Chapter 8

Input Tax Credit

Index

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01. Important Definitions

Q1. Mr. Mohanraj, registered under GST, is engaged in supplying cosmetic items within Kerala. During June:-

- **He paid ₹ 10,000 towards rent to Local Municipal Corporation for the shop taken on rent at a Bus Terminal in Kerala.**
- **He paid a rent of ₹ 20,000 for a residential house property taken on rent in Kerala. This property was used for his personal residence.**

Amounts given are exclusive of tax, wherever applicable. Rates of GST on services are 9%, 9% and 18% for CGST, SGST and IGST respectively. Other conditions for availing ITC are complied with. Amount of ITC that can be claimed by Mr. Mohanraj, for June including RCM transactions if any, will be__________ each under CGST and SGST. [ICAI Case 8 Sub-Q3]

(a)₹3,600

(b) ₹1,800

(c) ₹900

(d)₹2,700

[**Reason**: 1) Refer **sec 2(62)** – input tax includes tax payable under RCM & hence, its ITC is allowed. 2) Mr. Mohanraj has to pay GST under **Entry 5A of RCM** on shop rent of ₹ 10,000 paid to Municipal Corporation, & GST of ₹ 900 each (CGST and SGST) is **fully eligible** as ITC. 3) Residential house property taken on rent is inward supply exempt under **explanation 1 to entry 12** of exemption & thus, no GST is paid on it.]

02. Sec 16:- Eligibility & Conditions for taking of ITC

Sec 16(1):- Eligibility of ITC

Q2. Mr. Kumar, an interior designer, got registered under GST w.e.f. 30th June. On 5th July, he purchased capital goods of ₹ 4,50,000 and from 25th July to 31st July, he availed input services of ₹ 1,75,000 in relation to an output service to be provided in August. All values are excluding taxes. All purchases are intra-State. Rates of tax are CGST - 9% and SGST – 9%.

Eligible ITC that can be availed by Mr. Kumar for July is_______. [ICAI Case 46 Sub-Q3]

(a) CGST ₹ 40,500 & SGST ₹ 40,500

(b) CGST ₹ 15,750 & SGST ₹ 15,750

(c) CGST ₹ 56,250 & SGST ₹ 56,250

(d) CGST ₹ 36,000 & SGST ₹ 36,000

[**Reason**: 1) Supplies received after effective date of registration (30th June) shall be eligible for ITC **u/s 16** unless the same is specifically blocked. 2) ITC on Capital goods- ₹ 4,50,000 x 9% =₹ 40,500 each CGST & SGST. 3) ITC on input services = ₹ 1,75,000 x 9% = ₹ 15,750 each CGST & SGST. 4) Thus, total ITC = ₹ 40,500 + ₹ 15,750 = ₹ **56,250.]**

Q3. Ecotech Solutions Pvt. Ltd. is registered under GST in both Gujarat & Maharashtra under same PAN. Goods ₹1 Crore were originally sold from Gujarat unit in January under multiple

invoices. These goods of ₹1 crore were returned by customer to Maharashtra unit of the company due to defect in March. The customers who returned goods issued an invoice to Gujarat unit of ₹ 1 lakh for the expense related to return of goods. Subsequently, the company moved the goods from Maharashtra unit back to Gujarat unit (original place of supply).

The Company does not have any blocked ITC for the period related to aforesaid transactions. Which of the following option(s) is correct in relation to the invoice of ₹ 1 lakh issued by the customer for the expenses relating to returned goods? [ICAI Case 35 Sub-Q5]

(a) Company shall be eligible to avail full ITC.

(b) Company shall not be allowed to avail ITC.

(c) Company shall not be allowed to avail ITC in excess of 50% of the tax amount charged on such invoice.

(d) Company shall be allowed to claim ITC only if it has not issued any credit note to the customer against such returned goods.

[**Reason**: Invoice of ₹ 1 lakh issued by customer is in course or furtherance of business of Co. & accordingly, ITC on the same cannot be disallowed assuming that it is not specifically blocked under GST provisions.]

Sec 16(2)(a):- Documents needed for availing ITC

Q4. M/s. Maahi & Co., a LLP registered under GST, is engaged in various business activities. It locally purchased the following goods during July:-

(a) Capital goods ₹ 45,000 purchased on which depreciation has been taken on full value including GST.

(b) Raw materials purchased ₹ 55,000 for which invoice is missing but delivery challan is available.

All the amounts given above are exclusive of taxes. Other conditions for availing ITC are fulfilled.

