# The Institute of Chartered Accountants of India

## GST & Indirect Taxes Committee

# National Conference on GST at Kochi

## Topic: Input Tax Credit

(Date: 08-07-2026)

Session By :

**CA RISHABH A PARIKH**

FCA, MCom(F&T), DISA(ICAI), PGD(GST), BCom, Social Auditor

# INTRODUCTION

**"Input tax credit" means the credit of input tax;**

**"Input tax" in relation to a registered person**

## INPUT TAX

- **MEANS**
  - Tax payable under forward charge in respect to supplies made to recipient
- **INCLUDES**
  - Tax payable under reverse charge
  - IGST leviable on import of goods
- **EXCLUDES**
  - Composition tax

CGST | SGST | UTGST | IGST

# Section 16 – CGST Act 2017

**16(1)**
Registered person to take credit of tax paid on inward supplies of goods and/or services

used/intended to be used in the course or furtherance of business

if these SIX conditions are fulfilled

**16(2)(a)**
He has valid tax invoice/debit note/prescribed tax paying document.

# Section 16

**16(2)(aa)**
Details of invoices / debit notes uploaded by the supplier in his GSTR-1 /1A or using IFF & details communicated in Form GSTR-2B

+

**16(2)(c)**
Tax on such supply has been paid

- In cash

OR

- By utilization of ITC

+

**16(2)(b)**
He has received goods and/or services.

Goods delivered / services provided to third person on the direction of the registered person deemed to be received by the registered person ITC available to registered person [Bill to Ship to Model]

+

**16(2)(ba)**
Details of ITC in respect of the said supply communicated to the registered person u/s 38 not restricted

+

**16(2)(d)**
He has furnished return u/s 39

# Section 16

**If depreciation claimed on tax component**

ITC not allowed – Section 16(3)

**Goods received in lots**

ITC allowed upon receipt of last lot

**Section 16(4) Time limit for availing ITC**

ITC pertaining to a particular FY can be availed by 30th November of next FY or filing of annual return, whichever is earlier.

**Exception**

Re-availment of ITC reversed earlier

# Contents of Invoice - Rule 46

| | | | |
|---|---|---|---|
| Name, address & GSTIN of supplier | Consecutive Serial Number & date of issue | Name, address & GSTIN of recipient, if registered | Name & address of recipient alongwith delivery address , name & State code, if not registered |
| HSN | Description of goods or services | Quantity in case of goods | Total Value of supply |
| Taxable Value of supply | Tax rate – Central tax & State tax or Integrated tax, cess | Amount of tax charged | Place of supply |
| Address of delivery where different than place of supply | Tax payable on reverse charge basis | Signature of supplier or authorised signatory - not req. if e-invoice issued as per IT Act, 2000 | QR code having embedded IRN in it - in case if e-invoice issued |

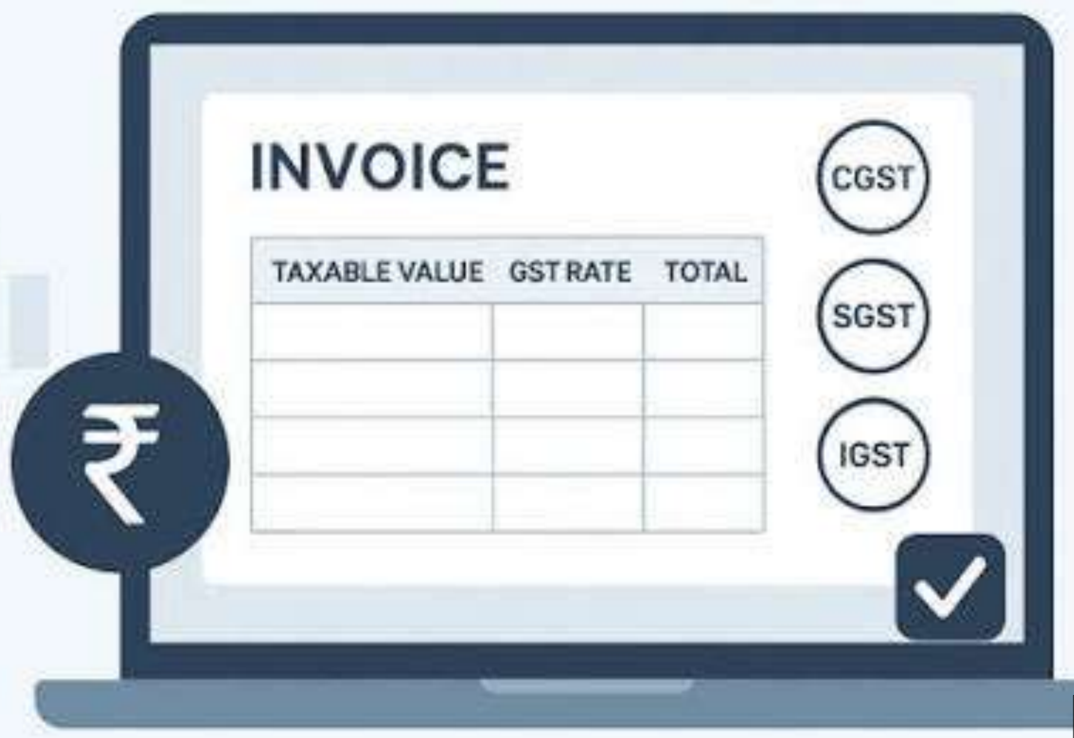
# Question

CAN ITC BE DENIED ON GROUNDS THAT ALL DETAILS AS REQUIRED IN INVOICE AS PER RULE 46 ARE NOT MENTIONED IN THE INVOICE ISSUED BY SUPPLIER ?

# Rule 36(2)

ITC shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document (Inserted vide NNo.39/2018 - CT dated 04.09.2018)
Provided that if the said document does not contain all the specified particulars **but contains the details of**

- **The amount of tax charged,**
- **Description of goods or services,**
- **Total value of supply of goods or services or both,**
- **GSTIN of the supplier and recipient and**
- **Place of supply in case of inter State supply,**




ITC may be availed by such registered person.

