/ intended to be used by supplier, in the course / furtherance of business.(other than Capital Goods)

Sec 2(60) Input Service : Means any service used/ intended to be used by supplier, in the course / furtherance of business.

Sec 2(19) Capital Goods : Means goods, the value of which is capitalised in the books of accounts of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business

Sec 2(62) "Input Tax":- 1) CGST / SGST / UTGST / IGST charged on any supply of goods or services or both made to him (Inward Supply)
2) the IGST charged on import of goods
3) the tax payable under the RCM but does not include the tax paid under the composition levy

Sec 2(82) "Output Tax":"Output tax" in relation to a taxable person, means the tax chargeable under this Act on
⇒ taxable supply ⇒ of goods or services or both
⇒ made by him or by his agent
but excludes tax payable by him on reverse charge basis.

Sec 16 : Eligibility & Conditions for ITC

1) Eligibility criteria-

⇒ **Person**= Registered,

⇒ **Supply**= Used/Intended to be used in course / furtherance of his business

2) Conditions for availment of ITC:- (Overriding sec 16)

a) He is in possession of a Tax Invoice/ debit not or other documents (as specified below)

Rule 36- Documents Requirement :-

- 1) **ITC availed on the basis of following docs.-** Invoice by supplier/ Invoice by recipient (RCM)Self-invoice/ Debit note/ Bill of entry/ Revised Invoice/ Docs. by ISD.
- 2) **Mandatory Requirement in Invoice** - Details of tax, descriptions of goods or service, value of supply, GSTIN & place of supply (Only in case of Inter-State Supply).
- 3) **No ITC**- if tax has been paid & demand is confirmed because of fraud etc.

aa) the details of the invoice or debit note has been furnished by the supplier in GSTR-1/1A and such details have been updated in GSTR - 2B of recipient.

36 **No ITC** by a RP unless,-

- (4) (a) The details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in Form GSTR 1 & **GSTR 1A** or using IFF &
- (b) the details of **ITC in respect of** such invoices or debit notes have been communicated to the RP in FORM GSTR-2B.

b) He has received the Goods/Services/Both

(For Bill to Ship to- it shall be deemed to be received

- ⇒ Goods- When goods are delivered by supplier to the recipient
- ⇒ Services- When services are provided by supplier

Cummulative Conditions of 16(2)(a)/(ab)/(b)

Situations	Date of receipt of Invoice	Date of receipt of G/S	Updated in GSTR -2B	Eligibility of ITC
A)	25.04.XX	26.04.XX	April	In April
B)	28.04.XX	03.05.XX	April	In May
C)	05.05.XX	29.04.XX	May	In May
D)	10.04.XX	15.04.XX	July	In July

(ba) The details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted(blacklist)

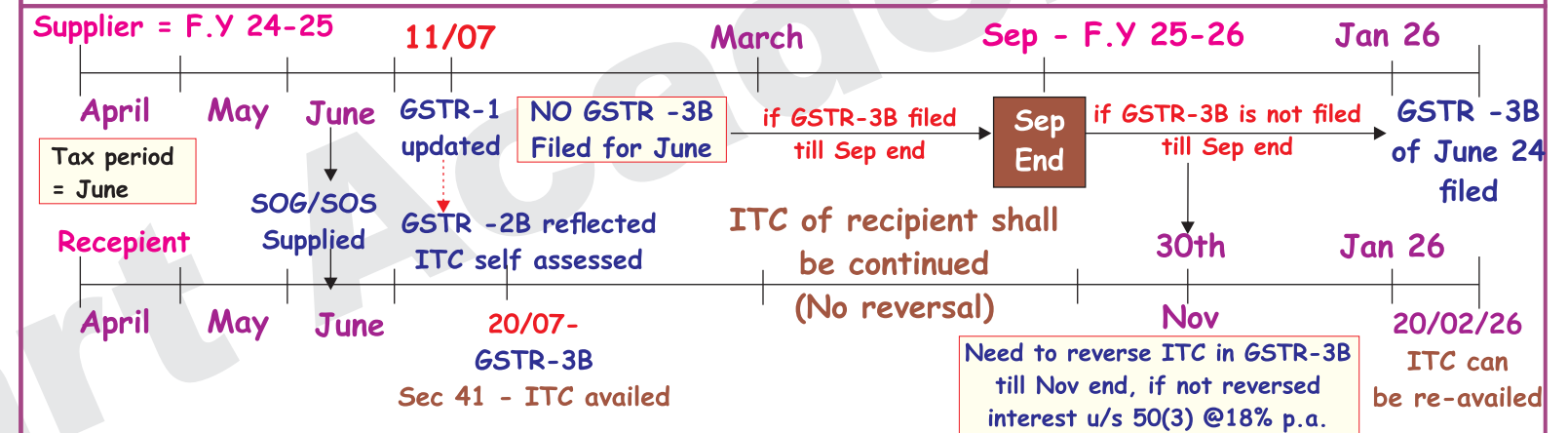
c) Tax charged on such supply= has been actually paid to Govt. by the supplier

Sec 41 :- Claim of ITC and Provisional acceptance thereof

- ⇒ The taxpayer shall self-assess and claim ITC in GSTR 3B.
- ⇒ In case the taxpayer has claimed ITC of GST which is not paid/ deposited by the corresponding supplier, than the taxpayer / recipient shall reverse the ITC along with interest as per rule 37A.
- ⇒ The recipient shall be eligible to re-claim the ITC reversed, on payment of GST by the supplier.

Rule 37A: Reversal of ITC in the case of non-payment of tax by the supplier and reavailment thereof:-

- ⇒ If the RP has availed ITC & supplier furnished his **GSTR-1 /1A** & if supplier has not furnished GSTR-3B of tax period till the **30th Sep** following the end of F.Y., then the RP shall reverse ITC in his GSTR-3B on or before **30th Nov** following the end of FY.
- ⇒ If ITC is not reversed by RP till **30th Nov**, then amount shall be payable with interest u/s 50
- ⇒ If supplier furnishes GSTR-3B subsequently for a tax period, RP may re avail ITC reverse earlier.



