

CHAPTER 10 - INPUT TAX CREDIT

Q 1	MR. Vikas purchased spare parts worth ₹75000 as on 01/08/2017, on which CGST @9% i.e 6750, and SGST @9% i.e. 6750, were charged, thus total amount payable against such, purchases is 88500/- here Mr. Vikas															
Solution	<p>As per section 16 (2) (c) of CGST act the tax charge in respect of such supply has being actually paid to the government either in cash or through utilisation of input tax credit admissible in respect of the said supply</p> <p>In the above case as Mr. Vikas has failed to make payment within 180 days from 18/08/2017 does ITC of 13500 on a sum of CGST and SGST shall be added to the output tax liability of Mr. Vikas along with interest thereon from the date of claim of credit.</p>															
Q 2	Q. Mr Akshay purchase goods worth 85000 as on 25/08/2017 in which CGST @ 6% 5100 and SGST @ 5100 were charged thus total amount against such purchases is 95200 which was paid to the supplier Mr. X. He has to pay GST amount of 10200 to the government as and date of filing return determine the tax implications.															
Solution	<p>As per section 16 (2) (c) of CGST act the tax charge in respect of such supply has being actually paid to the government either in cash or through utilisation of input tax credit admissible in respect of the said supply</p> <p>This is one of the conditions to be satisfied to claim input tax credit in the given case the recipient Mr. Akshay shall be eligible to claim input tax credit of 5100 against CGST and 5100 against SGST on a provisional basis.</p>															
Q 3	<p>M/s. Lata trading co purchased certain goods from various traders, Mumbai who agreed to deliver goods as per the contract the supply of goods was in following instalments:-</p> <table><tr><th>Date of receipt of supply</th><th>Instalments</th><th>Value of goods</th></tr><tr><td>10.06.17</td><td>1st</td><td>15,000</td></tr><tr><td>10.07.17</td><td>2nd</td><td>35,000</td></tr><tr><td>10.08.17</td><td>Last</td><td>42,000</td></tr><tr><td></td><td>Total</td><td>92,000</td></tr></table> <p>The above goods are subject to CGST and SGST @6% each, invoice of 92,000 was issued along with supply of 1st lot of goods. Explain in accordance with the provisions of GST act, whether, M/s. Lata trading co. is eligible to take input tax credit on proportionate basis.</p>	Date of receipt of supply	Instalments	Value of goods	10.06.17	1 st	15,000	10.07.17	2 nd	35,000	10.08.17	Last	42,000		Total	92,000
Date of receipt of supply	Instalments	Value of goods														
10.06.17	1 st	15,000														
10.07.17	2 nd	35,000														
10.08.17	Last	42,000														
	Total	92,000														
Solution	<p>M/s. Lata trading co. is not eligible to take credit on proportionate basis, as per proviso to, section 16(2) where the goods against the invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalments.</p> <p>Therefore, in the given case M/s. Lata shall be eligible to claim ITC only upon receipt of last instalments i.e. as on 10.08.2017</p>															

Q 4 M/s Q Ltd. Purchased input for 3,00,000 vide tax invoice no. 12 dated 1st December 2017, M/s Q Ltd. Has submitted annual return for the financial year 2017-18, on 15th September 2018, and return for September 2018, has been filed, 19th Oct, 2018, find the time limit within which input tax credit can be availed an input by Q Ltd. M/s Q Ltd. Want to take input tax credit on such input on 30th September 2018, advice,

Solution Time limit to avail the credit is earlier of the following:

a) 9th October 2018

Or

b) 15th September 2018

Therefore, M/s Q cannot the avail the input tax credit after 15th September 2018.

Q 5 Mr. Arun a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2017.

SR.NO	PARTICULARS	₹
1	Interstate taxable supply of goods	10,00,000
2	Intra state taxable supply of goods	2,00,000
3	Intra state purchases of taxable goods	5,00,000

He Has The Following Input Tax Credit At The Beginning Of August 2017,

SR.NO	NATURE	ITC AMOUNT IN ₹
1	CGST	20,000
2	SGST	30,000
3	IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively,

Both inward and outward supplies are exclusive taxes are wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Arun for the month of August 2017,

Solution Computation of net GST payable by Mr. Arun for the month of August, 2017 working of GST payable on outward supplies

Sr.No	Particulars	₹	GST (₹)
i	Intra state taxable supply of goods		
	CGST @ 9% on 2,00,000	18,000	
	SGST @ 9% on 2,00,000	18,000	36,000
ii	Interstate taxable supply of goods		
	IGST @ 18% on 10,00,000		1,80,000

Computation of total ITC

Particulars	CGST@9%	SGST@ 9%	IGST@ 18%
Opening ITC	20,000	30,000	25,000
Add: ITC on intra state purchase of	45,000	45,000	

taxable goods valuing 5,00,000			
Total ITC	65,000	75,000	25,000

Particulars	CGST@9%	SGST@ 9%	IGST@ 18%
GST payable	18,000	18,000	1,80,000
Less: ITC	18,000	18,000	25,000
			47,000
			57,000
Net GST payable	Nil	Nil	51,000

Note:- ITC of IGST, CGST & SGST have been used to pay IGST in that order

M Ltd. a registered supplier, supplying taxable as well as exempted goods, provides following Turnover details during the month of August, 2018.