# Manner of issuing the invoice – Rule 48

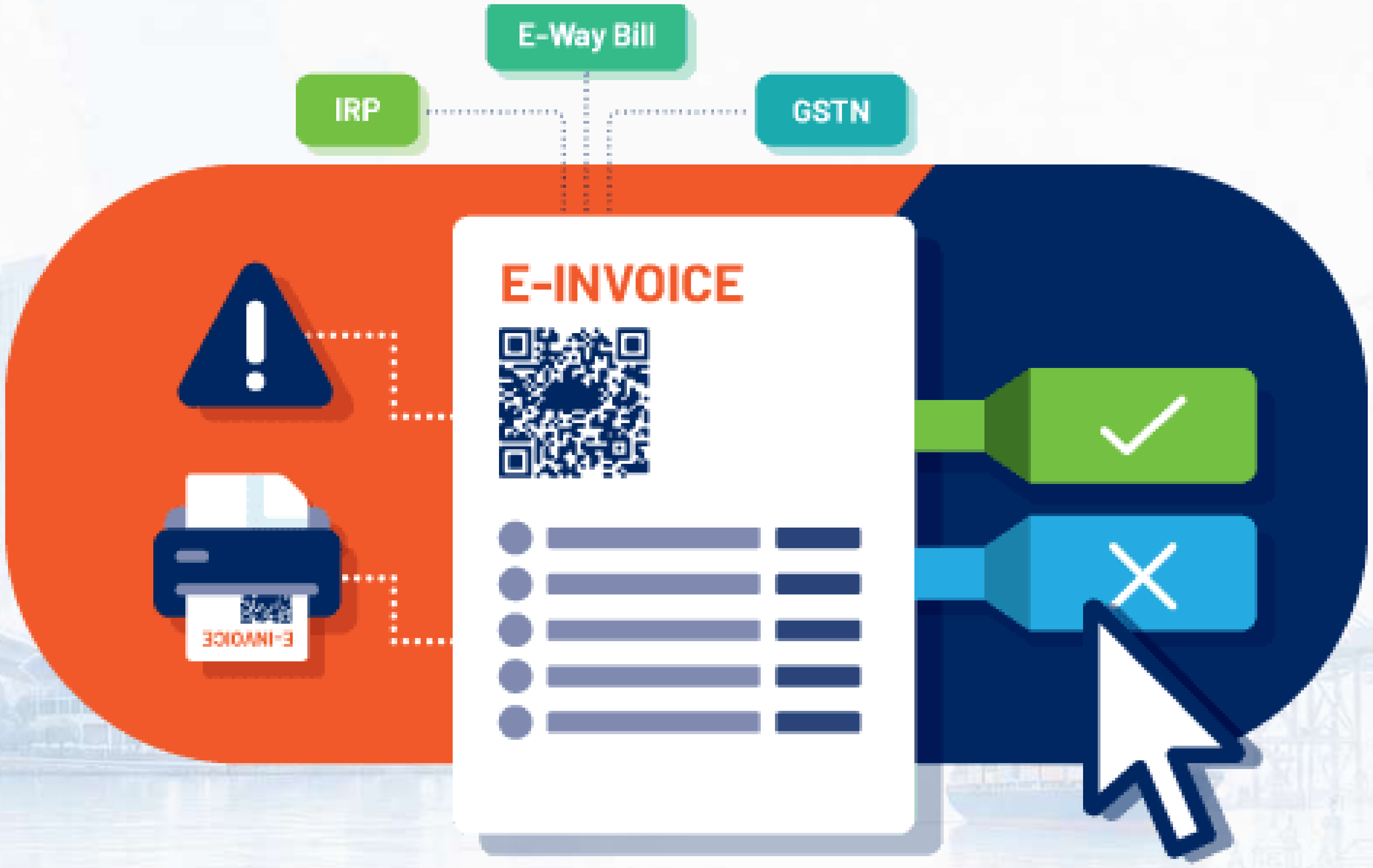
| Supply of Goods | Supply of services |
|---|---|
| **Triplicate** | **Duplicate** |
| Original copy for recipient<br>Duplicate copy for transporter; and<br>Triplicate copy for supplier | Original copy for recipient; and<br>Duplicate copy for supplier |

The serial number of invoices issued during a month / quarter shall be furnished electronically in FORM GSTR-1.

Where e-invoicing is applicable → No need of issuing invoice copies in triplicate/duplicate

# Question

CAN ITC BE DENIED ON GROUNDS THAT INVOICE (WITHOUT IRN) WAS ISSUED BY SUPPLIER INSTEAD OF E INVOICE?



# Rule 48(4) and 48(5)

48(4): The invoice shall be prepared by such class of registered persons as may be notified by the Govt, on the recommendations of the Council, by including such particulars contained in FORM GST INV-01 after obtaining an IRN by uploading information contained therein on the Common GST Electronic Portal in such manner and subject to such conditions and restrictions as may be specified in the notification.

Provided that the Commissioner may, on the recommendations of the Council, by notification, exempt a person or a class of registered persons from issuance of invoice under this sub-rule for a specified period, subject to such conditions and restrictions as may be specified in the said notification.

**48(5): Every invoice issued by a person to whom sub-rule (4) applies in any manner other than the manner specified in the said sub-rule shall not be treated as an invoice.**

# Clarifications

## Circular No. 160/16/2021 GST dated 20.09.2021

**There is no requirement to carry the physical copy of tax invoice in cases where e-invoice has been generated by the supplier.**
Whenever e-invoice has been generated, production of the Quick Reference (QR) code having an embedded Invoice Reference Number (IRN) electronically, for verification by the proper officer, would suffice.

## Circular No. 198/10/2023 GST dated 17.07.2023

Registered person whose turnover exceeds 5 Crore, is required to issue e-invoices for the supplies made **TO** such Government Departments or establishments/ Government agencies/ local authorities/ PSUs, etc. under rule 48(4) **even if they are registered solely for the purpose of deduction of TDS as per provisions of section 51**.

# Clarification on applicability of e-invoicing w.r.t an entity

## Circular No. 186/18/2022-GST

| | |
|---|---|
| Whether the exemption from mandatory generation of e-invoices in terms of Notification No. 13/2020-Central Tax, dated 21st March, 2020, as amended, is available for the entity as whole, or whether the same is available only in respect of certain supplies made by the said | In terms of Notification No. 13/2020-Central Tax dated 21st March, 2020, as amended, certain entities/sectors have been exempted from mandatory generation of e-invoices as per sub-rule (4) of rule 48 of Central Goods and Services Tax Rules, 2017. It is hereby clarified that the said exemption from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity. |

# Question

**When can ITC be availed in case of EX Factory or EX Works Contract?**

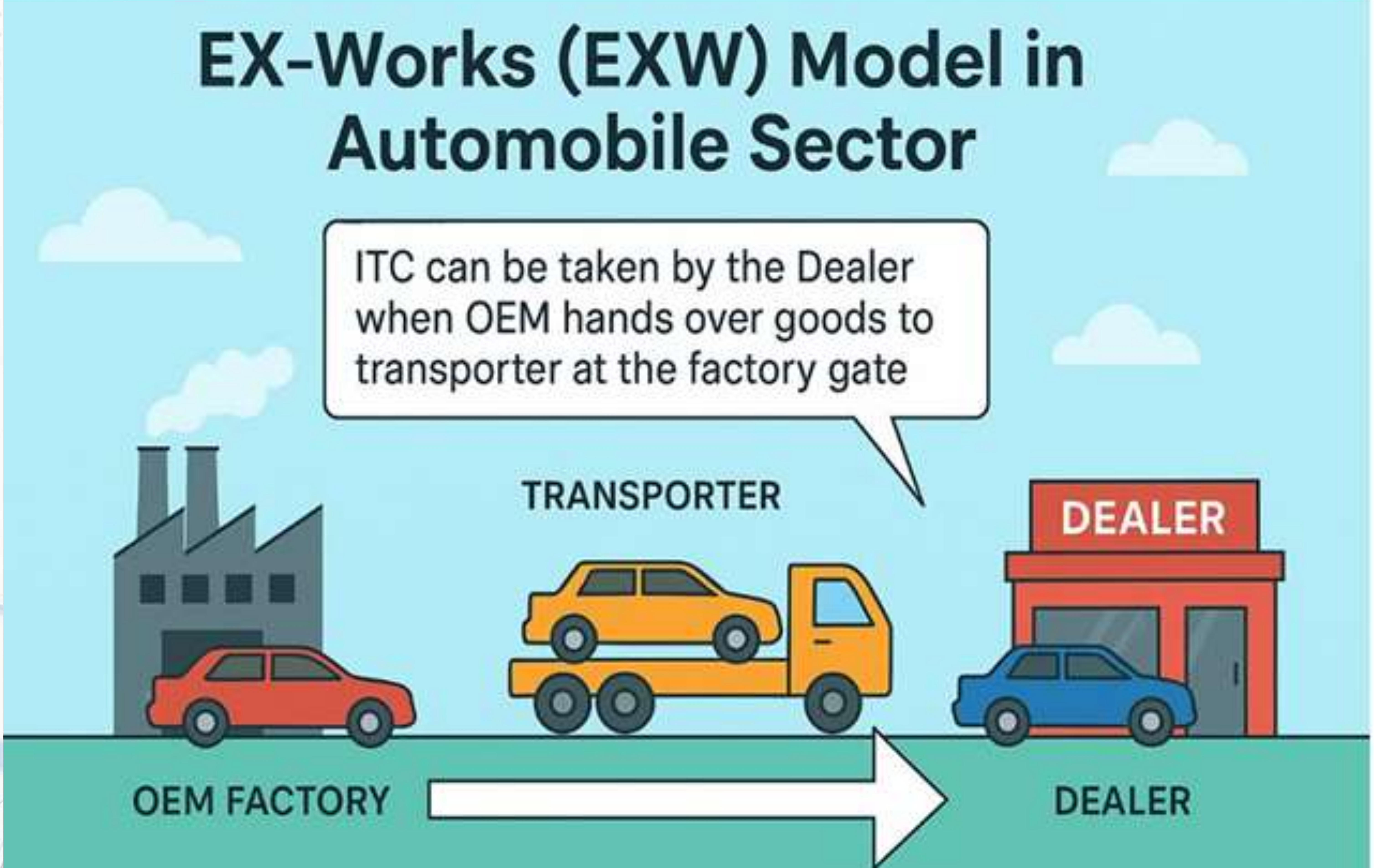
**At actual time of receipt of goods at Recipient's PoB or any other date?**