d) He has furnished return u/s 39

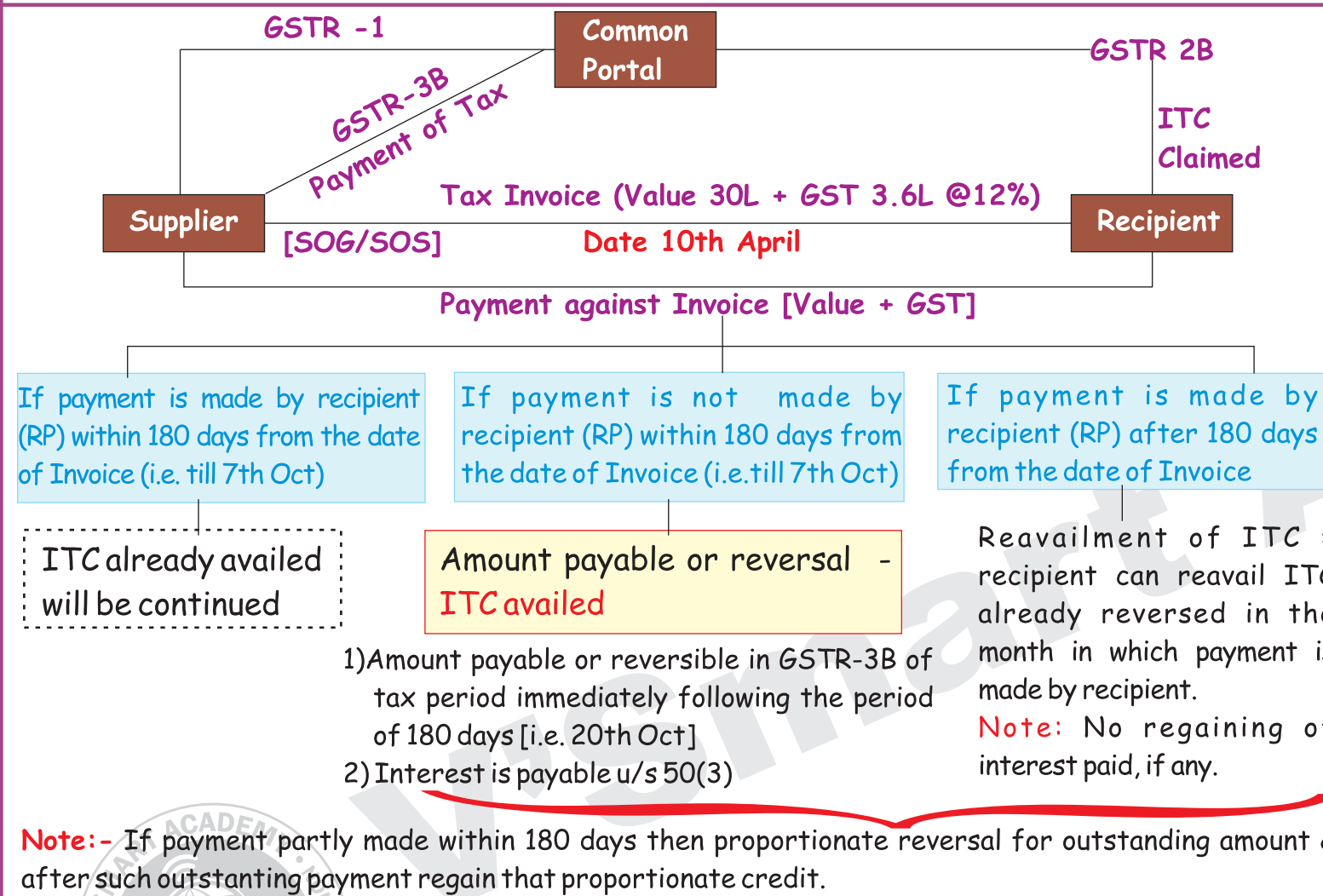
Proviso 1 :- ITC if Goods are received in Lot :- Where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment

Proviso 2:- Payment for the invoice to be made within 180 days (Rule 37)

1. **Default :** Failure by Recipient to pay (Wholly or partly) to the supplier the within 180 days from Invoice date.
2. **Consequence :** Amount equal to the ITC availed proportionate to amount not paid to supplier shall be paid by him along with interest payable u/s 50.
3. **Details to be furnished :** Details of defaulted supply, value not paid, ITC availed to be mentioned in GSTR-3B for the month immediately after the expiry of 180 days from Invoice date.
4. **Regain of Credit :** Regain when payment is made to supplier (Time limit u/s 16(4) is N.A. for regaining of ITC)
5. **Non Applicability :** This provision not applicable

- a) Tax payable under RCM
- b) Deemed supplies without consideration [Sch.I]
- c) Value of supplies on account as per sec 15(2)(b)

2nd Proviso:- Payment to supplier within 180 Days [Rule 37]



3) When depreciation is claimed on tax component-

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.**

4) Time limit of availing ITC-

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

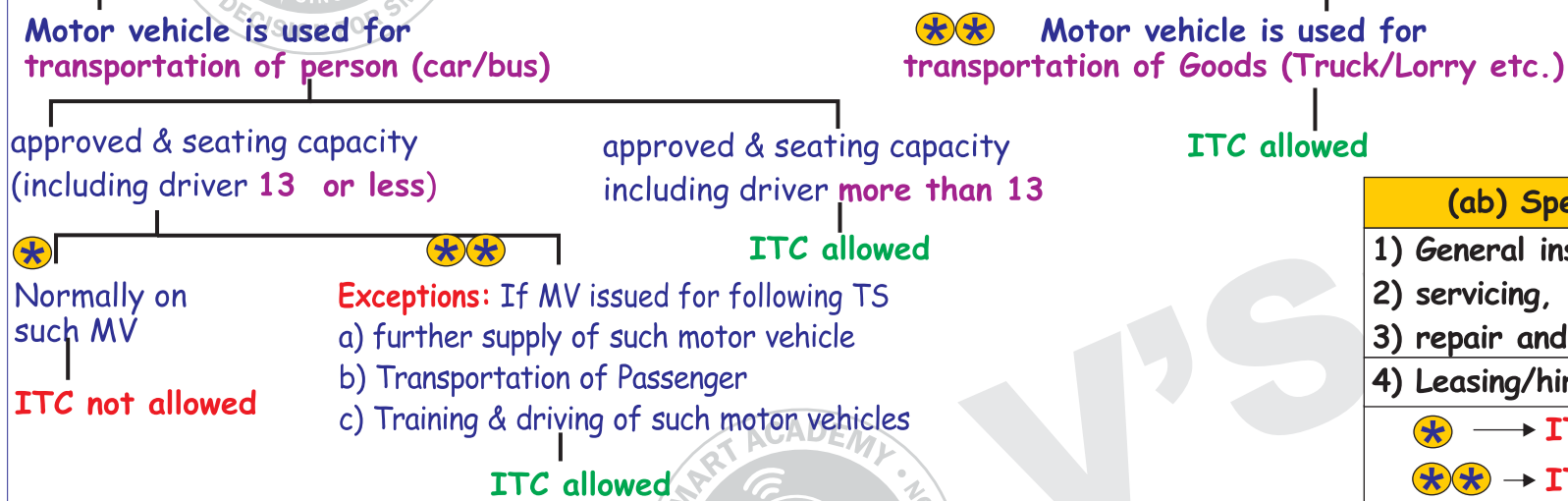
- after the **30th day of November** following the end of financial year to which such invoice or debit note pertains or
- furnishing of the relevant annual return, whichever is earlier.**

6) Claiming ITC for invoices post revocation of registration cancellation

- If RP's registration is cancelled and later revoked, he can claim ITC for invoices not restricted by Section 16(4) at the time of cancellation.
- ITC can be claimed in the return filed till the **later** of following dates:
 - Earlier of 30th Nov of following year or date of furnishing Annual return.
 - The return for the period between cancellation and revocation, if filed **within 30 days** of the revocation order.

Sec - 17(5) Blocked Credit

(a) Motor vehicles

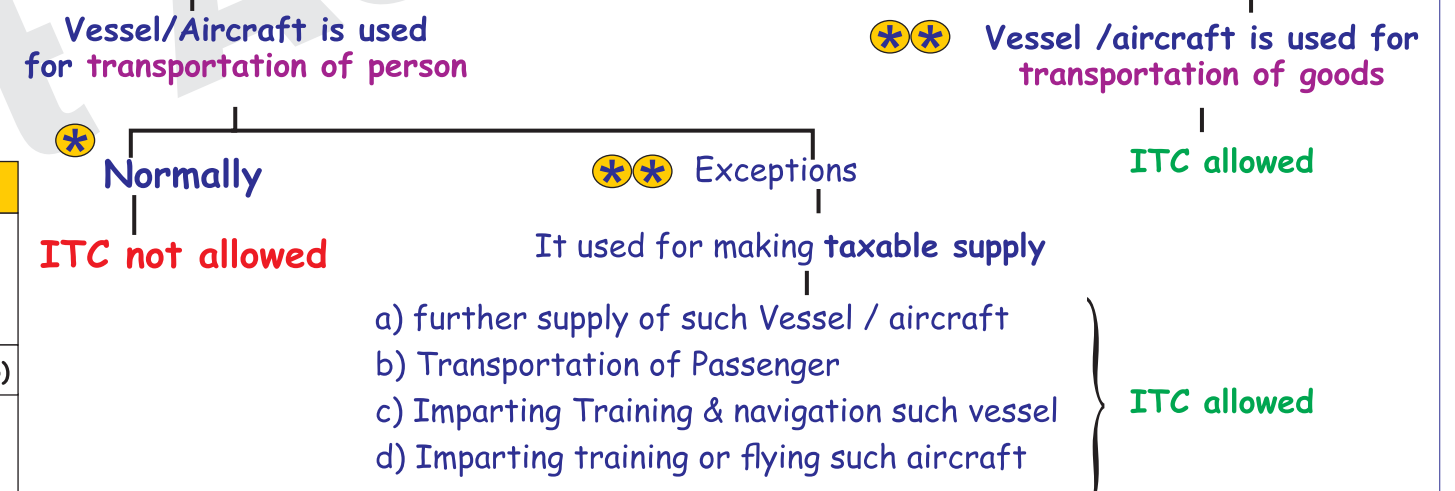


(ab) Specified services

- General insurance,
- servicing,
- repair and maintenance
- Leasing/hiring/renting (clause b)