M/s Maahi & Co is eligible to claim ITC on the procurement value of _________. [ICAI Case 36 Sub-Q4]

(a) ₹ 45,000

(b) ₹ 55,000

(c) ₹ 1,00,000

(d) Nil

[**Reason**: Refer **sec 16(2)(a)** - Further, without availability of invoice, ITC related to raw material cannot be claimed. Refer **sec 16(3)** - Depreciation is claimed on total value including GST & hence, ITC cannot be claimed on capital goods.]

Sec 16(2)(b):- Condition of goods &/or services to be received

Q5. Manavtaa Trust ('trust') is registered as charitable trust u/s 12AB of the Income-tax Act, 1961 & registered under GST in Gujarat. Following expenses are incurred by it in August (all transactions being inter-state & amounts are exclusive of GST):-

(i) Services received and used for supplying taxable outward supplies – ₹ 3,50,000.

(ii) Catering services received for students of Manavtaa Higher Secondary School – ₹ 2,00,000.

(iii) Bus purchased with seating capacity of 25 persons including driver – ₹ 10,50,000. Bus was delivered in the first week of September.

All the conditions necessary for availment of ITC are fulfilled subject to the information given.

Determine the amount of ITC that can be credited to the Electronic Credit Ledger of the trust, in August assuming rate of GST to be 18%. [ICAI Case 21 Sub-Q5] [RTP May 23]

(a) ₹36,000

(b) ₹63,000

(c) ₹1,89,000

(d) ₹2,88,000

[**Reason:** ITC ₹63,000 (i.e. ₹ 3,50,000 * 18%) of services received for providing taxable outward supplies is **eligible**. Catering service received by high secondary school is exempted and therefore, **no ITC** is available as no tax is actually paid. Further, bus is received in Sept & thus, condition **u/s 16(2)(b)** [i.e. "goods should be received"] is **not fulfilled** to avail ITC.]

Q6. X Electronics, registered in Gujarat, deals in electronic items. Mr. A (registered in Rajasthan) purchased 5 mobile phones and instructed X Electronics to deliver these to Mr. B in Pune, Maharashtra.

Is Mr. A eligible to take ITC on mobile phones purchased? [ICAI Case 13 Sub-Q5]

(a) No, because he has not received the mobile phones, and one of the conditions for availing ITC is that the registered person must have received the goods.

(b) Yes, in this case it will be deemed that Mr. A has received the goods so, ITC will be available to him.

(c) Yes, but Mr. A has to provide a declaration to the GST department stating that these mobile phones were purchased by him and, on his direction, were delivered to Mr. B.

(d) No, as this transaction is under blocked credit, hence Mr. A can not avail ITC.

[**Reason:** As per **explanation to section 16(2)(b)**, in case of bill to – ship to transactions, ITC will be available to RP, on whose order the goods are delivered to a 3rd person, as it is deemed that goods are received by such RP.]

ITC of goods received in lots

Q7. ABC footwear is registered under GST in Ajmer, Rajasthan. On 15th Feb, ABC footwear purchased soles, leather and other material from XYZ chappal store, which were to be delivered in two lots. XYZ chappal store raised an invoice for entire amount on 15th Feb, and ABC footwear made full payment upon receiving the first lot on 18th Feb. The second and final lot will be delivered by April.

ABC footwear availed full ITC on this purchase, as per the invoice, in Feb. Whether ABC footwear correctly availed the ITC for purchases made from XYZ chappal store? [ICAI Case 16 Sub-Q4]

(a) Yes, ABC footwear can avail full ITC on receipt of first lot.

(b) No, as ITC can be taken only upon receipt of the last lot, even if invoice has been raised and payment has been made.

(c) Yes, ITC can be taken on the basis of tax invoice.

(d) No, ABC footwear can avail only proportionate ITC for first lot received.

[**Reason:** If goods covered under an invoice are not received in a single consignment but are received in lots / instalments, ITC can be taken only **upon receipt of the last** lot / instalment].

Payment for invoice to be made in 180 days, Reversal & Re-availment of ITC

Q8. XYZ Electronics Pvt. Ltd. is a electronic goods manufacturing company registered under GST in Delhi. It transferred goods ₹ 5 crore (exclusive of GST @18%) from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by Gujarat office of the Company to the Delhi office even after 180 days of invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown? [ICAI Case 2 Sub-Q5 - Similar] [ICAI Case 34 Sub-Q6]

(a) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.

(b) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.

(c) The restriction of 180 days for payment of consideration is not applicable in the present case.

(d) The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply.