# Circular No. 241/35/2024 GST dated 31.12.2024

As per section 16(2)(b) of CGST Act 2017, ITC can be availed only when goods or services have been received by recipient

**The registered person (recipient) can be considered to have "received" the said goods at the time of such handing over of the goods by the supplier to the transporter, at his factory gate, for their onward transmission to the said registered person (the dealer).**

- However, if the goods are found to have been diverted for non-business purposes at any stage, either before physically receiving the said goods at his business premises or subsequently, the registered person shall not be entitled to ITC on such goods in terms of section 16(1) of CGST Act.
- Further, if at any time after "receiving" the goods, such goods are lost, stolen, destroyed, written off or disposed of by way of gift or free samples, the registered person would not be entitled to the ITC in respect of such goods as per provisions of section 17(5)(h) of CGST Act


EX-Works (EXW) Model in Automobile Sector
ITC can be taken by the Dealer when OEM hands over goods to transporter at the factory gate
TRANSPORTER
DEALER
OEM FACTORY
DEALER

# Question

What shall be last date to avail ITC in case of RCM on Inward supplies ?

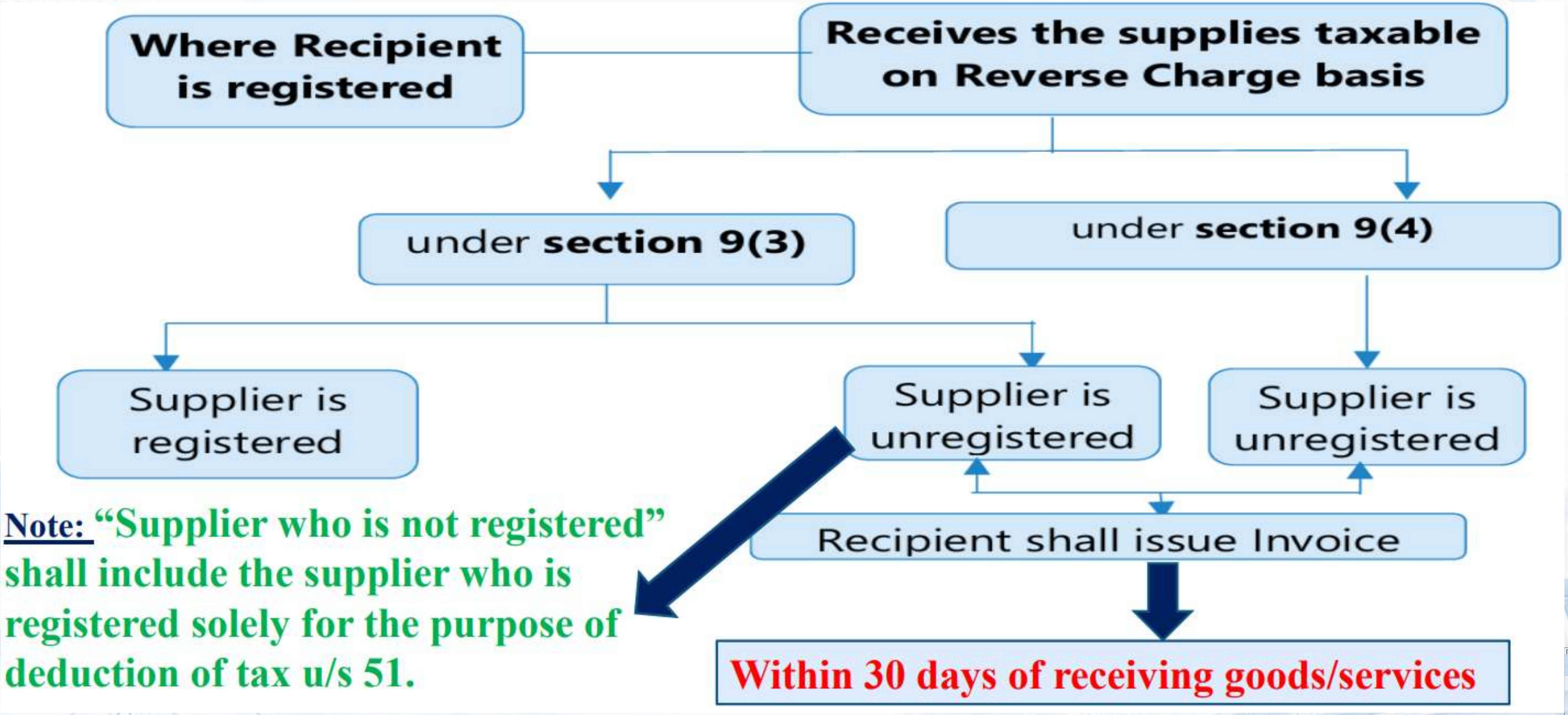
# Clarification on time limit u/s 16(4)

**Clarification on time limit u/s 16(4) of the CGST Act in respect of RCM supplies received from unregistered person**

**[Circular No. 211/5/2024 GST dated 26.06.2024]**


- The relevant FY for calculation of time limit for availment of ITC u/s 16(4) of the CGST Act **will be the FY in which the invoice has been issued by the recipient u/s 31(3)(f) of CGST Act, subject to payment of tax** on the said supply by the recipient and fulfilment of other conditions and restrictions of section 16 and 17.
- In case, the recipient issues the invoice after the time of supply of the said supply and pays tax accordingly, he will be required to pay interest on such delayed payment of tax.
- Further, in cases of such delayed issuance of invoice by the recipient, he may also be liable to penal action u/s 122 of the CGST Act.

