



Input Tax Credit for Construction Industry & ISD

MPS SENGAR,

What is Input Tax Credit

- ▶ Input Tax Credit (ITC)
- ▶ Input Tax Credit means credit of GST paid by you on the purchase of goods and services;
- ▶ There is a mechanism to allow credit of GST paid on Goods and Services purchased by a Builder;

What is Input Tax Credit

- ▶ ITC is allowed on Goods and/or services **used** or **intended** to be used-
 - ✓ in the Construction business and
 - ✓ for **promotion/furtherance** of Construction business

Includes tax paid on reverse charge basis under section 9(3) and 9(4).

What is Input Tax Credit

- ▶ This Credit can be used only for payment of GST on your sales;
- ▶ The ITC of GST paid on purchase of Goods is divided into TWO Categories-
 - A. ITC on Inputs and
 - B. ITC on Capital Goods.

INPUT TAX CREDIT: CONCEPTS



- ❑ **Capital goods means:- Goods, Value of which is capitalised in the Books of Accounts- e.g. Dumpers, Tippers, Concrete Mixers, Cranes etc.**
- ❑ **Subject to exceptions under Section 17(5)-Like Motor vehicles (Cars or Bus)**

INPUT TAX CREDIT: CONCEPTS



❑ **Input** means -

- any goods other than capital goods
- Like- Sand, Bricks, Cement, Steel, Glass, Wooden/Plastic/Metal Frames, Paint, Sanitaryware, Pipes, Tiles, Wire/cables, Electrical fittings etc.
- Subject to exceptions under Section 17(5)- e.g. Food & Beverages, items for personal consumption etc.

INPUT TAX CREDIT: CONCEPTS

- ❑ **Input services means -**
 - any services
 - Like- Architect, Banking & Finance, Legal services, CA, Inward transportation of goods, Labour contracts, works contracts, Advertising/Publicity, Security, Marketing etc.
 - Exceptions under Section 17(5)-e.g. Rent-a-cab, membership of club, outdoor catering etc.

INPUT TAX CREDIT: CONCEPTS



- ❑ ITC can be used only for payment of GST payable on sales;
- ❑ ITC cannot be used for payment of Tax on Reverse Charge;
- ❑ **Reverse charge** means the liability to pay tax on your purchases of goods or service- under sub-section 9(3) or (4)

Who is Eligible for ITC



- ❑ **Every person** having GSTIN;
- ❑ A person, who has applied for registration within 30 days of becoming liable for registration:
 - entitled to ITC of input tax in respect of goods held in stock and inputs contained in semi-finished or finished stock on the day immediately preceding the date from which he is liable to pay tax.

Claiming ITC



- ❑ **Every person** having GSTIN;
- ❑ A person, who has applied for registration within 30 days of becoming liable for registration:
 - entitled to ITC of input tax in respect of goods held in stock and inputs contained in semi-finished or finished stock on the day immediately preceding the date from which he is liable to pay tax.

Features of ITC Provisions



- ❑ ITC is allowed subject to fulfillment of four conditions –
 - He should be in possession of tax paying document issued by a supplier;
 - He has received the goods and / or services;
 - The tax charged on such supply has been actually paid to the government;
 - He has furnished the return

Features of ITC Provisions



- ❑ The invoice should contain the GSTIN of the supplier as well as buyer;
- ❑

Features of ITC Provisions....



- ❑ ITC entitlement only on receipt of last lot of goods where goods are received in lots/ instalments;
- ❑ No ITC if value and tax, chargeable on goods/ services received, is not paid within 180 days from the date of Invoice;
- ❑ If not paid then ITC to be reversed with Interest.

Features of ITC Provisions....



- ❑ Transfer of ITC permitted in case of change in constitution due to sale, merger, amalgamation etc., with specific provision for transfer of liabilities;
- ❑ No ITC on an invoice after the expiry of one year from the date of issue of such invoice (New Registrations).

Claiming ITC-Right Accounting Period



- ❑ No ITC- After expiry of one year from the date of issue of invoice(New Registrations).
- ❑ No ITC beyond September of the following FY, to which invoice pertains, or date of filing of annual return, whichever is earlier;

Contd.



- **Reason:-** No rectification is permitted after September of next FY or filing of annual return.

Features of ITC Provisions....



□ Proportionate ITC allowed:

- Where goods and/or services are partly used for business and non-business purposes or taxable and exempt supplies.

Features of ITC Provisions....



- ❑ ITC not allowed, in case depreciation is claimed on tax component of capital goods, under Income Tax Act.
- ❑ Reversal of ITC or payment of GST on sale value, whichever is higher, in case of capital goods are sold after availing ITC.

Features of ITC Provisions....



- ❑ Capital Goods are disposed after taking ITC---ITC on Capital Goods shall be allowed @5% per Quarter from the date of Invoice of Supplier;
- ❑ In case ITC is to be reversed on capital goods, it shall be calculated by reducing 5% per quarter of use or part thereof (from the date of Invoice under which the same were received)

Features of ITC Provisions....



- ❑ ITC available, only on provisional basis, as self-assessed in the return;
- ❑ Provisional ITC can be utilized for payment of GST;
- ❑ ITC to be confirmed only after matching of supplier's and recipient's invoice details;

Features of ITC Provisions....



□ Manner of utilization of ITC:-

- ITC of IGST can be used for payment of IGST, CGST and SGST;
- ITC of CGST can be used for payment of CGST and IGST;
- ITC of SGST can be used for payment of SGST and IGST;
- ITC of UTGST can be used for payment of UTGST and IGST;



Features of ITC Provisions....



- ❑ ITC of CGST cannot be used for payment of SGST;
- ❑ ITC of SGST cannot be used for payment of CGST;
- ❑ Unutilized ITC to be carried forward.

INPUT SERVICE DISTRIBUTOR (ISD)

INPUT SERVICE DISTRIBUTOR



- ❑ Input Service Distributor (ISD) means-
 - an office of supplier of goods and / or services
 - which receives tax invoices and takes ITC, towards receipt of input services;
 - He can distribute the ITC under a prescribed document to his other Locations having same PAN;

INPUT SERVICE DISTRIBUTOR



- ❑ **ISD** to obtain **registration** without any threshold limit;
- ❑ ISD provision are for transfer of ITC on input services availed in one office but the said services are actually used in different units registered in different States or business verticals located in a State.

SALIENT FEATURES



- ❑ ITC available in a month to be distributed in the same month and details to be furnished in GSTR-6.
- ❑ ISD may distribute ITC, if ISD & recipient are located in different States:-
 - CGST as IGST
 - IGST as IGST
 - SGST as IGST
 - UTGST as IGST

SALIENT FEATURES



- **ISD may distribute credit, if ISD & business verticals are located in same State:-**
 - **CGST & IGST as CGST**
 - **SGST & IGST as SGST**
 - **UTGST & IGST as UTGST**

SALIENT FEATURES



- Manner of distribution of ITC by ISD:-
 - credit to be distributed under a prescribed document containing details as prescribed;
 - amount of credit to be distributed should not exceed credit available;

SALIENT FEATURES



- ❑ ITC of input service shall be distributed only to that LOCATION where it was actually used;
 - ITC of input services attributable to more than one LOCATION shall be distributed to all such locations in the ratio of their turnover during the relevant period;

SALIENT FEATURES



□ Relevant period:

- If the Location have turnover in the Previous FY– the said FY
- if some of Locations do not have turnover in the previous FY– the last quarter for which details of turnover of all Locations are available

THANK YOU