[**Reason:** As per **proviso to Rule 37(1),** in case of distinct persons having same PAN, restriction of 180 days for payment of consideration is not applicable. Payment is deemed to be made, and ITC reversal condition does not apply.]

Q9. PTL Pvt. Ltd. is a registered company and have retail store of merchandse in 25 States. During July, Mr. Raghav, a customer, filed a law suit in the Court, against company for not supplying goods of ₹

1,00,000. PTL Pvt. Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹ 25,000. Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year. Amounts given are excluding taxes and all transactions are intra State transactions. Rates are CGST - 9% & SGST – 9%.

Which of the following statements is true in respect of the services of advocate availed by the company? [ICAI Case 44 Sub-Q3]

(a) CGST-₹ 2,250 and SGST-₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.

(b) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.

(c) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

(d) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

[**Reason**: 1) Legal services provided by Mr. ram is taxable under **RCM (Entry 2)**. 2) As per **2nd proviso to sec 16(2)**, requirement of reversing ITC on account of non-payment to supplier within 180 days is **not applicable** in case of services liable to GST under RCM.]

Q10. Sambhav Ltd., registered under GST as manufacturer, operates in multiple States across India. The company had reversed ITC related to supply from Rudraksh Enterprises due to non-payment of consideration and tax. Invoice was issued in September of previous financial year. In December of current financial year, the company paid ₹ 5,00,000 along with tax payable thereon to Rudraksh Enterprises after settling the dispute.

Which of the following statements is correct in relation to the re-availment of the ITC that had been reversed earlier, upon payment of disputed amount by the company to Rudraksh Enterprises? [ICAI Case 1 Sub-Q2]

(a) The company could have re-availed the ITC only up to 30th November of the previous financial year.

(b) The company could have re-availed the ITC only up to 30th November of the current financial year.

(c) The company could have re-availed the ITC only up to the end of the previous financial year.

(d) ITC can be re-availed without any time limit after making the payment of disputed amount along with tax payable thereon to Rudraksh Enterprises.

[Reason: Sec 16 does not provide any time limit to re-avail ITC reversed earlier due to non-payment of consideration to supplier.**]**

Sec 16(3):- No ITC allowed, if depreciation is claimed on tax component of CG

Q11. Bali Bells Pvt. Ltd. (referred as Bali Bells) is registered in Chennai, Tamil Nadu. Bali Bells purchased one heavy steel machinery in September for 1,00,000 (excluding GST @ 18%). It capitalized the value of machinery along with GST paid on it in its books of accounts and claimed depreciation on such capitalized value as per Income-tax Act, 1961. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard? [ICAI Case 22 Sub-Q2]

(a) ITC related to purchase of machinery cannot be availed since depreciation has been claimed on such amount under Income-tax Act, 1961.

(b) ITC related to purchase of machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.

(c) ITC related to purchase of machinery shall be allowed in the current financial year only to the extent of the depreciation claimed of such ITC.

(d) Full ITC related to purchase of machinery can be availed in the current year.

[Reason: Refer **Sec 16(3)**- Since Co. has claimed depreciation on the GST amount related to purchase of machinery, ITC shall **not** be available. Recipient can either claim ITC or depreciation on GST, not both.]

Q12. XYZ Electronics Pvt. Ltd. is a electronic goods manufacturing company registered under GST in Delhi. During the year, it purchased plant and machinery worth 1 crore exclusive of GST @18%. The ITC on such plant and machinery is not blocked under any provision of GST law. In relation to plant & machinery purchased by the Company, select the correct alternative from the following: [ICAI Case 34 Sub-Q2]

(a) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income-Tax Act, 1961 shall be ₹ 1.18 crore.

(b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income-Tax Act, 1961 shall be ₹ 1 crore.

(c) ITC cannot be claimed on such transaction and value of asset on which depreciation can be claimed under the provisions of Income Tax Act, 1961 shall be ₹ 1 crore.

(d) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income-Tax Act, 1961 shall be ₹ 82 lakh.

[**Reason**: Refer **Sec 16(3)**- RP can either claim depreciation under Income Tax Act or claim ITC under GST. Both not allowed]

Sec 16(4):-Time limit for availing ITC

Q13. Rapidmove Logistics Pvt. Ltd. (RLPL) is registered in Pune, Maharashtra & engaged in logistics services. During quarter April to June of current year, RLPL received consultancy services from Mr. Shreyas, an architect in March of previous financial year for ₹ 80,000 (exclusive of 18% GST), but ITC was not availed until current financial year. Invoice was dated 20th March of previous financial year. RLPL has filed the annual return for preceding financial year on 15th October, of current financial year.