# Self Generated Invoice
# Section 31(3)(f) r/w Rule 47A

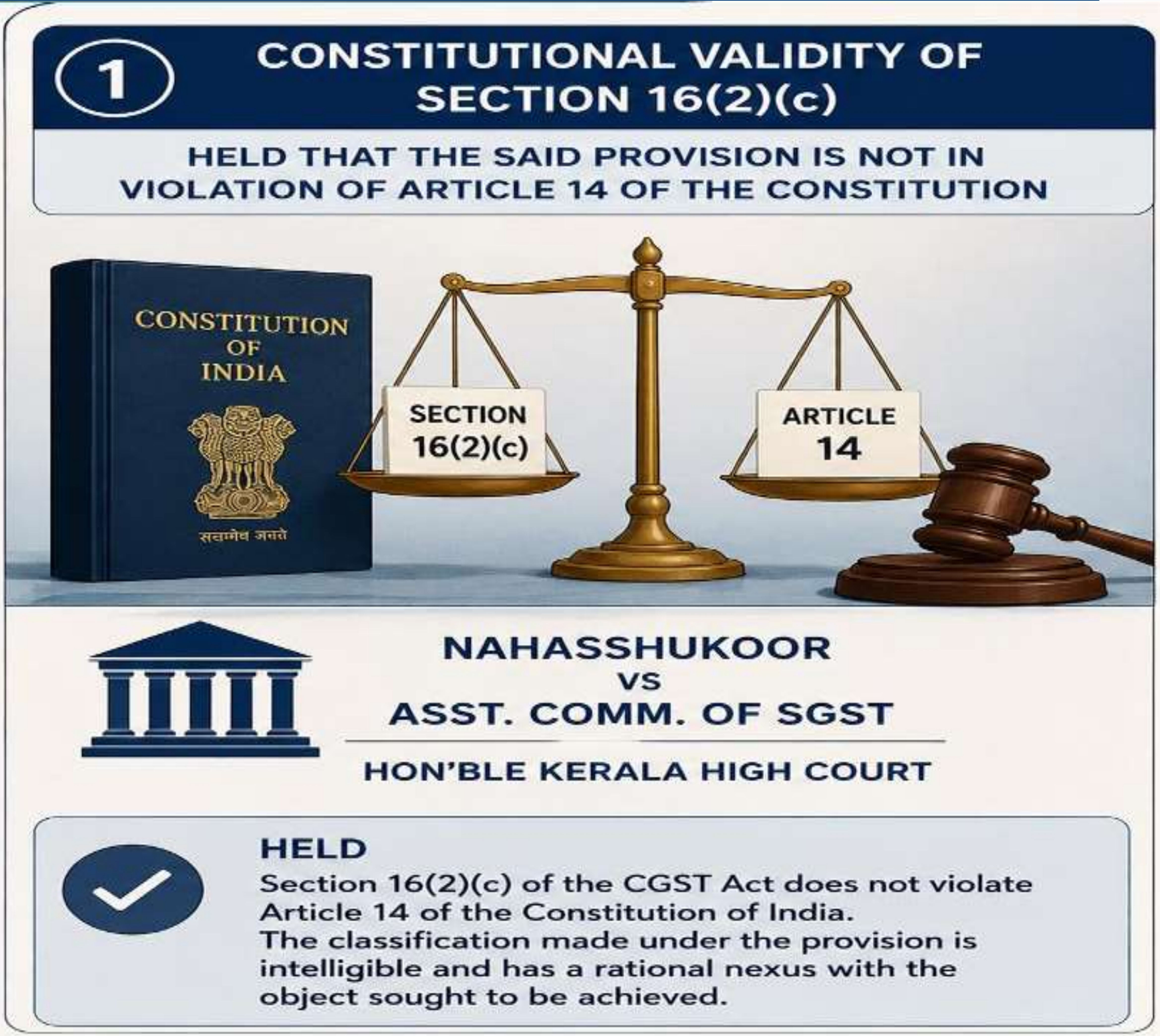


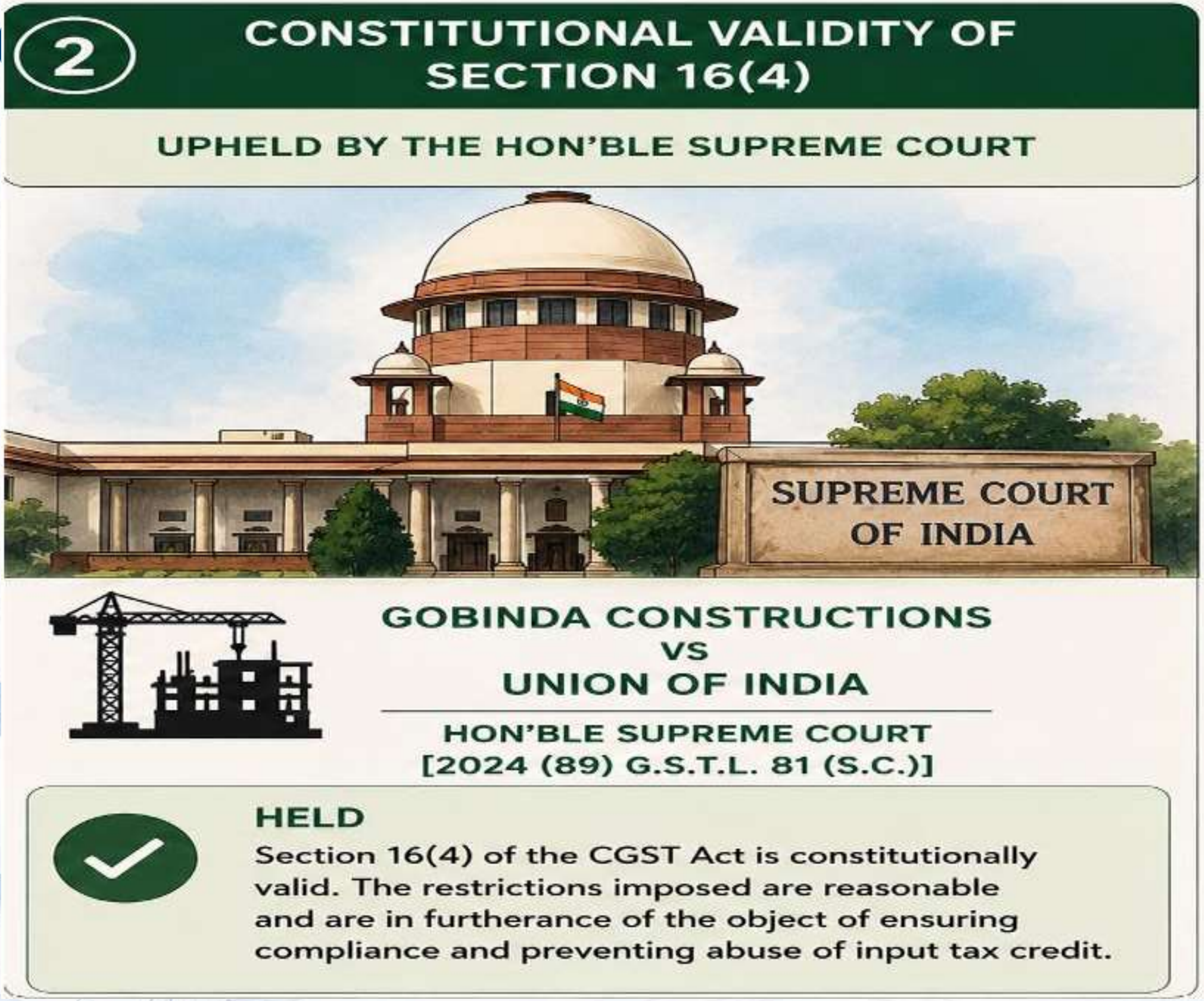
# Judgements

Constitutional Validity of **Section 16(2)(c) –**

**it was held that the said provision is not in violation of Article 14 of the Constitution.**

**Nahasshukoor Vs Asst. Comm. Of SGST – Hon'ble Kerala HC**






# Judgements

Constitutional Validity of Section 16(4) – upheld in the case of Gobinda Constructions Vs UOI (Hon'ble Supreme Court) [2024 (89) G.S.T.L. 81 (S.C.)]

# Section 16(2)(c) and Section 41

## Section 16(2)(c)

**Subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Govt, either in cash or through utilisation of ITC admissible in respect of the said supply**

## Section 41- Availment of ITC **(Prospective w.e.f 01-10-22)**

(1) Every registered person shall, subject to such conditions & restrictions as may be prescribed, be entitled to avail eligible ITC, **as self-assessed**, in his return and such amount shall be credited to his e credit ledger.

(2) ITC availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, **shall be reversed** along with applicable interest, by the said person in such manner as may be prescribed:

Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.