Particulars	Rs.
Value of taxable supply of goods	12,00,000
Value of Zero rated taxable Supply of goods	5,50,000
Value of Exempted Supply of goods	5,00,000
Supply of goods made for non-business use	50,000
Total	23,00,000

Details of Input tax paid on Capital goods for the month of August, 2018 areas under

Particulars	CGST	SGST	Total
i) Credit on capital goods exclusively used for supplying exempted goods.	10,800	10,800	21,600
ii) Credit on capital goods exclusively used for supplying taxable goods [including zero rated supplies]	45,000	45,000	90,000
iii) Credit on capital goods exclusively used for supplying goods for non-business use	11,700	11,700	23,400

Capital goods used for both supply of taxable as well as exempt goods :

Capital Goods	Value of inward supplies [exclusive of CGST & SGST]	CGST@9%	SGST@9%	Date of inward supplies
A	5,60,000	50,400	50,400	12.01.2018
B	2,56,000	23,040	23,040	21.4.2018
C	4,56,000	41,040	41,040	25.8.2018

Q. 6

		Total	1,14,480	1,14,480	
Solution	<p>Determine the credit on capital goods attributable for tax period of August, 2018.</p> <p>A consignment of 1000 Kgs of inputs was received. The GST @ 5% paid as per invoice was Rs. 10,000. While the inputs were in transit, 100 kgs were destroyed and it was found that these were not usable. State eligibility of input tax credit as per GST Act?</p> <p>As per section 2(59) of CGST Act, 2017, "input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.</p> <p>As per Section 16(2)(b) a registered person shall be entitled to claim the credit of any input tax in respect of any supply of goods provided he has received the goods.</p> <p>As per Section 17(5) of CGST Act, 2017 input tax credit shall not be available in respect of the following supplies & as per clause (h) of Section 17(5), goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples credit is not available.</p> <p>As per above provisions of CGST Act, 2017, in the given case as inputs lost in transit and not yet received by the recipient and thus does not satisfies the criteria to avail ITC so no credit shall be available for 100 kgs. of inputs destroyed in transit.</p>				
Q.7	<p>Hence in the above case, input tax credit is not available to the extent of 100 kgs. of inputs destroyed in transit as not yet received by the recipient. But the manufacturer shall be eligible to take input tax credit of remaining inputs 900 kgs. i.e. Rs. 9000/- on receipt of such inputs.</p>				
Solution	<p>500 pieces of inputs were received. GST paid on these inputs was Rs. 2500. These were issued to production, while in process of production line fire broke out & 200 pieces of inputs lying on shop floor were destroyed. State eligibility of Input tax credit as per GST Act ?</p> <p>As per Section 2(59) of CGST Act 2017, "input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business & As per section 16(2)(b) a registered person shall be entitled to claim the credit of any input tax in respect of any supply of goods provided he has received the goods.</p> <p>As per Sec. 17(5) of CGST Act, 2017, input tax credit shall not available for goods destroyed.</p> <p>In the given case as 200 pieces of inputs were received & were in process of production i.e. were intended to be used in the business, Thus 200 pieces of inputs destroyed in WIP are eligible for input tax credit as they are used in the factory.</p> <p>On basis of analysis of above provisions as per CGST Act in the above case credit shall be allowed for the inputs used in the production as they are destroyed during the process of</p>				

Q.8 manufacture.
It is as per are opinion that credit on inputs destroyed while in production process should be allowed. However, This matter is in litigation and needs a clarification.

Solution Smart Pvt. Ltd. in respect of various inputs purchased during the month of August, 2017 pertaining to which following information is provided determine the amount of input tax credit admissible to Smart Pvt.Ltd.