RLPL can claim ITC for the invoice dated 20th March of the previous FY upto _______of the current financial year. [ICAI Case 2 Sub-Q3]

(a) 30th September

(b) 31st December

(c) 15th October

(d) 30th November

[**Reason**: As per **Sec 16(4)**, the maximum time limit within which ITC can be availed is **15th Oct** i.e. earlier of – (i) Annual return filing date -15th Oct or 30th Nov of current year.]

Q14. Bali Bells Pvt. Ltd. (referred as Bali Bells) is registered in Chennai, Tamil Nadu. On a tax invoice dated 25th July of previous financial year (P.F.Y.) for an inward supply of ₹ 50,000 (excluding GST @ 18%), company has not availed the ITC yet. Bali Bells has not furnished its annual return for P.F.Y. till the end of November and will furnish it in December of the current financial year (C.F.Y.).

Bali Bells can claim ITC on inputs received in July of P.F.Y. up to ___________ of the C.F.Y. [ICAI Case 22 Sub-Q3]

(a) 30th November

(b) 25th July

(c) 31st December

(d) 30th September

[**Reason**: Refer **section 16(4)**- time limit to claim ITC is **30th Nov i.e. earlier of** 30th Nov of following year or annual return filing date (absent). Bali Bells has not furnished its annual return for P.F.Y. till 30th Nov and will furnish it in the month of Dec of C.F.Y.]

03. Sec 17(5):- Blocked Credits

Q15. KBC Insurance Ltd. provides life and non-life insurance products across India with IRDA approval. It received the following intra-state supplies in May and the details of GST paid on such supplies are as follows-

(i) GST paid on purchase of car for use of Managing Director – ₹ 5,00,000

(ii) GST paid on bus (seating capacity for 14 persons) purchased by the company for transportation of its employees from their residence to office and back – ₹ 3,00,000

(iii) GST of ₹ 80,000 was paid on general insurance taken from Amity Insurance Ltd. for motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) which were used in transportation of staff of the company.

The company has a policy to claim ITC for all the capital goods, wherever eligible. Conditions necessary for availment of ITC are fulfilled subject to the information given. Determine the amount of ITC that can be claimed by KBC Insurance Ltd.? [ICAI Case 39 Sub-Q4]

(a)₹80,000

(b)₹3,00,000

(c)₹3,80,000

(d)₹8,80,000

[**Reason**: 1) ITC ₹5,00,000 on purchase of car is **blocked u/s 17(5)(a)**. 2) ITC **₹3,00,000** on motor vehicles (bus) for transportation of persons with seating capacity > 13 persons (including driver) used for any purpose is **allowed**. 3) Refer **Sec 17(5)(ab)**, ITC **₹80,000** of inward general insurance service is **allowed** as the same is used by a RP for making an outward taxable supply of same category (i.e. further supply of general insurance services.]

Q16. PTL Pvt. Ltd. is a registered company and have retail store of merchandse in 25 States. During May:-

- To save employee cost, it purchased a tempo traveller worth ₹ 12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees.
- To ensure the well-being of its employees, it voluntarily obtained group health insurance cover of ₹ 2,00,000 for each employee. The premium of ₹ 1,500 per employee has been paid by it for 100 employees.

Amounts given above are excluding taxes and all transactions are intra State transactions. Rates of taxes are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

Eligible ITC for May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing ITC have been complied with) is: [ICAI Case 44 Sub-Q2]

(a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil

(b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil

(c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000

(d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000

[**Reason**: 1) Tempo traveller- Seating capacity of tempo traveller is 25 i.e. more than 13 persons (including driver) & thus, ITC is **not blocked** as per **section 17(5)(a)**. Further, same is used for business purpose, so **admissible ITC = CGST -₹ 1,68,000, SGST - ₹ 1,68,000**. 2) Health insurance- it is provided by employer to its employees without any statutory obligation i.e. voluntarily. Thus, ITC thereon is **blocked u/s 17(5)(b)**.]

Q17. M/s Cute & Co., a partnership firm, registered under GST in Bengaluru (Karnataka), has provided following information for October:

S. No.	Details of transactions	Amount (₹)
i	Availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account.	1,00,000
ii	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
iii	Availed Information Technology services without consideration for their business from Partner's friend Mr. Allan Waugh from Melbourne, Australia.	Nil

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. Amounts given above are exclusive of taxes.