★ → ITC Not available
★★ → ITC available

(aa) Vessel & Aircraft



Availability of ITC in respect of Demo Vehicles (Cir. no. 231/25/2024)

ITC on demo vehicles used for transporting up to 13 people (including the driver) u/s 17(5)(a)	Clarification	ITC on demo vehicles capitalized in books of account by authorized dealers	Clarification
Demo vehicles used to promote sales (Trial run & Demonstration to potential buyers)	ITC is not blocked	Demo vehicles capitalized as "capital goods"	ITC can be claimed on taxes paid.
Demo vehicles used for employee transport or management (not for further supply)	ITC is blocked	Depreciation claimed on the tax portion of the capitalized demo vehicle	ITC cannot be claimed.
Dealers merely acting as agent of manufacturer and manufacturer is selling demo vehicles later	ITC is blocked	Capitalized demo vehicle sold later	Tax must be paid u/s 18(6) & Rule 44(6).

(b) Goods /services used in business not eligible for IT (mostly for employee, director, Guest etc.)

(I)

- Food & beverages
- Outdoor catering
- Beauty Treatment
- Healthy Services
- Cosmetic plastic surgery
- Life insurance health insurance
- Leasing, renting, of ineligible MV/vessel/aircraft

No ITC

(ii) Membership of a club, health & fitness center

No ITC

(iii) Travels benefits extended to employee on vacation such leave or home travel concession

No ITC

Exceptions (in following cases ITC allowed) :-

- making outward supply of same category of goods/services or both or
- Element of composite or Mixed supply

Note:- If above supplies are provided to employees under any statutory obligation, ITC Allowed

Free Sample and gift treatment under GST

Not a supply as no consideration is included but

- ITC taken on such goods**
It shall be treated as supply
Value - Rule 31
ITC - available
- ITC not taken**
don't take it u/s 17(5)(h)

Buy one, Get One offer

Supplier **Supply**

GST = 500 → **Shirt 1**

GST = 500 → **Shirt 2**

Invoice	
Shirt 1	5000
Shirt 2	Free
	5000

Single price for both shirts, hence No need to reverse ITC

It is clarified that "leasing" referred in **Sec 17(5)(b)(I)** refers to leasing of motor vehicles, vessels & aircrafts only and not to leasing of any other items. Accordingly, availment of ITC is not barred.

1) **Circular no. 172/04/2022** : Proviso after **Sec 17(5)(b)(iii)** ie ITC of goods or services shall be available, which are obligatory for an employer to provide to its employees is applicable to the whole of **Sec 17(5)(b)**.

2) **Circular No. 206/18/2023** : Input services in same line of business include transport of passengers or renting of motor vehicle with operator & not leasing of motor vehicles without operator which attracts GST for sale of motor vehicle

c) & d) Construction Sector

(c) Works Contract (services + Goods)

(d) Goods/Services or both

Construction of immovable property other than Plant & machinery

ITC not allowed

Explanation 1
Construction includes

- Reconstruction
- renovation
- addition / alteration
- repairs to the extent of capitalisation

IMP note:- If as per GAAP they are treated as revenue expenditure - ITC allowed

Explanation 2 :- Definition of Plant & Machinery

- Means**
 - Apparatus
 - Equipments
 - Machinery
 - Fixed to the earth by foundation or structural support
 - used for making an outward supply
- Includes**
Such foundation or structural support
- Excludes**
 - Land & Building or other civil Structure
 - Telecommunication Towers
 - Pipelines land outside the Factory

Note:- if works contract or goods or services purchased for construction of above = No ITC

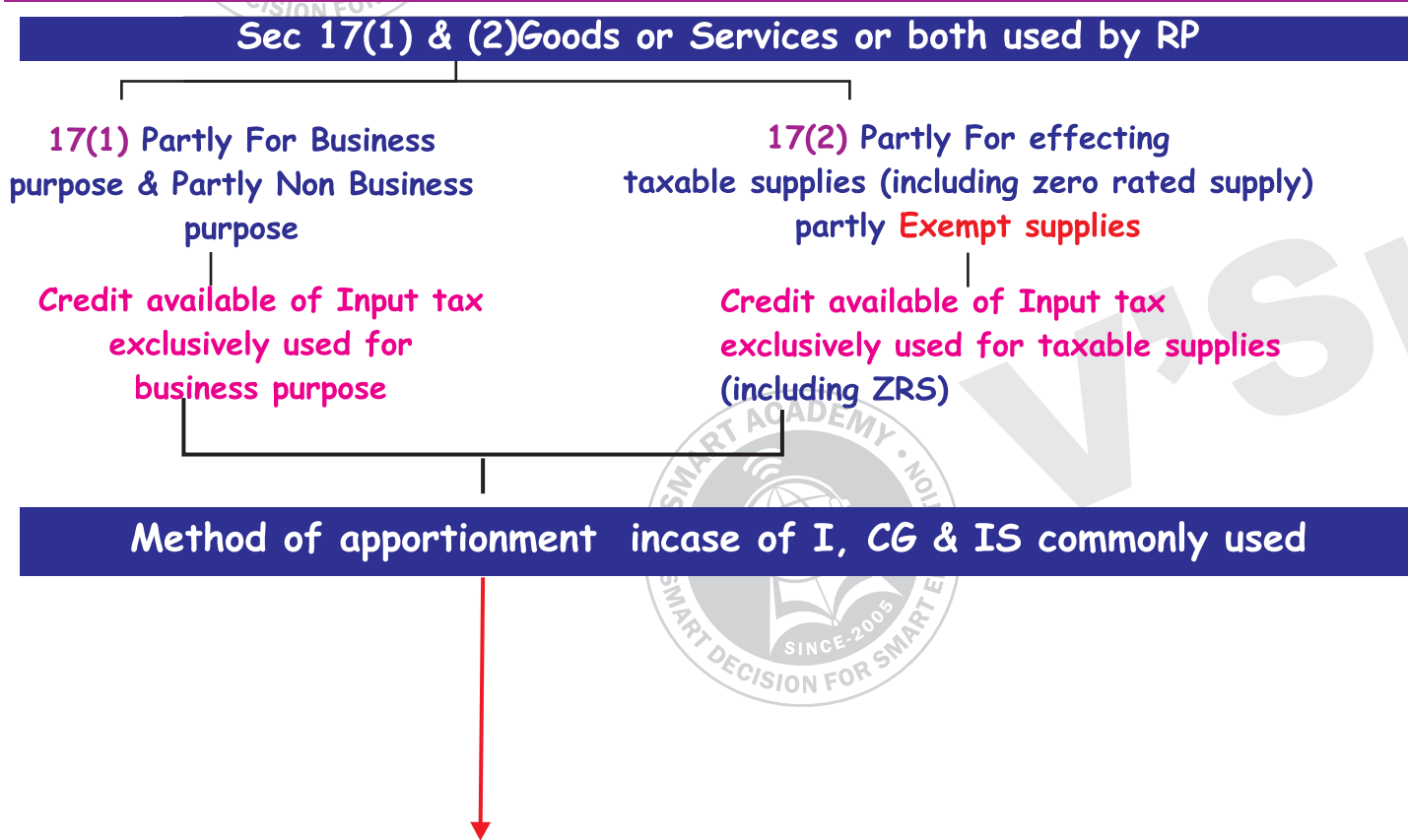
Important Note :-

- ⇒ If works contract services is availed for providing works contract services - **ITC allowed**
- ⇒ If goods or services are purchased for construction of other's building intended for sale - **ITC allowed**