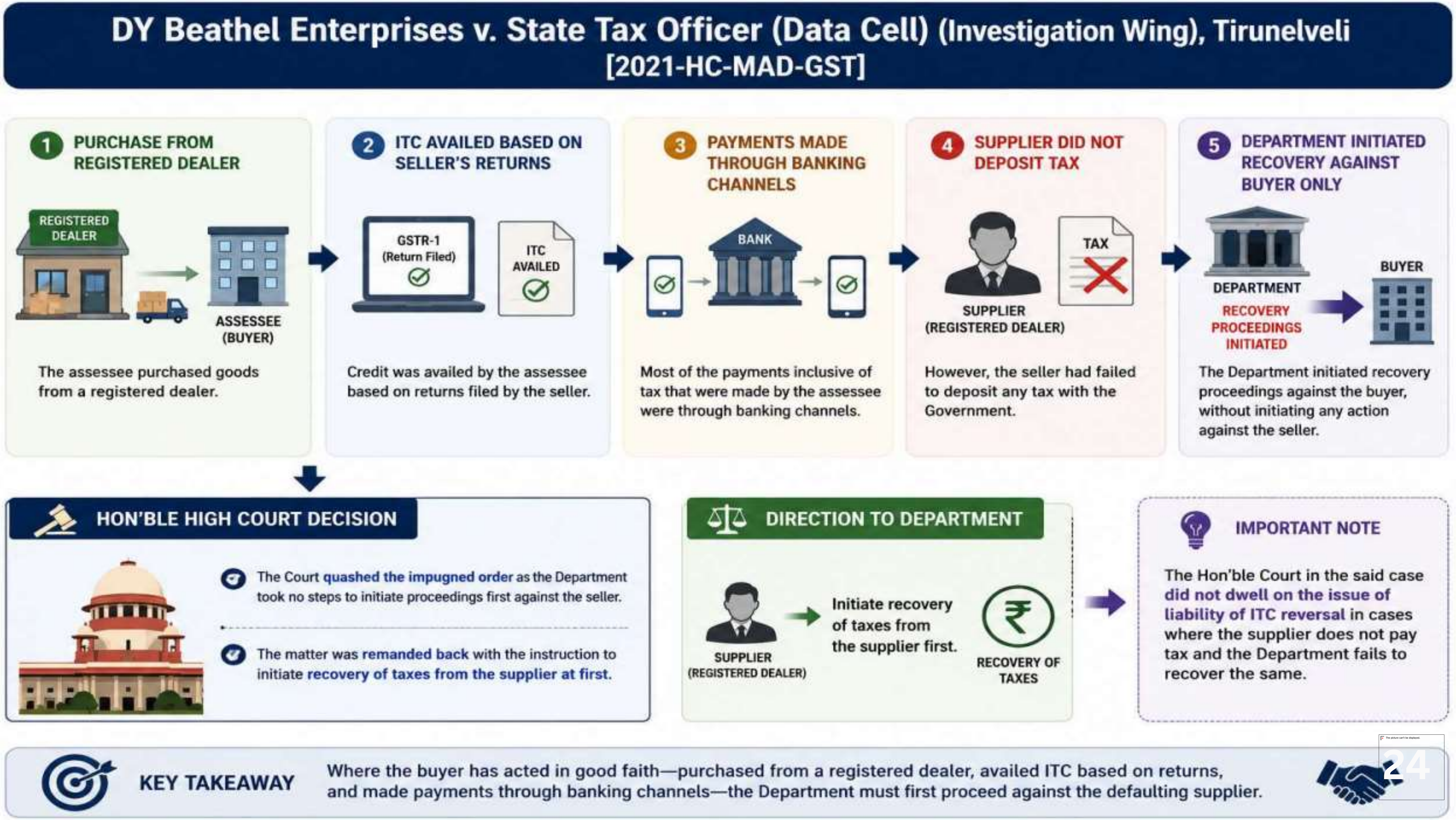
# Rule 37A -Inserted vide NNo 26/2022 – CT dated 26.12.22

[14][**Rule 37A. Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof.-**

Where input tax credit has been availed by a registered person in the return in **FORM GSTR-3B** for a tax period in respect of such invoice or debit note, the details of which have been furnished by the supplier in the statement of outward supplies in **FORM GSTR-1** [15][, as amended in FORM GSTR-1A if any,] or using the invoice furnishing facility, but the return in **FORM GSTR-3B** for the tax period corresponding to the said statement of outward supplies has not been furnished by such supplier till the 30th day of September following the end of financial year in which the input tax credit in respect of such invoice or debit note has been availed, the said amount of input tax credit shall be reversed by the said registered person, while furnishing a return in **FORM GSTR-3B** on or before the 30th day of November following the end of such financial year:

**Provided** that where the said amount of input tax credit is not reversed by the registered person in a return in **FORM GSTR-3B** on or before the 30th day of November following the end of such financial year during which such input tax credit has been availed, such amount shall be payable by the said person along with interest thereon under section 50.

**Provided** further that where the said supplier subsequently furnishes the return in **FORM GSTR-3B** for the said tax period, the said registered person may re-avail the amount of such credit in the return in **FORM GSTR-3B** for a tax period thereafter.]


DY Beathel Enterprises v. State Tax Officer (Data Cell) (Investigation Wing), Tirunelveli
[2021-HC-MAD-GST]
1 PURCHASE FROM REGISTERED DEALER
REGISTERED DEALER
ASSESSEE (BUYER)
The assessee purchased goods from a registered dealer.
2 ITC AVAILED BASED ON SELLER'S RETURNS
GSTR-1 (Return Filed)
ITC AVAILED
Credit was availed by the assessee based on returns filed by the seller.
3 PAYMENTS MADE THROUGH BANKING CHANNELS
BANK
Most of the payments inclusive of tax that were made by the assessee were through banking channels.
4 SUPPLIER DID NOT DEPOSIT TAX
SUPPLIER (REGISTERED DEALER)
TAX
However, the seller had failed to deposit any tax with the Government.
5 DEPARTMENT INITIATED RECOVERY AGAINST BUYER ONLY
DEPARTMENT
RECOVERY PROCEEDINGS INITIATED
BUYER
The Department initiated recovery proceedings against the buyer, without initiating any action against the seller.
HON'BLE HIGH COURT DECISION
The Court quashed the impugned order as the Department took no steps to initiate proceedings first against the seller.
The matter was remanded back with the instruction to initiate recovery of taxes from the supplier at first.
DIRECTION TO DEPARTMENT
SUPPLIER (REGISTERED DEALER)
Initiate recovery of taxes from the supplier first.
RECOVERY OF TAXES
IMPORTANT NOTE
The Hon'ble Court in the said case did not dwell on the issue of liability of ITC reversal in cases where the supplier does not pay tax and the Department fails to recover the same.
KEY TAKEAWAY
Where the buyer has acted in good faith—purchased from a registered dealer, availed ITC based on returns, and made payments through banking channels—the Department must first proceed against the defaulting supplier.

# LGW Industries Ltd. vs. Union of India [(2022) (Calcutta HC)]

## CASE BACKGROUND

Taxpayer (LGW Industries Ltd.)

made purchases from certain suppliers.

→ These suppliers were found to be **NON-EXISTING.**

→ INPUT TAX CREDIT

Taxpayers were asked to **REVERSE ITC** along with **INTEREST** and **PENALTY.**

→ GST REGISTRATION CANCELLED

Registration of such suppliers was also **CANCELLED** from **RETROSPECTIVE DATE.**

The Court remanded the case back to the concerned authority with directions to examine the following aspects:

## ASPECTS TO BE CHECKED BY THE CONCERNED AUTHORITY

1. The genuineness of the documents on the basis of which credit was availed by the taxpayer;
2. Whether payments on purchases along with GST were actually paid or not to the supplier;
3. Whether verification was done by the taxpayer to check the genuineness of the supplier;
4. Whether the transactions and purchases were made before or after the cancellation of registration of the suppliers;
5. Compliance of statutory obligation by the petitioners in verification of identity of the suppliers (RTP).

## IF IT IS FOUND, UPON CONSIDERING THE RELEVANT DOCUMENTS

GENUINE

- All the purchases and transactions in question are **genuine** and supported by **valid documents**;
- The transactions in question were made **BEFORE** the cancellation of registration of those suppliers;
- After taking into consideration the judgments of the **Hon'ble Supreme Court** and **various Hon'ble High Courts** referred in this order;

## THEN, IN THAT EVENT

INPUT TAX CREDIT

The petitioners shall be given the **BENEFIT OF INPUT TAX CREDIT** in question.

## KEY TAKEAWAY

ITC cannot be denied automatically on the ground of supplier being non-existing or registration being cancelled. The **genuineness of transactions, payments, documents, and due diligence** by the taxpayer must be examined before denial of ITC.

The Hon'ble Calcutta High Court emphasized that bona fide taxpayers should not be penalized for default or fraud (if any) of their suppliers, provided the taxpayer has acted with due diligence and the transactions are genuine.

# THE COMMISSIONER, TRADE AND TAX, DELHI
## vs.
# M/S SHANTI KIRAN INDIA (P) LTD.

**SUPREME COURT OF INDIA | 9 OCTOBER 2025**

**BENCH**
Justice Manoj Misra & Justice N. Kotiswar Singh

**CITATION**
Civil Appeal Nos. 2042–2047 of 2015 with CA No. 9902 of 2017

**APPELLANT**
Commissioner, Trade and Tax, Delhi

**RESPONDENT**
M/s Shanti Kiran India (P) Ltd.

**LAW INVOLVED**
Section 9(2)(g) of Delhi VAT Act, 2004

### 1. BACKGROUND

Respondent purchased goods from registered dealers.