All the conditions necessary for availing the ITC have been fulfilled. The amount of ITC that can be availed by M/s Cute & Co. is ₹________. [ICAI Case 18 Sub-Q3]

(a) ₹1,80,000
(b) ₹18,000
(c) ₹1,98,000
(d) ₹2,52,000

[**Reason**: Refer **sec 17(5)(a)**, ITC is **not available** for purchase of car as the same is blocked. 2) Refer **sec 17(5)(c)**, ITC on works contract services availed for construction including repairs of immovable property used for business, which is **not capitalized is allowed** (₹ 1,00,000 x 18% =₹ **18,000**). 3) Import of Information Technology services from a non-related person without consideration is not a supply & hence, no tax paid. So, **no question of ITC**.]

Q18. Mr. Rajeev Sharma, a registered supplier in Jaipur, Rajasthan, provides the following details:

i) He purchased raw materials of ₹ 75,000 for business use from Orion Industries, a registered in Bengaluru, Karnataka, on 10th November. He consumed raw materials of ₹ 10,000 from it for his personal use in same month. GST Rate applicable is CGST 2.5%, SGST 2.5%, IGST 5%.

ii) He paid ₹ 1,00,000 on 20th November for membership in a club located in Udaipur, Rajasthan, availed for employees working in the factory (not obligatory under any law). The applicable GST Rate is CGST 9%, SGST 9%, and IGST 18%.

Amounts given are exclusive of tax. All conditions required for availing ITC have been complied with. Amount of total eligible ITC for November is: [ICAI Case 49 sub-Q3]

(a) IGST ₹ 3,750, CGST ₹ 9,000, SGST ₹ 9,000

(b) IGST ₹ 3,250, CGST ₹ 9,000, SGST ₹ 9,000

(c) IGST ₹ 3,750, CGST NIL, SGST NIL

(d) IGST ₹ 3,250, CGST NIL, SGST NIL

[Reason: 1) Eligible ITC on raw material purchased from Orion Industries (inter-state) only for business = (₹ 75,000 * 5%) – (₹10,000 * 5%) being blocked **u/s 17(5)(g)** = **₹ 3,250 IGST.** 2) ITC on Club Membership (₹ 1,00,000 * 9% each) = ₹9,000 CGST & SGST each is **blocked u/s 17(5)(b)** as the same for employees & is not obligatory.]

Q19. XYZ Pvt. Ltd. is a mid-sized company, registered in Delhi, dealing in electronic goods. It organized a distributor conclave in Udaipur, Rajasthan, where the distributors participated from different states.

It provides following details –

i) It purchased certain gift items for distribution to participants in the conclave. The gift items were purchased from the vendor located in Ludhiana, Punjab and were delivered to hotel in Udaipur, Rajasthan for such distribution. The cost of such gift items was ₹ 25 lakh. However, the value of individual gift items was restricted to ₹ 75,000.

ii) It purchased a group insurance policy with premium ₹1 lakh paid for its employees travelling for conclave. There is no requirement under any law requiring such group insurance policy.

The rate of tax applicable is 18% IGST, 9% CGST and SGST each. Which of the following statements is true in relation to the gift items and the group insurance policy purchased by the company? [ICAI Case 24 Sub-Q3]

(a) The company is not eligible to avail ITC in relation to both, gift items & group insurance policy.

(b) The company is eligible to avail ITC related to gifts valuing less than ₹ 50,000.

(c) The company is eligible to avail ITC only on group insurance policy as the same is provided to employees i.e. related person of the Company.

(d) There is no restriction in availment of ITC related to gifts & group insurance policy.

[**Reason**: 1) Refer **sec 17(5)(h)**- ITC **is blocked** for goods distributed as gifts. 2) Refer **sec 17(5)(b)** - ITC is **blocked** for group insurance here as the same is not mandatory under any law.]

Q20. Rapidmove Logistics Pvt. Ltd. (RLPL) is registered in Pune, Maharashtra & engaged in logistics services. During quarter April to June of current year, RLPL procured goods ₹5,00,000 (exclusive of 18% GST) & distributed it as part of its corporate social responsibility (CSR) expenditure required under the Companies Act, 2013. Which of the following options is correct regarding the availability of ITC to RLPL in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity? [ICAI Case 2 Sub-Q2] [ICAI Case 23 Sub-Q3 - Similar]

(a) The amount of ITC related to such procurement of goods is not available to RLPL.

(b) The amount of ITC related to such procurement of goods is available to RLPL.

(c) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to RLPL.

(d) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.

[**Reason**: As per **Sec 17(5)(fa)**, ITC shall not be available for goods and/or services received & used or intended to be used for CSR obligations.]