Sl.No.	Particulars	Rs.
1.	Exide battery units purchased against a tax invoice issue by Exide Ltd. Smart Pvt. Ltd. has made payment to Exide Ltd. for such purchases in the month of Sept. 2017 [WN-1]	54,000
2.	Spare parts purchased invoice is missing [WN-1]	-
3.	Auto parts purchased for personal consumption [WN-2]	-
4.	Purchased spare parts from Aksa Ltd. [Invoice of Aksa Ltd. is received in month of August 2017, but goods were received in month of Sept. 2017]. [WN-3]	-
5.	Goods purchased from Asha Ltd. payment against which is made by Smart Pvt. Ltd. to Asha Ltd. but tax has not been deposited by Asha Ltd. [WN-4]	-
	Total admissible Input tax credit for the month of August	54,000

Q.9

ABC (Pvt.) Ltd. is engaged in supplying goods to its customer within the state and it's not liable for registration under section 22 of CGST Act, 2017, From 20.01.2018 onwards, it started interstate supply of taxable good for this purpose it applied for registration on 28.01.2018 and same has been granted to him. The liability of CGST, SGST and IGST for the month of January, 2018 is Rs. 32,000, 32,000 and Rs. 45,000 respectively and ABC Pvt. Ltd. has to make e-payment of tax on due date i.e. on 20.02.2018.

ABC Pvt. Ltd. has provided the following details of stock of input held on 19.01.2018 and taxes paid thereon :-

Particulars	CGST	SGST
A. Inputs received on 12.12.2017 lying in stock	4,500	4,500
B. Inputs received on 16.01.2018 lying in semi-finished stock	5,600	5,600
C. Inputs received on 26.11.2017 lying in finished stock	8,500	8,500

Solution

Determine the amount of Input tax credit eligible for ABC Pvt. Ltd. Would your answer differ if input category (A) is purchased on 14.01.17.

As per Section 18(1)(a) of CGST Act, a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration i.e. 19.01.2018.

As per section 18(2) of CGST Act, A registered person shall not be entitled to take input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.

Particulars	CGST@9%	SGST@9%
A. Inputs received on 12.12.2017 lying in stock	4,500	4,500
B. Inputs received on 16.01.2018 lying in semi-finished stock	5,600	5,600
C. Inputs received on 26.11.2017 lying in finished stock	8,500	8,500
Total eligible input tax credit	18,600	18,600

If input under category (A) are purchased on 14/01/2017, then in that case no ITC will be available as the period of one year is expired from date of issue of invoice till date of Registration with respect to (A) category only.

Daksh Ltd. a registered manufacturer demerged its entity into DG gold Ltd. and DG gold testing Ltd. The total value of Assets of Daksh Ltd. is Rs. 45,00,000 and unutilized credit on account of CGST, SGST and IGST amounted to Rs. 56,000, Rs. 65,000 and Rs. 75,000 respectively.

The value of assets of DG Gold Ltd. and DG Gold Testing Ltd. is Rs. 20,00,000 and Rs. 25,00,000 respectively. Discuss the eligibility of credit transferred to the new units on account of Demerger.

As per section 18(3) of CGST Act, Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilized in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.

As per Rule 41 of CGST Rules 2017, in case of demerger, input tax credit shall be apportioned in the ratio of value of assets of new unit as specified in demerger scheme. In the given case, credit transferred to both the new units would be :-

Particulars	Daksh Ltd.	DG Gold Ltd.	DG Gold Testing Ltd.
Value of Assets	45,00,000	20,00,000	25,00,000

Q.10

Solution

Q.11	Unutilized credit relating to : CGST [to be apportioned in ratio of value of assets of DG Gold and DG Gold Testing Ltd.]	56,000	24,889	31,111
	SGST	65,000	28,889	36,111
	IGST	75,000	33,333	41,667

Solution

M/s. Akshaya Enterprises removed its Refractory Bricks as a scrap at a transaction value of Rs. 35,000 as on 25.12.2017? What would be the impact on GST if such Refractory bricks are treated as capital goods?

As per section 18(6) of CGST Act, where refractory bricks, moulds and dies, jigs and fixtures are supplied as a scrap, there shall be no requirement for reversal of input tax credit, taxable person may pay tax on the transaction value of such goods determined u/s. 15 of CGST Act.

In the given case, Refractory bricks are cleared as scrap, the manufacturer shall pay an amount equal to the tax leviable on transaction value i.e. CGST of Rs. 35,000 * 9% = Rs. 3,150 and SGST of Rs. 35,000 * 9% = Rs. 3,150.

Q.12

Ceramity Ltd. has following units : [ICAI Study Material - Final]

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

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

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

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

Solution

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

What should be the distribution of the credit?

As per rule 39(d) of CGST Rules relating to ITC -

Rs. 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.

Of the remaining Rs. 6 lakh, Hassan unit will not be entitled to any credit as ITC is distributed to only those recipients which supply goods and / or services.

Rs. 6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2017-18.

- Tumkur unit will get $[27 \text{ crores}/30 \text{ crores}] \times 6 \text{ lakh} = \text{Rs. } 5.4 \text{ lakh}$;
- Hyderabad service centre will get $[1 \text{ crore}/30 \text{ crores}] \times 6 \text{ lakh} = \text{Rs. } 20,000$; and
- Chennai Service Centre will get $[2 \text{ crore}/30 \text{ crores}] \times 6 \text{ lakh} = \text{Rs. } 40,000$.