- Suppliers issued valid tax invoices and charged VAT.
- Respondent paid full value including VAT and availed ITC.
- Later, Department found suppliers did not deposit VAT with Government and some registrations were cancelled.
- Department denied ITC to purchaser.

### 2. LEGAL ISSUE

Can ITC be denied to a genuine purchasing dealer merely because the selling dealer failed to deposit the tax collected from the purchaser into the Government treasury?

### 3. DEPARTMENT'S ARGUMENT

- ITC is a statutory concession.
- Law requires tax to be deposited with Government.
- Since seller failed to deposit, purchaser cannot get credit.
- Otherwise, Government suffers revenue loss.

### 4. ASSESSEE'S ARGUMENT

- Purchased from registered dealers with genuine invoices.
- Paid VAT to supplier in good faith.
- No mechanism to verify whether supplier deposits tax.
- Department has all information and enforcement powers.
- Innocent purchaser should not be penalized for supplier's default.

### 5. DELHI HIGH COURT HELD

- Bona fide purchaser should not lose ITC for seller's default.
- Section 9(2)(g) read down to avoid arbitrary and unconstitutional results.
- Department challenged in Supreme Court.

### 6. SUPREME COURT'S FINDINGS

- Sellers were registered on the date of transaction.
- Purchasers paid tax as per invoices and acted bona fide.
- Seller default occurred after the transaction.
- No allegation that purchasers were involved in fraud.

**ITC cannot be denied after verification of genuine invoices merely because the seller failed to deposit tax.**

### 7. OPERATIVE CONCLUSION

The respondents were bona fide purchasing dealers who had paid taxes in good faith to registered selling dealers and were therefore entitled to the benefit of ITC after due verification of invoices.

**APPEALS DISMISSED.**

### 8. WHAT THE JUDGMENT DOES NOT SAY

Protection is not automatic. ITC can still be denied where there is evidence of:

- Fake invoices
- Bogus transactions
- Accommodation entries
- Collusion
- Non-existent supplier
- Participation in fraud

### 9. CONDITIONS FOR PROTECTION (IMPLIED)

- Purchase is genuine
- Tax invoice is genuine
- Supplier registered on date of supply
- Goods actually received
- Payment made
- Books and records maintained
- No collusion / fraud

### 10. SIGNIFICANCE & RELEVANCE

- Responsibility to deposit tax lies with the supplier.
- Purchaser cannot be expected to monitor supplier's tax remittance.
- Affirms principles of On Quest decision.
- Strong persuasive value under GST for disputes u/s 16(2)(c) etc., subject to GST provisions & jurisprudence.

**KEY TAKEAWAY**

A bona fide purchasing dealer who has purchased from a registered supplier, paid the invoice value including tax, and possesses genuine tax invoices cannot be denied Input Tax Credit merely because the supplier later fails to deposit the tax with the Government, unless the purchaser is involved in fraud, collusion, or sham transactions.

# DISCOUNTS, CREDIT NOTE & IMS and its impact on ITC

# Credit Notes in GST – Section 34

Where one or more tax invoices have issued for supply of any goods or services or both

Taxable value in invoice >Taxable value in respect of such supply

Tax charged in invoice >Tax payable in respect of such supply

OR

where the goods supplied are returned by the recipient

OR

where goods or services or both supplied are found to be deficient

**Registered Supplier of goods or services or both**

**may issue** one or more credit notes for supplies made in a FY

**Recipient of goods or services or both**

# Credit Note

- As given in Circular 92/11/2019 GST dated 07.03.19, Credit note(s) are **NOT PERMITTED** to be issued in case **SECONDARY DISCOUNTS** are allowed by the supplier since the tax liability of the supplier does not get reduced in such case.

However, supplier can issue **financial/ commercial credit note**(s) to reduce the value of supply payable by the recipient to the supplier

- Any registered person who issues a credit note shall **declare the details** of such credit note in the return for the month during which such credit note has been issued but not later than:

(i) 30th November following the end of the FY in which such supply was made, or
(ii) The date of furnishing of the relevant annual return, **whichever is earlier**.

However, no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

# Clarification on Post Supply Discounts

## Circular No. 251/08/2025-GST dated the 12th September, 2025

The circular clarifies on

- Non-reversal of ITC on account of post-sale discount through financial/commercial credit note;
- Treatment of the post-sale discount provided by manufacturer to the dealer as additional consideration, in the transaction between dealer and end-customer;
- Treatment of post-sale discount as consideration lieu of promotional activities etc. performed by the dealer.

# Circular No. 251/08/2025-GST

| Topic / Issue | Question | Clarification | Key Condition |
|---|---|---|---|
| **ITC & Credit Notes** | If a supplier gives a post-sale discount via financial or commercial credit note, does recipient have to reverse already claimed ITC? | No reversal required as long as the credit note is financial/ commercial and doesn't reduce GST liability or taxable value. | Supplier's tax liability shall remain unchanged; original transaction value (for GST) must remain as originally declared. |
| **Discounts from Manufacturer to Dealer** | Is the discount from manufacturer to dealer included in dealer's sale price to end customer (i.e. part of consideration)? | Generally, No — it is just a reduction in cost, not a payment for supply. | Applies when there is no direct agreement between manufacturer and customer. |
| **Agreed Discount for End Customer** | What happens if manufacturer agrees with end customer for a reduced price, and dealer is compensated by the manufacturer? | Then the discount is treated as inducement / consideration in the dealer's supply. | There must be a prior agreement linking manufacturer, dealer, and end customer. |
| **Promotional / Service Activities** | Could the discount be treated as consideration for services performed by the dealer (e.g. marketing)? | Only when there is a formal agreement that defines the service and consideration — then GST applies. | Must specify services and consideration; mere expectation of promotional benefit is not enough. |

# Recommendations by 56th GST Council

The Council has recommended for amendment of section 15 and 34 of CGST Act, 2017 in respect of Post Sale Discount. It recommends,

- To omit section 15(3)(b)(i) of CGST Act, 2017 thereby omitting the requirement of establishing the discount in terms of an agreement entered into before or at the time of such supply and specifically linking of the same with relevant invoices,

- To amend section 15(3)(b) of CGST Act, 2017 to provide that discount should be granted through a credit note issued under section 34 of the CGST Act and to correspondingly amend section 34 to include a reference to section 15(3)(b), so as to provide for reversal of Input tax credit by the recipient in case where a post-sale discount is given and value of supply is reduced through GST Credit note.

Further in order to ensure uniformity, The CBIC on **1st October 2025 through Circular No. 253/10/2025 – GST has withdrawn** circular No.212/6/2024-GST dated 26th June 2024 wherein clarifications were given in relation to mechanism for providing evidence of compliance of conditions of Section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers. **Therefore, the procedure prescribed vide the aforesaid circular for providing evidence of compliance of conditions of Section 15(3)(b)(ii) shall not be required.**

# Sec 15(3)(b)-
# Treatment of Post Supply Discounts

**The value of the supply shall not include any discount which is given**

## Before Finance Act 2026

- After the supply has been effected, if-

i. such **discount is established in terms of an agreement** entered into at or before the time of such supply and **specifically linked to relevant invoices**; and

**ii. ITC** as is attributable to the discount on the basis of document issued by the supplier has been **reversed** by the recipient of the supply

## After Finance Act 2026

- After the supply has been effected, if for such discount, a **credit note** has been issued by the supplier and **ITC** as is attributable to such discount has been **reversed** by the recipient of the supply, in accordance with the provisions of section 34