04. Important Circulars

Q21. PTL Pvt. Ltd. is a registered company & have retail store of merchandise in 25 States. For clearance of stock of merchandise and to attract consumers, it launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers. With respect to "Buy One, Get One free" offer, which of the following statements is true: [ICAI Case 44 Sub-Q1]

(a) It will not be considered as supply at all since no consideration is involved in one of the items.

(b) Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.

(c) These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.

(d) These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.

[**Reason**: **Cir. No. 92/11/2019** clarified that these promotional offers are not individual supplies of free goods, but a case of 2 or more individual supplies where a single price is being charged for entire supply. It can at best be **treated as supplying two goods for the price of one.** This supply will be taxable dependent upon its nature being **composite supply or a mixed supply** & then taxed as per sec 8.]

05. Apportionment of ITC

Q22. Mahadev Housing Society (MHS), registered under GST in Lucknow, has 200 flats & 20 shops as members as under: –

Block	Type	Units (nos.)	Maintenance charges collected per unit (₹)
A & C	3BHK Flats	50 in each block	8,000 (including property tax ₹1,000)
B & D	4BHK Flats	50 in each block	10,000 (including property tax ₹1,500)
E & F	Shops	10 in each block	7,000

Additional information: –

- **Property tax is collected on behalf of the Municipal Corporation.**
- **4 generators each costing ₹ 1,00,000 were purchased from a registered supplier for power backup of the blocks, of which 2 were installed for 3BHK blocks and 2 for 4BHK blocks. The amount capitalised in the books but no depreciation charged.**
- **Pipes and other sanitary fittings costing ₹ 25,000 were purchased for 1 block of 50 3BKH flats from a registered supplier and debited in the Profit and Loss account.**

Other conditions for ITC were complied with and not claimed any depreciation on any assets. All figures are exclusive of GST, wherever applicable. Assume rate of CGST @ 9%, SGST @ 9% and IGST @ 18%. All inward and outward supplies are Intra-State supplies.

The ITC that the society can avail for January is _________. [ICAI Case 4 Sub-Q2]

(a) ₹ 2,250 CGST and ₹ 2,250 SGST

(b) ₹ 18,000 CGST and ₹ 18,000 SGST

(c) ₹ 36,000 CGST and ₹ 36,000 SGST

(d) ₹ 38,250 CGST and ₹ 38,250 SGST

[**Reason**: Amount of ITC to be availed –

Particulars	CGST (₹)	SGST (₹)
2 Generators for 4BHK towers [(₹ 1,00,000 × 2) × 9%]	18,000	18,000
ITC cannot be claimed for purchase of generators (3 BHK Blocks) and pipe &	Nil	Nil

sanitary fittings for block A since maintenance charges for same is exempted		
Value of ITC that can be availed	**18,000**	**18,000**

Notes:-

1) Maintenance charges for each 3BHK flats = ₹ 7,000 (₹ 8,000 – ₹ 1,000 property tax) & for each shop = ₹7,000 is not exceeding ₹ 7,500, thus, **exempt as per Entry 77** of exemption.
2) Property tax collected on behalf of Municipal Corporation is **exempt** under same entry & also excluded while calculating ₹ 7,500 for exemption.
3) Maintenance charges for each 4BHK flats = ₹ 8,500 (₹ 10,000 – ₹ 1,500 property tax) is **taxable & ITC is allowed for inputs & capital goods used for it.**

06. Sec 18:- Availability of credit in Special Circumstances

Sec 18(1): Person becomes liable to register, Voluntary registration, Switch from composition to normal scheme & Switch from exempt to taxable Supply

Q23. Vedanshi & Co., a partnership firm, is engaged in retail trade since 1st April. The firm became liable for registration on 1st October. However, it applied for registration on 10th October. It had inputs held in stock, semi-finished and finished goods. The firm was granted certificate of registration on 5th November. Conditions applicable for availment of ITC are fulfilled. Vedanshi & Co. is eligible to claim ITC in respect of inputs held in stock as on _____. [ICAI Case 42 Sub-Q2]

(a) 30th September
(b) 1st October
(c) 10th October
(d) Not eligible to claim ITC

[**Reason**: Refer **sec 18(1)(a)**, if person applies for registration within 30 days of becoming liable, then he is eligible for ITC on inputs held in stock as on the day preceding **(30th Sept)** the day of becoming liable to register (1st Oct).]