Other Points	
Non eligibility of ITC	Explanation
e) Goods or services or both on which tax has been paid under sec 10	अगर composition supplier के composition tax, invoice में लगाकर दे रहा है, जो नहीं देना चाहिये था. So, recipient को उस Tax का credit नहीं मिलेगा
f) Goods or services or both received by N RTP	No ITC (Remark: ITC available on imported goods by N RTP)
fa) Goods &/or services received by taxable person, which are used/intended to be used CSR activities.	No ITC
g) Goods or services or both used for personal consumption	No ITC
h)	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;">Goods</div> <div style="border: 1px solid black; padding: 5px;">Goods</div> </div> <p>→ Lost, destroyed, stolen, written off Wholly or Partly → Distributed by way of Gift/sample</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>⊖ No ITC is available</p> <p>⊖ If ITC is availed then it needs to be reversed</p> </div> <div style="width: 45%;"> <p>If ITC is taken on such goods</p> <p>As per para I Sch I, it is treated as supply</p> <p>GST is payable on value as determined u/r 30</p> <p>No need to reverse ITC</p> </div> <div style="width: 45%;"> <p>If ITC is not taken on such goods</p> <p>Then as per sec 17(5) (h) ITC is not allowed</p> </div> </div>
i)	Tax paid accordance with the provisions of Sec 74.

Time Limit for Availing ITC on RCM Supplies from URPs u/s 16(4) (Cir. No. 211/5/2024)	
Issue	Clarification
Services received from URP without consideration	The recipient must issue an invoice and pay tax under RCM.
Time limit for ITC u/s 16(4)	ITC time limit is based on the F.Y. when the self invoice is issued, not when the supply was received.
Invoice issued after TOS	If the self invoice is issued late, the recipient must pay interest on delayed tax & may face penalty u/s 122.
ITC for Ducts & Manholes in Optical Fiber Cable Networks u/s 17(5) (Cir. No. 219/13/2024)	
Issue	Clarification
Ducts & Manholes classification	Ducts and manholes are part of the OFC network and not land or buildings, so they are "Plant & Machinery."
ITC eligibility	Ducts & manholes are eligible for ITC & not blocked u/s 17(5)(c) & (d).
ITC Entitlement for Insurance Co. on Motor Vehicle Repairs in Reimbursement Claims (Cir.No.217/11/2024)	
Insurance Co. = General insurance of Motor vehicle	
<p>Handling of repair/damage cost through cashless mode</p> <p>ITC to Insurance co. on invoice of garage for repair</p> <ul style="list-style-type: none"> > not blocked u/s 17(5) > Invoice in the name of Insurance Co. > Use in outward supply <p style="text-align: center;">ITC allowed</p>	<p>Handling of repair/damage cost through Re-imbursment mode</p> <p>ITC to Insurance co. on invoice of Garage for repair</p> <ul style="list-style-type: none"> > not blocked u/s 17(5) > Invoice not in the name of Insurance Co. <p style="text-align: center;">Hence ITC in-eligible u/s 16(2)(a)/(aa)</p>

Sec - 17(1), 17(2) & 17(3) Apportionment of Credit

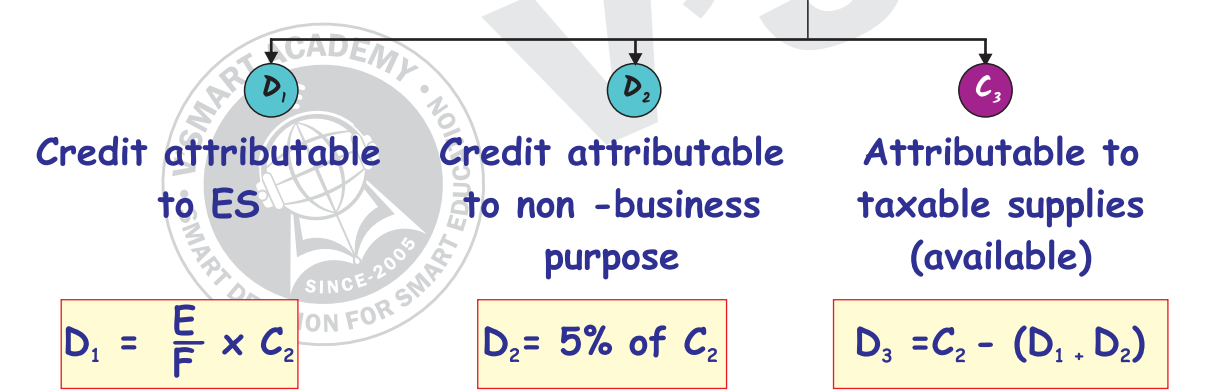
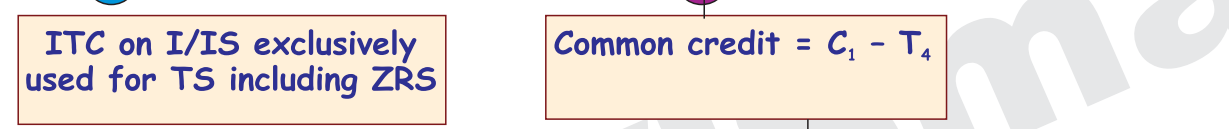
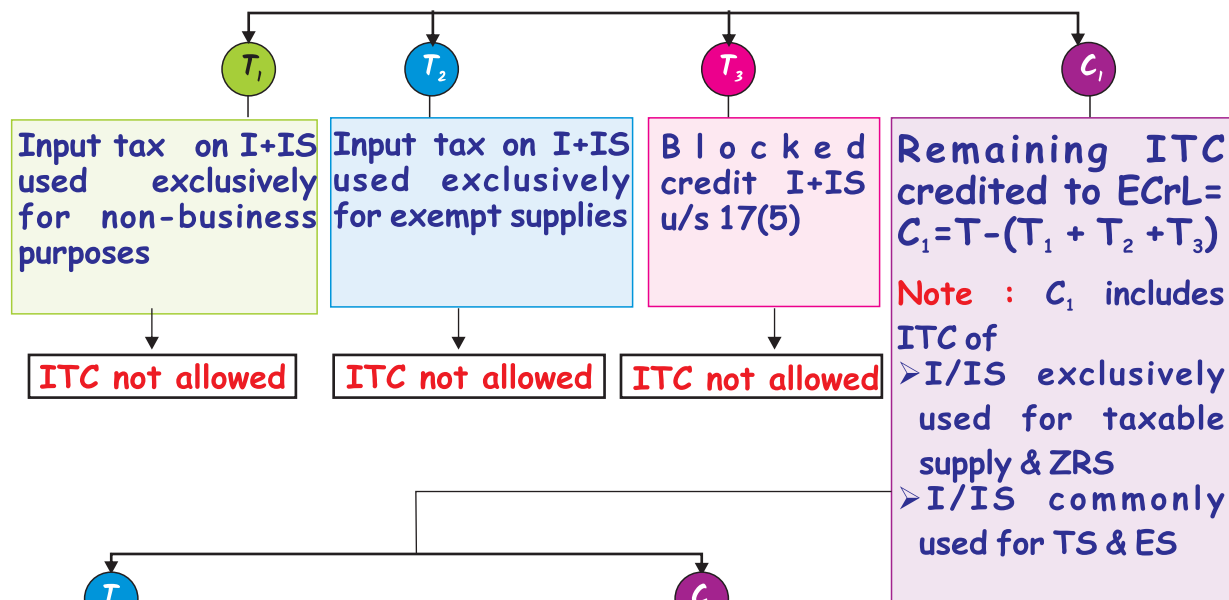