# IMS for Inward Supplies

## Invoice Management System (IMS) Dashboard - Inward Supplies

VIEW ADVISORY | HELP

GSTIN - 29INAGL7852N2ZM | Legal Name - Sweta PVT LTD | Trade Name - GSTN

All other ITC | Inward Supplies from ISD | Import of Goods

**All other ITC** - Total 33 Records

| S.No. | Heading | Number of Records | | | |
|---|---|---|---|---|---|
| | | No Action | Accepted | Rejected | Pending |
| I | B2B - Invoices | 0 | 2 | 3 | 1 |
| II | B2B - Invoices (Amendments) | 4 | 0 | 0 | 0 |
| III | B2B - Debit Notes | 4 | 0 | 0 | 0 |
| IV | B2B - Debit Notes (Amendments) | 3 | 0 | 0 | 0 |
| V | B2B - Credit Notes | 5 | 0 | 0 | 0 |
| VI | B2B - Credit Notes (Amendments) | 1 | 3 | 0 | 0 |
| VII | Eco [9(5)] Invoices | 4 | 0 | 0 | 0 |
| VIII | Eco [9(5)] Invoices (Amendments) | 3 | 0 | 0 | 0 |

BACK TO DASHBOARD | DOWNLOAD IMS DETAILS (EXCEL) | COMPUTE GSTR-2B (MAY 2025)

# Case 1: New Pending Option for Credit Notes in IMS

**IMS Dashboard (Inward Supplies) - B2B Credit Notes (with all status)**

VIEW ADVISORY | HELP

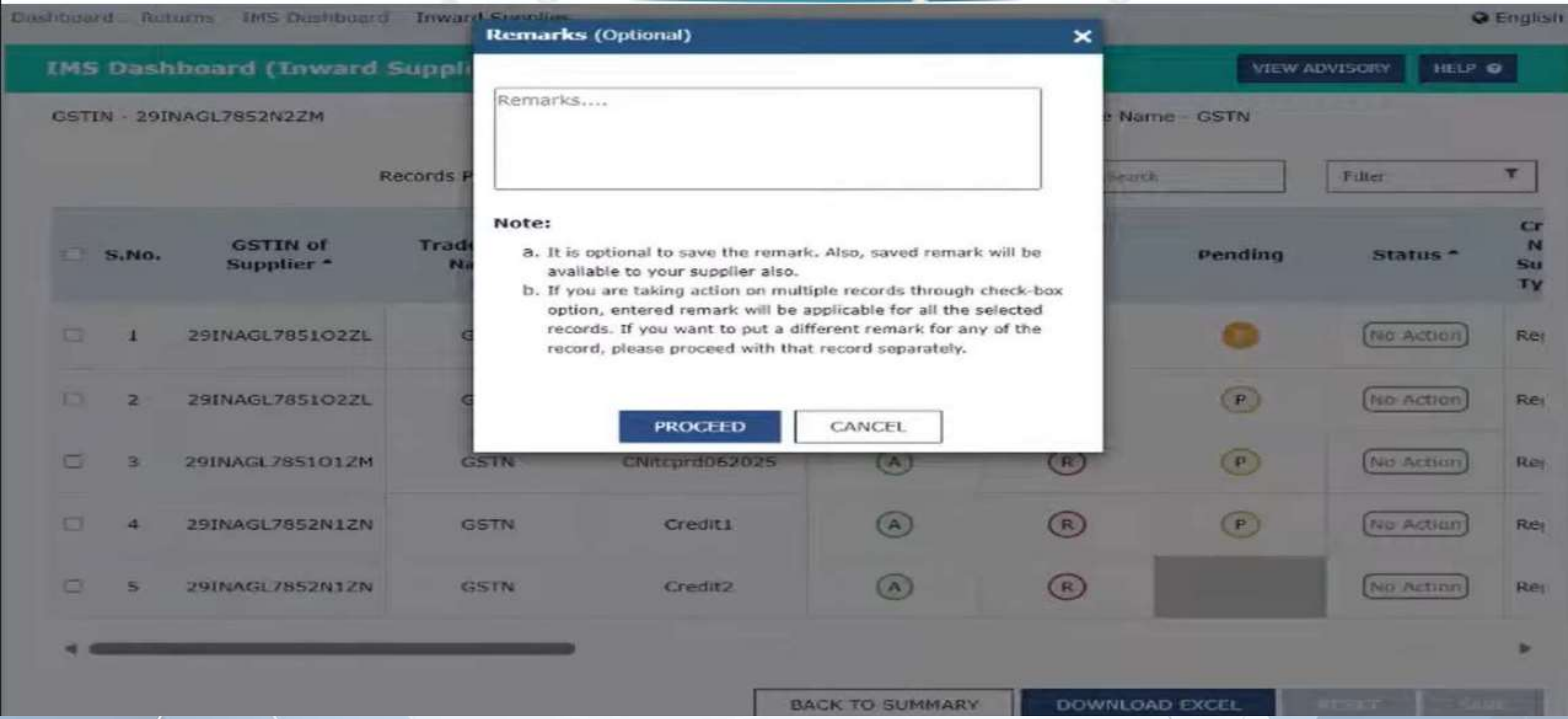
GSTIN - 29INAGL7852N2ZM | Legal Name - Sweta PVT LTD | Trade Name - GSTN

Records Per Page: 10 | Display/Hide Columns: | Search | Filter

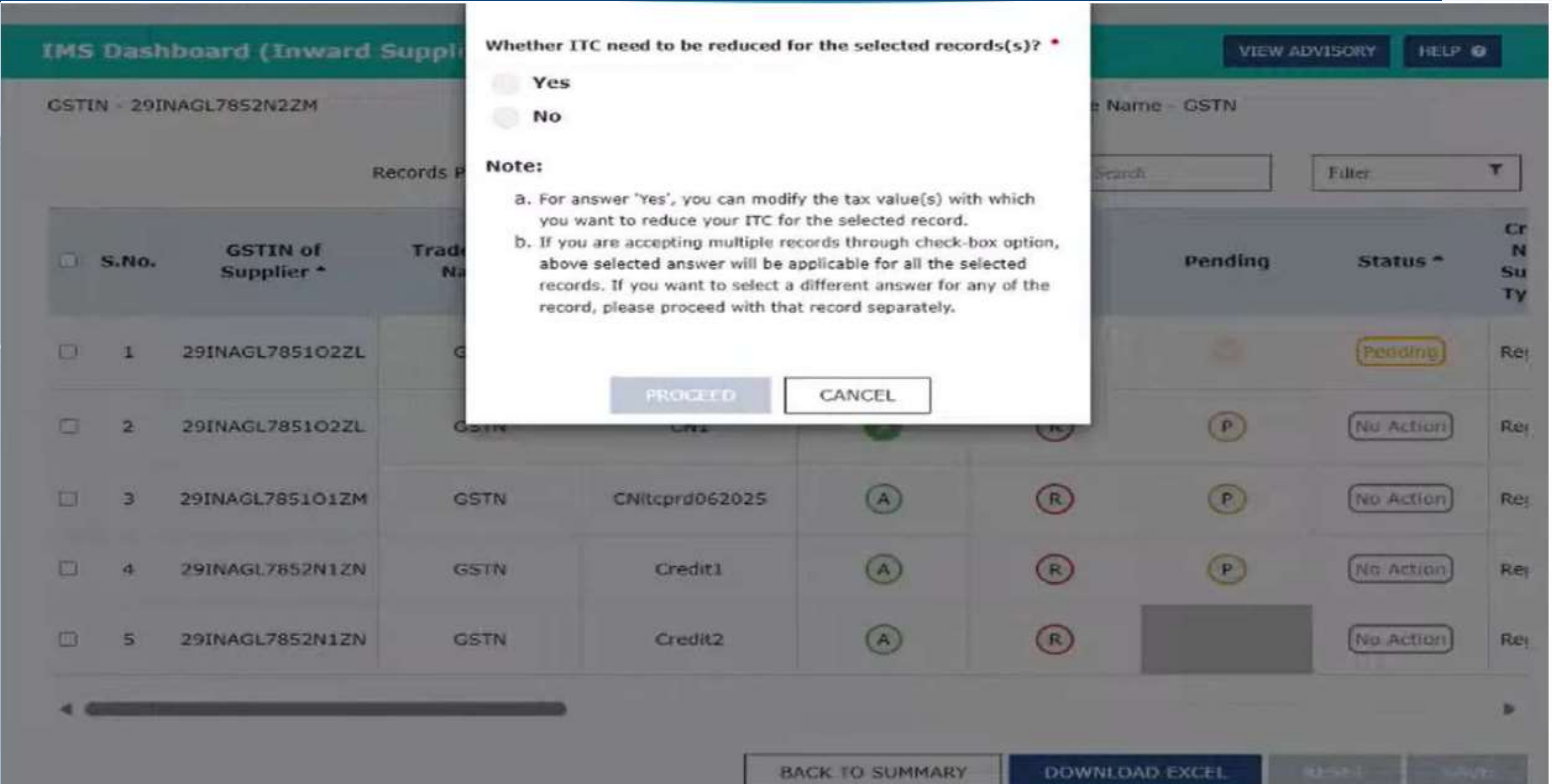
| | S.No. | GSTIN of Supplier | Trade/ Legal Name | Credit Note Number | Accept | Reject | Pending | Status | Cr N Su Ty |
|---|---|---|---|---|---|---|---|---|---|
| ☐ | 1 | 29INAGL785102ZL | GSTN | Cn | A | R | P | No Action | Re |
| ☐ | 2 | 29INAGL785102ZL | GSTN | CN1 | A | R | P | No Action | Re |
| ☐ | 3 | 29INAGL785101ZM | GSTN | CNitcprd062025 | A | R | P | No Action | Re |
| ☐ | 4 | 29INAGL7852N1ZN | GSTN | Credit1 | A | R | P | No Action | Re |
| ☐ | 5 | 29INAGL7852N1ZN | GSTN | Credit2 | A | R | | No Action | Re |