Q24. M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Aggregate turnover of the firm crossed the limit of ₹ 150 lakh in current financial year on 25th September from which date the firm was liable to pay tax under regular scheme. M/s. Veena & Co. will be eligible to claim ITC held on Stock and Capital goods as on _____________. [ICAI Case 37 Sub-Q3]

(a) 1st September
(b) 24th September
(c) 25th September
(d) 30th September

[**Reason**: Refer **sec 18(1)(c)**, RP is entitled to ITC from the day immediately preceding the date from which he becomes liable to pay tax under regular scheme.]

Q25. Vrinda Enterprises is a trader of electronic items in Haryana. It opted for the composition scheme on 1st April of current financial year. However, with effect from 1st July, it switched to regular scheme of paying the tax since its aggregate turnover crossed ₹ 150 lakh. The stock of goods (purchased during last 6 months) and machinery (purchased on 3rd May) on 30th June is ₹ 16,00,000 and ₹ 6,20,000 respectively. Compute the amount of ITC that can be availed by Vrinda Enterprises assuming the applicable rate of GST to be 18%.

a) Nil b) ₹ 3,94,020
c) ₹ 3,96,000 d) ₹ 2,88,000

[**Reason:** Refer Sec 18(1)(c), ITC = [(₹ 16,00,000 + ₹ 6,20,000)*18%] – [(₹ 6,20,000*18% *5%)]
= ₹ 3,99,600 - ₹ 5,580
= ₹ 3,94,020]

Sec 18(6):- Supply of Capital goods or Plant & Machinery on which ITC is taken

Q26. Ash & Co, registered in Delhi, is a manufacturer of hardware items. He has purchased a machine on 01.06.2024 for ₹ 59,000 (₹ 50,000 + ₹ 9000 GST@ 18%). GST of ₹ 9000 has been claimed by him as ITC. Now, on 01.01.2026, he sold his machinery to an unrelated party, Aggawal & Sons of Rajasthan for ₹ 47,200 (40,000 plus ₹ 7,200 GST @ 18%). Determine how much tax Ash & Co. is liable to pay?

(a)₹ 7,200 (b)₹ 5,850
(c) ₹ 9,000 (d)₹ 3,150

[**Reason:** Refer sec 18(6)- Amount to be paid is **₹7,200** higher of – tax ₹7,200 on transaction value or ITC taken reduced by prescribed % ₹5,400 (i.e. ₹9,000 - (₹9,000 * 5% * 8 Qtrs))

07. Rule 86B:- Restrictions on the use of amount available in E-Credit Ledger

Q27. Dua & Co. made an outward inter-State supply of ₹ 80 lakh in the month of March. During the month, it purchased raw material worth ₹ 70 lakh and procured cement of ₹ 5 lakh for making foundation and structural support to a plant and machinery. Assuming that the opening balance of ITC for IGST for the relevant period is ₹ 2 lakh and all inward and outward supplies undertaken in the month of March are inter-State, compute the amount of net IGST payable in cash, if any, for the month of March. Rate of GST applicable is 18%. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

(a)₹ 14,400 (b) Nil
(c) ₹ 14.40 lakh (d) ₹ 9,000

(Hint:- Refer Rule 86B, IGST payable in cash: (₹ 80,00,000 * 1% * 18%) = ₹ 14,400)

08. Combined Questions

Q28. Mr. Pasupathi, registered in Karnataka, is engaged in trading of consumer goods. He paid repair expenses (with GST ₹13000) for trucks used for transportation of goods of his business. He arranged for catering for his workers on Labour Day function and paid bill (GST was ₹ 15,000). He received the first lot of certain goods having GST ₹ 25,000. All the supplies are intra-State & conditions necessary for claiming ITC have been fulfilled subject to information given.

Compute the ITC (except ITC on services taxable under RCM) that can be claimed by Mr. Pasupathi? [ICAI Case 48 Sub-Q2]

(a) ₹28,000

(b) ₹38,000

(c) ₹40,000

(d) ₹13,000

[**Reason**: ITC related to goods received in lots is available upon receipt of **last lot**. ITC related to catering services is **not available** here. Hence, only ITC related to repair expense of trucks shall be **available & also it is not blocked u/s 17(5).]**

Q29. SS interior designers are registered in Indore, Madhya Pradesh. It availed some services taxable under RCM from Mr. Raj (unregistered person) on 20-10-20XX for which payment was made on 10-01-20YY. SS interior designers also issued an invoice on 05-11-20XX. During the year, SS interior designers received following supplies on which GST component is as follows: -