17(3): Value of Exempt Supply	
2(47) :-	6) Sale of land & Building (Stamp duty Value)
1) Nil rated supply	7) Supply of warehoused goods to any person before clearance for home consumption (Value of SOG from Duty Free Shops at arrival terminal in international airports to incoming passengers)
2) Wholly exempt supply	
3) Non-taxable supply	Additional by 17(3) :-
	4) Supply under RCM
	5) Transaction in Securities (1% of sale value)
	(Do not consider other Schedule III activities in ES)
ES shall not include: -	
⊖ Interest / Discount on loan advances & discount except in case of bank / FI	
⊖ Value of Supply of duty credit scrips	

Sec 17(4) : Special option of ITC to banking and F.I.
1. Availment of Tax Credit : Banking Company/FI including NBFC's have the following options -
(a) Option 1 : To comply with the provisions u/s 17(2) (read with rule 42 & 43), or
(b) Option 2 : To avail of, every month, an amount equal to 50% of the eligible ITC in that month and the balance 50% shall lapse.
2. Conditions on choosing option of 50% availment :
(a) The said Company or Institutions shall not avail the credit of -
(i) Inputs and Input Services that are used for non-business purposes, and
(ii) the credit attributable to blocked Credits
3. Withdrawal : Option once exercised, shall not be withdrawn during the remaining part of F.Y.
4. No Restriction : 50% of ITC Restriction shall not apply when supplies are made between branches (100% ITC is available).

Rule 42 :- Manner of distribution of ITC w.r.t. I/IS

T = Total Input tax Credit on I/IS



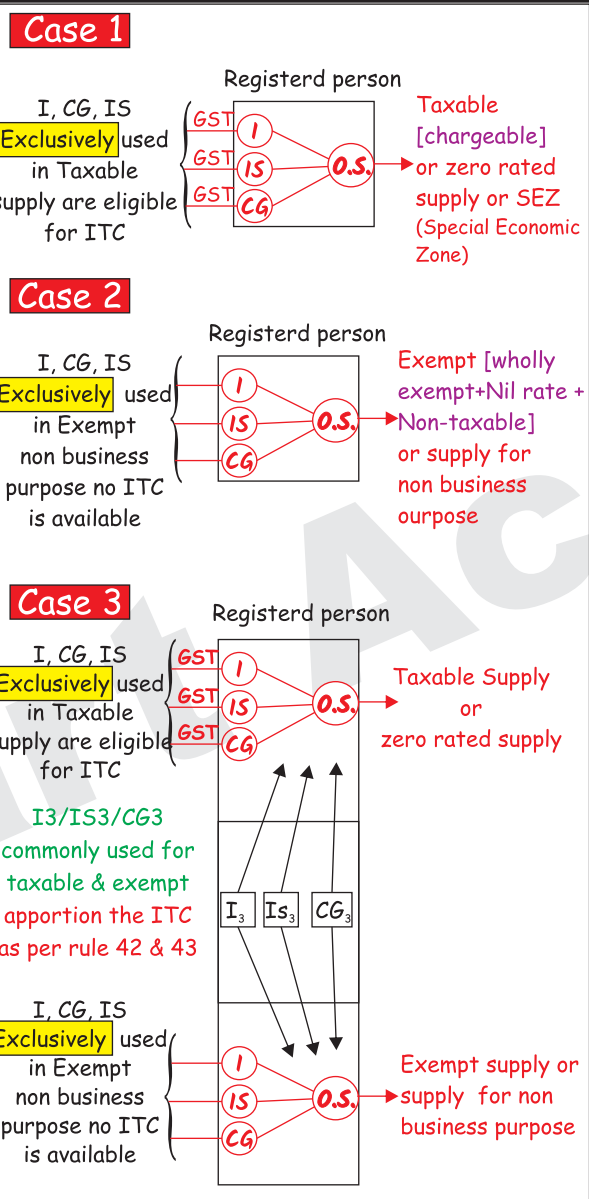
E = Aggregate Value of ES
F = T/o in State

To be calculated only if I/IS is commonly used for business/non-business

- > If E/F is not available for a tax period, then E & F at last tax period to be considered
- > Value or T/O does not include Excise/VAT/CST (Specially for NTS)

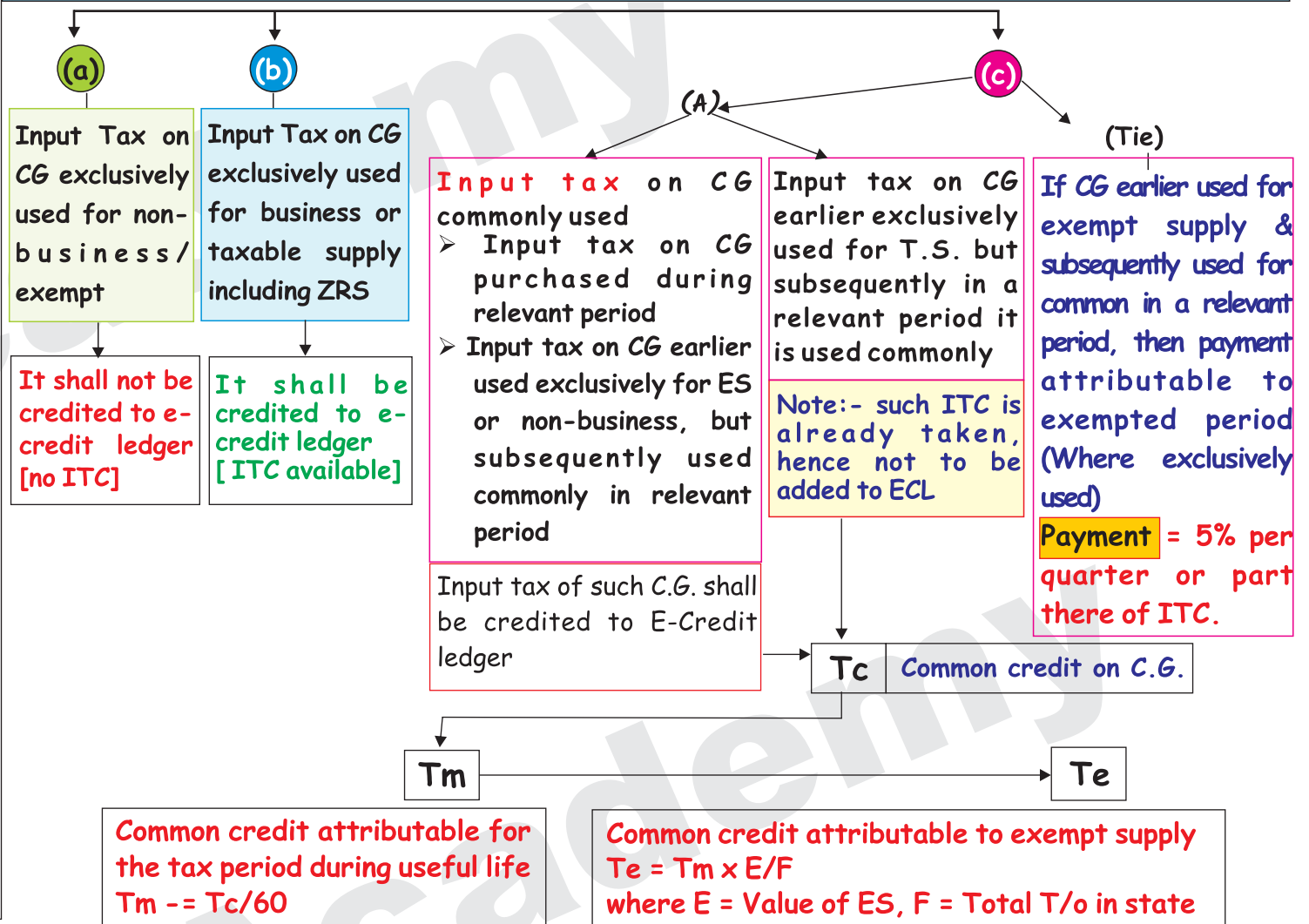
Reversed by the register person in GSTR 3B or in prescribed form

- ⇒ C₃ will be computed separately for ITC of CGST, SGST/UTGST and IGST.
- ⇒ Σ(D₁ + D₂) will be computed for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year. If this amount is more than the amount already added to output tax liability every month, the differential amount will be added to the output tax liability in any of the month till September of succeeding year along with interest @ 18% from 1st April of succeeding year till the date of payment.
- ⇒ If this amount is less than the amount added to output tax liability every month, the additional amount paid has to be claimed back as credit in GSTR 3B or any month till September of the succeeding year.



Rule 43:- Manner of distribution of ITC w.r.t CGs

Total input tax (IT) on capital goods (CG)



Example :- Apportionment of ITC under rule 43

Month	Date	Transaction	ITC Eligibility
April	10-4-20	(a) CG2 (Exclusively use in E.S.) GST shown in invoice = 4,00,000 (No ITC)	Not eligible
May	20-5-20	(a) Cg3 (Exclusively taxable supply including IRS) GST shown in invoice = 3,00,000 (ITC taken)	Eligible
August		C.G.1 [common] purchased in August & CG2 now used for common supply in the month of August	Eligible
August		C.G.1 [common] purchased in August & Cg3 now used for common supply in the month of August	Eligible

Cases -1

- CG1 - Commonly used
- CG2 - Earlier used in exempt supply then subsequently commonly used
- CG3 - Earlier used in T.S. then subsequently commonly used

Payment
i.e. Amt to be added in output tax liability = Nil

Cases -2

- ITC of C.G.1 [A] = 6,00,000
- ITC of C.G.2 [A] = 4,00,000
- Tr. E-credit ledger = 10,00,000 (i.e. avail full ITC)
- Tc (CG1) = 6,00,000
- Tc (CG2) = 4,00,000
- Tm (CG1) = 6,00,000/60 = 10,000
- Tm (CG2) = 4,00,000/60 = 6667
- Te (CG1) = 10,000 x 30L/110L = 2727
- Te (CG2) = 6667 x 30L/110L = 1818

Reversal for next 60 months from the date of Invoice according to E/F of respective month

Cases -3

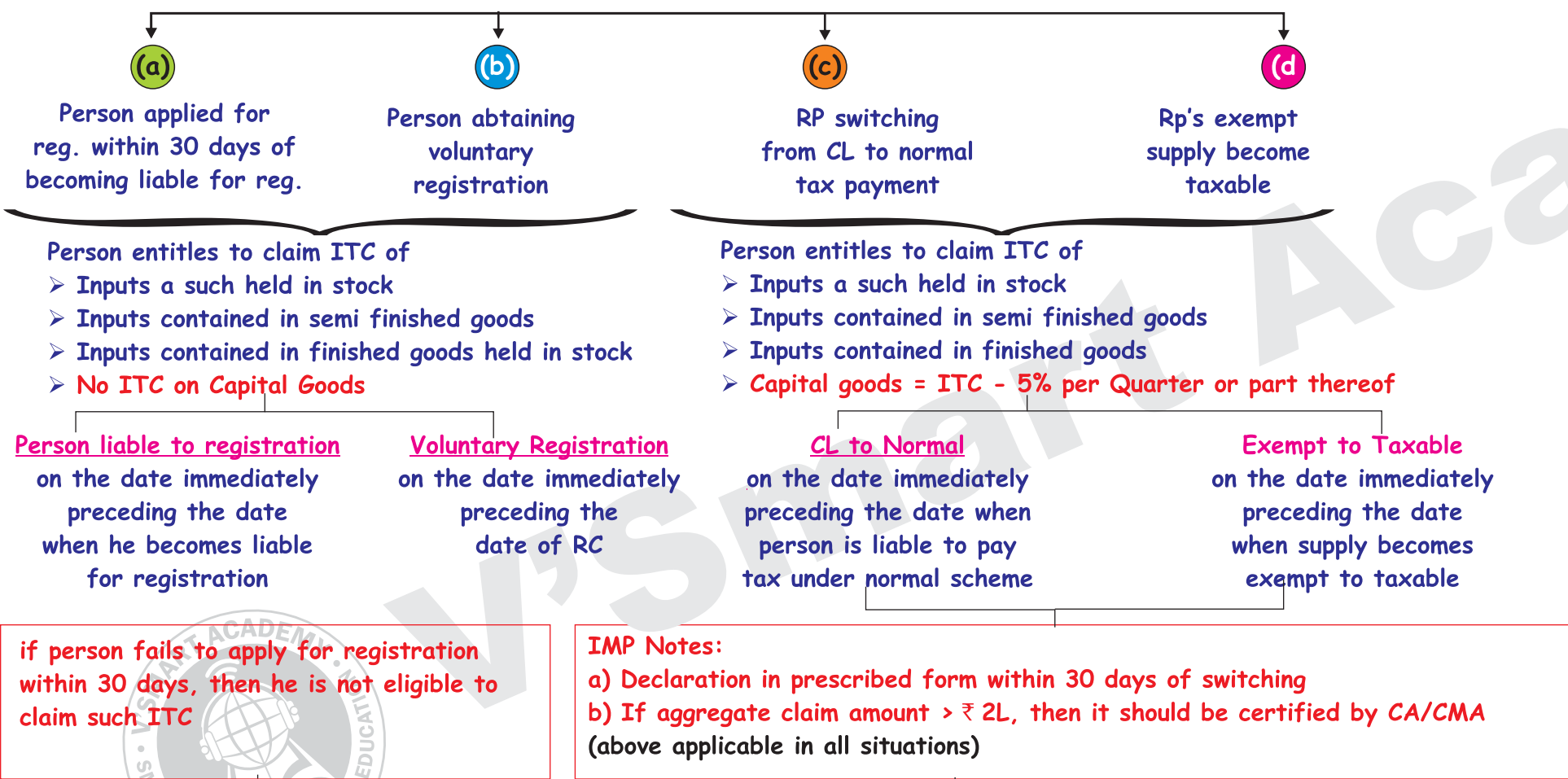
- ITC of C.G.1 [A] = 6,00,000
- Tr. E-credit ledger = 6,00,000 (i.e. avail ITC)
- Note: Don't avail ITC of CG3 because it was already taken in the month of May.
- Tc (CG1) = 6,00,000, Tc (CG2) = 3,00,000
- Tm (CG1) = 6,00,000/60 = 10,000
- Tm (CG3) = 3,00,000/60 = 5,000
- Te (CG1) = 10,000 x 30L/110L = 2727
- Te (CG3) = 5000 x 30L/110L = 1363

Reversal for next 57 month from the month August according to E/F of respective month