Particulars	**GST (₹)**
Purchase of decor material floor furnishing items etc.	1,55,000
Availed catering services for party organized for staff on successful completion of project	45,000
Paid fitness center membership fees on behalf of Mr. Ajay (Partner of SS interior designers)	6,000
Purchased artworks, mirrors, vases to be received by 15-04-20YY but invoice received before 31-03-20YY	90,000
Availed services of Dhruv Travel Agency for organizing a free vacation for its top performing employees.	50,000
Total GST Component	2,96,000

What will be the amount of eligible ITC to be availed by SS interior designers? [ICAI Case 17 Sub-Q4 – Modified] [ICAI Case 30 Sub-Q5 – Similar]

(a) 1,55,000

(b) 2,45,000

(c) 2,90,000

(d) 2,96,000

[**Reason**: 1) **Sec 16(2)(b)**- RP taking ITC must have **received the goods and/or services**. 2) Further, ITC on Food and beverages, Outdoor catering, Beauty treatment, Health services, Cosmetic and plastic surgery, Life insurance and health insurance, Membership of a club, health and fitness centre, travel benefits to employees is **blocked u/s 17(5)(b), unless** obligatory for employer to provide it to employees under any law. 3) services availed under RCM from URP is to be ignored here as amounts are not given for ITC calculation.]

Q30. Following amounts are being reflected in GSTR-2B of M/s. Sukhiya Associates who is engaged in various businesses, registered under GST, for April:

Particulars	**GST Paid (₹)**
Raw material purchased for construction of immovable property	5,00,000
Free samples distributed	80,000
Trucks used for transport of minerals	1,20,000
Construction of pipelines laid outside the factory premises	3,00,000
Insurance charges paid for trucks used for transportation of goods	80,000

Apart from this, an invoice for purchase of raw materials ₹ 30,000 is not reflected in GSTR-2B of April as the supplier has not furnished his GSTR-1. Moreover, GST of ₹ 25,000 is paid on GTA services received from Sindhu Transporters in April for transport of raw materials. Subject to information given above, all other conditions necessary for availing ITC have been fulfilled.

Compute the amount of ITC that Sukhiya Associates is eligible to avail for the month of April.

(a) ₹2,25,000

(b) ₹7,25,000

(c) ₹10,25,000

(d) ₹2,30,000

[**Reason**: Eligible ITC = ₹1,20,000 for trucks + ₹80,000 for insurance of trucks + ₹25,000 paid under RCM = ₹2,25,000]

Q31. M/s. Neelkanth & Co., registered under GST, is dealing in taxable goods in Karnataka. The firm has paid GST for various items during August as under: -

(a) GST paid on input services intended to be used for personal purposes – ₹ 12,000.

(b) GST paid on purchase of Motor Vehicle for business use (being a two wheeler having engine capacity of 25CC) – ₹ 9,000.

(c) GST paid on purchase of computer – ₹ 19,000 (GST portion was included as part of cost to claim depreciation under Income Tax Act, 1961).

During May, it had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in August. Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	**Payment is due for (Number of days)**	**Related ITC Component (₹)**

XYZ	145	13,000
ABC	199	15,000
PQR	99	20,000

Conditions for availment of ITC are fulfilled subject to information given. Answer the following questions:

i) **Determine the amount of eligible ITC that can be availed by Neelkanth & Co for August? [ICAI Case 33 sub-Q3]**

(a) Nil

(b) ₹19,000

(c) ₹22,000

(d) ₹50,000

[**Reason**: 1) Refer **sec 17(5)(g)** - ITC related to personal expenses is not allowed. 2) Refer **sec 17(5)(a)** - ITC **₹9,000** related to scooter is allowed as the same is not a motor vehicle **(as the engine capacity is not more than 25CC)** 3) ITC related to computer is not available **u/s 16(3)** as depreciation has been claimed on the same. 4) Pending payment was cleared in August. So, ITC **₹10,000** reversed in May shall be available. 5) Total eligible ITC = ₹9,000 + ₹10,000 = **₹19,000.**]

ii) **Compute the amount of ITC to be reversed for September. Ignore interest liability, if any. [ICAI Case 33 sub-Q4]**

a) Nil

b) ₹28,000

c) ₹15,000

d) ₹13,000

[**Reason**: As per **2nd proviso to sec 16(2)**, only ITC relating to the supply where the consideration has not been paid within 180 days is to be reversed in September.]

Answers:

01	c	21	d
02	c	22	b
03	a	23	a
04	d	24	b
05	b	25	b
06	b	26	a
07	b	27	a
08	c	28	d
09	c	29	a
10	d	30	a
11	a	31(i)	b
12	b	31(ii)	c
13	c		
14	a		
15	c		
16	b		
17	b		
18	d		
19	a		
20	a		