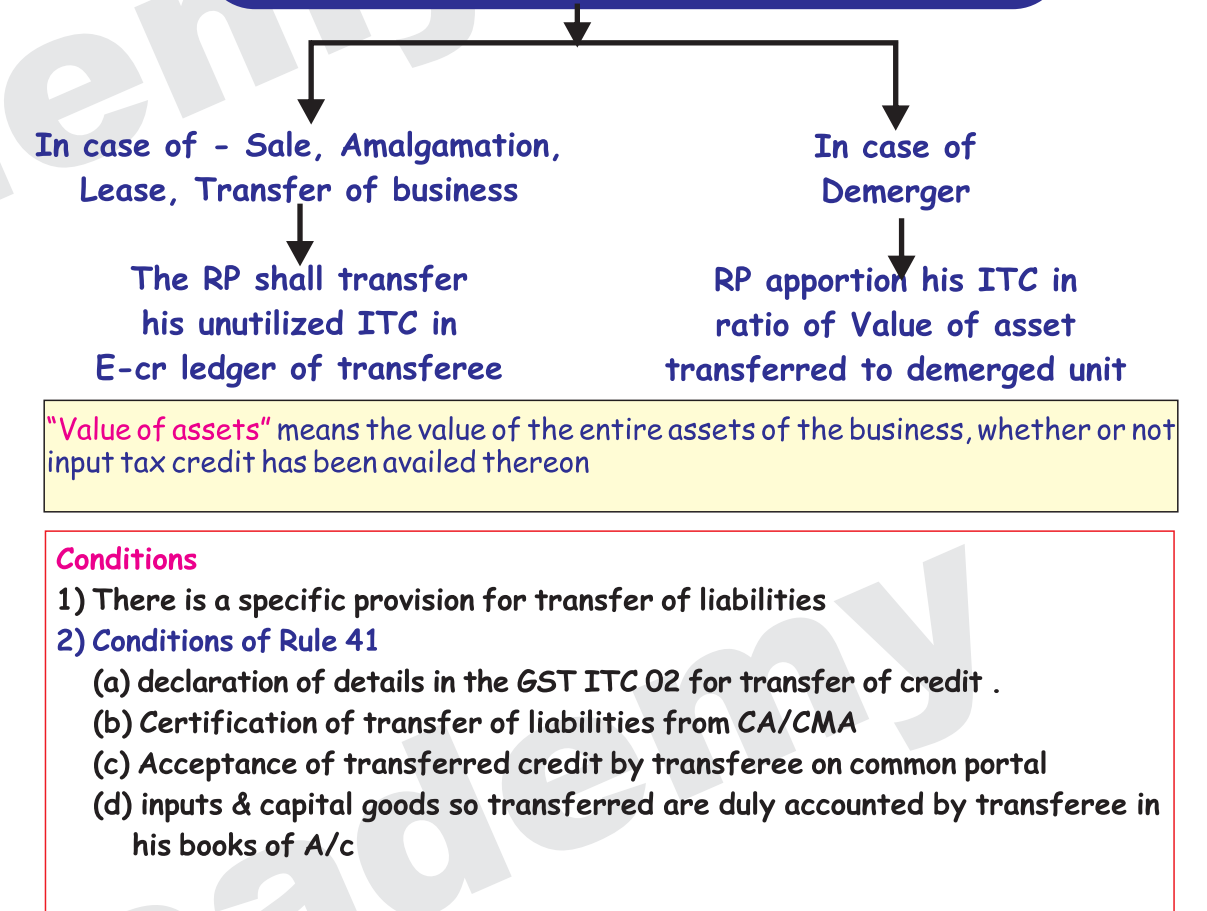
Reversal = Show above Amt. ₹ 2727 as Reversal from ITC in GSTR - 3B

Sec 18 : Availment or Reversal of Credit

Sec 18(1) Availment of Credit



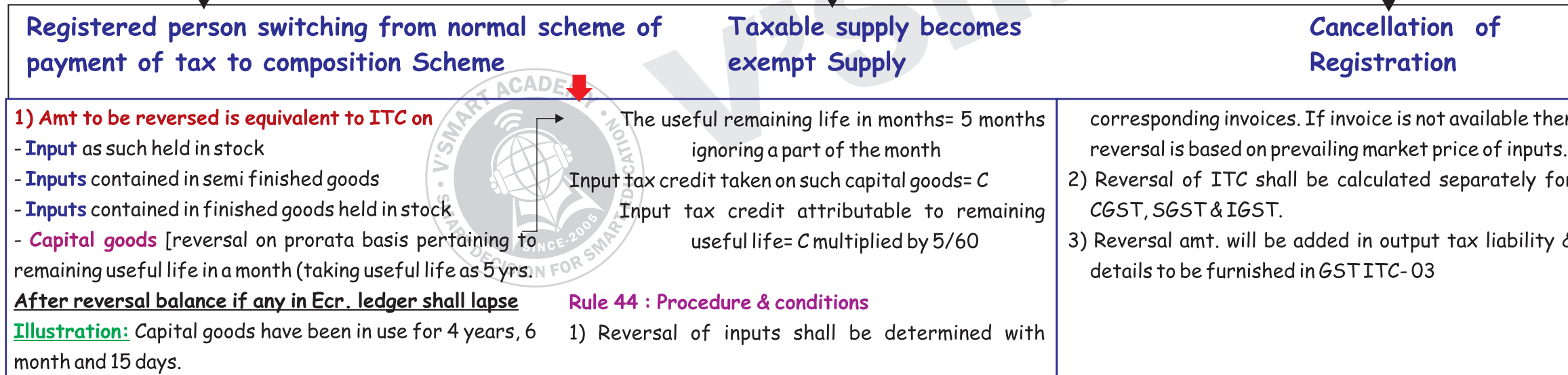
Sec 18 (3) Transfer of ITC



Section 18(2) : Person is not entitled to take ITC of I/CG after expiry of one year from the date of invoice.

Reversal of Credit

Sec 18(4) Reversal of credit in Special Cases



Sec 18 (6) : Reversal of credit on supply of Capital Goods/ Plant & Machinery on which ITC has been taken

- 1) If capital goods or plant & machinery on which ITC has been taken are supplied [Removed as such by way of sale transfer barter etc.] then registered person shall pay **higher** of the following
 - a) Payment = ITC - 5% per Qtr. or part thereof
 - OR
 - b) GST on transaction value
- 2) In case of refractory bricks, moulds & dies, jigs & fixtures supplied as a scrap then person may pay tax on transaction value instead of above 2 options.

Reverse Switching [Section 18(4)]

(1) Normal Tax 1/04

1) composition levy 3) Unregistered
2) Exemption

ITC ✓ CG ✓ IS ✓

ITC ✗ CG ✗ IS ✗

preceding Day 31st March

Case 1

E-Credit Ledger Balance

Reversal 10,00,000 | ITC 10,00,000 (assume)

Balance

Extra payable 2,00,000

OR

E-Cash Ledger

Case 2

E-Credit Ledger

Reversal 6,00,000 | ITC Bal 10,00,000

Lapsed 4,00,000

(Cannot be carry forward or refunded)

1) Inputs

- Lying stock
- semi finished goods
- finished goods

2) capital goods

ITC for reversal as per formula

(assume life of CG 5 years)

Calculate the ITC for reversal

ITC (Lets assume)

Case 1 = 12,00,000 (I + CG)

OR

Case 2 = 6,00,000 (I + CG)

Switch 1st April

Normal	1st April	CL/exempt
Used 4 year 6 Mon & 15 days [From the date of invoice]		Remaining life prorata basis 5 months
[4 years & 7 months (round up)]		
Reversal of ITC on C.G = $\frac{\text{Input tax [C]}}{\text{[GST on C.G.]}} \times \frac{5}{60}$		

Why Sec 18(6) is given

Case 1

Supply of CG

April Value 50,00,000 GST @ 12% 6,00,000

CG OS 28%

April Outward Supply value = 60,00,000 GST @28% 16,80,000

May Supply (Sold) (Second Hand Machinery) (T.V) value 10,00,000 GST@12% 1,20,000

Statement of net GST Payable (April)

Output Tax	16,80,000
Less ITC	6,00,000
Net ITC payable	10,80,000

Section 18(6)

Payment higher of following = 5,70,000

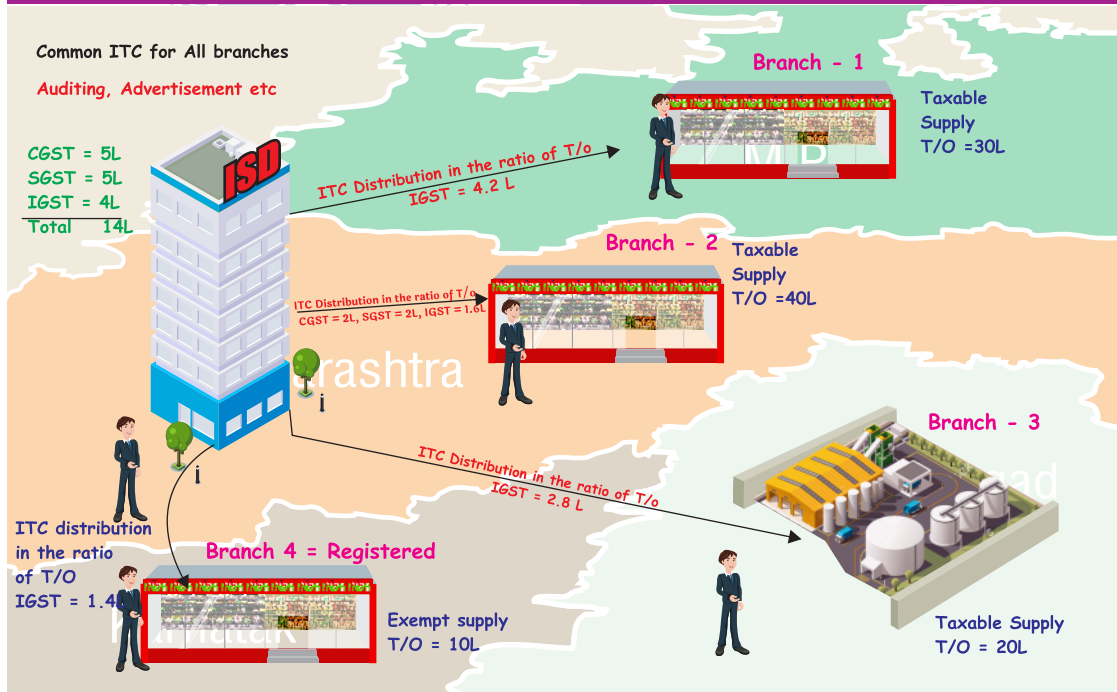
1) GST on TV = 1,20,000 [10,00,000 X 12%]

OR

2) ITC taken - 5% per quarter [Part thereof] = 6,00,000 - 5% X 1 Qtr. X 6L = 5,70,000

Imp Note :- In case of refactories bricks, mpulds, dies, jigs sold as scrap then amount payable = T.V. X GST [criteria of reduction of 5% frpm ITC is not applicable]

Sec 20 - Distribution of credit by Input Service Distributor (ISD)



Sec 2(61)- ISD : Means an office of supplier of goods &/or services which receives tax invoices issued u/s 31 towards receipt of input services & issues a prescribed document to distribute credit of CGST, SGST/UTGST, IGST paid on said services to a supplier of taxable goods &/or services having same PAN as that of said office.

The Input Service Distributor shall distribute the credit of

- Central tax as Central Tax or integrate Tax and
- integrated tax as integrated tax or central tax State tax
- State tax as State tax or integrated tax

by issuing a document containing the amount of ITC being distributed in prescribed manner.

Services by an office of an organisation in one State to branch office in another State, both being distinct persons. [Circular No. 199/11/2023]

1) Can HO avail ITC for common services from 3rd party for HO & BOs, & issue tax invoices to BOs, or muse ISD mechanism?	<ul style="list-style-type: none"> Flexible ITC Distribution: HO can distribute ITC either by ISD mechanism or directly issue tax invoices to Bos. Mandatory ISD Registration: If HO opts for ISD mechanism, it must register as ISD u/s 24(viii) Specific Attributability/Provision: Distribution or invoice issuance only if services are specifically for or actually provided to BOs.
2) Is it mandatory for HO to issue invoices for internal services provided to BOs, especially when full ITC is available to BOs?	<ul style="list-style-type: none"> Valuation as per Rule 28: Value in invoice from HO to BOs is considered as OMV (i.e. value declared in invoice as per proviso 2 of rule 28) if BOs are eligible for full ITC. Uninvoiced Services Deemed as Nil Value: When full ITC is available and HO doesn't issue an invoice, the value of such services is deemed Nil and treated as OMV.
3) Is salary costs to be included by HO?	No Mandatory Inclusion of Salary Costs: It's not required for HO to include employee salary costs in taxable value, even when BOs can't avail full ITC.

The Input Service Distributor may distribute the credit of CGST, SGST & IGST subject to the following conditions namely:-

- ISD Challan :-** The credit can be distributed to the recipients of credit against a document containing such details as may be prescribed
 - Restriction on credit distribution:-** the amount of the credit distributed shall not exceed the amount of credit available for distribution
 - One-to-One Basis:-** the credit of tax paid on IS attributable to a recipient of credit, shall be distributed only to that recipient
- Prorata Distribution :-**
- ITC of IS attributable to more than one recipient - Distribution on pro rata basis of the T/o in state / UT of such recipient during the relevant period to the aggregate of the turnover of all such operational recipients
 - ITC of IS attributable to all recipients - Distribution on pro rata basis of the T/o in state / UT of such all recipient during the relevant period to the aggregate of the turnover of all such operational recipients

Relevant Period

- If T/o of P.F.Y. is available - Take such T/o
- If T/o of P.F.Y. is not available - take T/o of last Quarter of month in which credit to be distributed

Rule 86A: Restrictions on ITC Utilisation

Authority to Restrict ITC	Commissioner or authorized officer can restrict ITC.
Restriction on Liability & Refund	<ul style="list-style-type: none"> ➤ ITC cannot be used to pay any liability u/s 49. ➤ Unutilized ITC cannot be refunded.
Circumstances for imposing Restrictions	<ol style="list-style-type: none"> 1. Invalid Documents: ITC claimed on documents issued by <ul style="list-style-type: none"> ➤ A non-existent or inactive business, a ➤ A person who hasn't paid the tax, or ➤ Without receipt of goods/services. 2. Non-existent RP: ITC claimed by a RP found to be non-existent or not operating from the registered business place. 3. Lack of Valid Documents: ITC claimed without possession of valid documents (tax invoices, debit notes etc.)
Duration of Restrictions	Restrictions last up to 1 year, can be lifted if conditions change.

Rule 86B: Restrictions on ITC available in Credit Ledger

Applicability of Rule 86B	Applies to RPs with taxable supply > ₹ 50 lakh/month.
ITC Utilization Limit	<ul style="list-style-type: none"> ➤ Cannot use > 99% of output tax to discharge output tax liability. ➤ 1% must be paid from E-cash ledger.
Exceptions	<ol style="list-style-type: none"> 1. Paid more than ₹ 1L of income tax in last 2 years. 2. Received more than ₹ 1L of ITC refund (ZRS/ITS). 3. Paid more than 1% of tax from E-cash ledger. 4. Government/PSU/LA/Statutory body.
Commissioner's Authority	May remove restriction after verification.

Taxability of Services Between Offices of Same Organisation in Different States(Cir.No.199/11/2023)

Issue	Clarification	
Can Head Office (HO) Avail ITC for Common Services and Issue Invoices to Branch Office (BO), or Must It Use ISD?	ITC Distribution Method	HO can either use the ISD mechanism or directly issue tax invoices to BO.
	ISD Registration	If HO chooses the ISD mechanism, it must register as an ISD u/s 24(viii).
	Services Specifically for Bos	ITC or invoices can only be issued if the services are specifically for or provided to the BO.
Is HO Required to Issue Invoices for Internally Generated Services to BOs When Full ITC is Available?	Valuation as per Rule 28(2)	If BOs are eligible for full ITC, the invoice value from HO to BO is considered the OMV.
	Uninvoiced Services	If HO doesn't issue an invoice, the value of services is deemed Nil and treated as OMV when full ITC is available.
Is Salary costs to be included by HO?	Inclusion of Employee Salary Costs	HO is not required to include employee salary costs in taxable value, even if BOs can't avail full ITC.



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