BACK TO SUMMARY | DOWNLOAD EXCEL | RESET | SAVE

# Option to provide Remarks while keeping Credit Note pending



# Case 2: Accepting the Credit Note



# If Recipient is accepting the CN but not required to reverse ITC AT ALL

**IMS Dashboard (Inward Supplies) - B2B Credit Notes (with all status)**

VIEW ADVISORY HELP

GSTIN - 29INAGL7852N2ZM Legal Name - Sweta PVT LTD Trade Name - GSTN

Records Per Page: 10 Display/Hide Columns: Search Filter

| S.No. | GSTIN of Supplier | Integrated Tax | Central Tax | State/UT Tax | Cess | Whether ITC to be reduced (Taxpayer's Input) | Amount declared by taxpayer for I | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Integrated Tax | Central Tax | State/U |
| 1 | 29INAGL785102ZL | 20.10 | 0.00 | 0.00 | 18.45 | NA | NA | | |
| 2 | 29INAGL785102ZL | 450.00 | 0.00 | 0.00 | 6.20 | No | NA | | |
| 3 | 29INAGL785101ZM | 0.00 | 10.00 | 10.00 | 20.00 | NA | | NA | N/ |
| 4 | 29INAGL7852N1ZN | 0.00 | 80.00 | 80.00 | 80.00 | NA | | NA | N/ |
| 5 | 29INAGL7852N1ZN | 150.00 | 0.00 | 0.00 | 150.00 | NA | NA | | |

BACK TO SUMMARY DOWNLOAD EXCEL RESET SAVE

Recipient's ITC will not be reversed but Supplier's tax liability will be reduced.

# If Recipient accepts the CN but is NOT required to reverse FULL ITC

## IMS Dashboard (Inward Supplies) - B2B Credit Notes (with all status)

VIEW ADVISORY | HELP

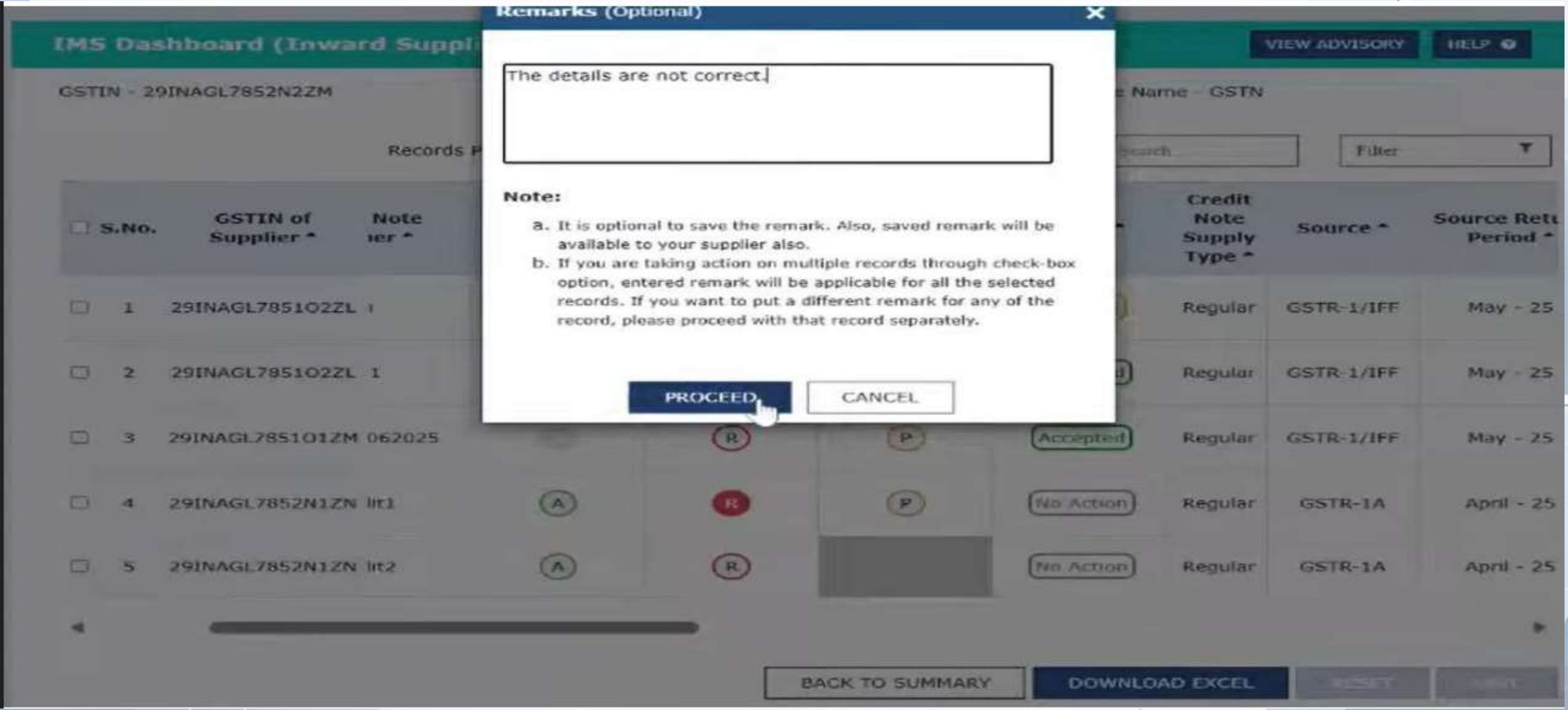
GSTIN - 29INAGL7852N2ZM | Legal Name - Sweta PVT LTD | Trade Name - GSTN

Records Per Page: 10 | Display/Hide Columns: | Search | Filter

| S.No. | GSTIN of Supplier | State/UT Tax | Cess | Whether ITC to be reduced (Taxpayer's Input) | Amount declared by taxpayer for ITC reduction | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Integrated Tax | Central Tax | State/UT Tax | Cess |
| 1 | 29INAGL785102ZL | 0.00 | 18.45 | NA | NA | | | NA |
| 2 | 29INAGL785102ZL | 0.00 | 6.20 | No | NA | | | NA |
| 3 | 29INAGL785101ZM | 10.00 | 20.00 | Yes | | 5.00 | 5.00 | 5.00 |
| 4 | 29INAGL7852N1ZN | 80.00 | 80.00 | NA | | NA | NA | NA |
| 5 | 29INAGL7852N1ZN | 0.00 | 150.00 | NA | NA | | | NA |

BACK TO SUMMARY | DOWNLOAD EXCEL | RESET | SAVE

# Case 3: Where Recipient rejects the credit note



# Summary of Credit Note

**IMS Dashboard (Inward Supplies) - B2B Credit Notes (with all status)**

VIEW ADVISORY | HELP

GSTIN - 29INAGL7852N2ZM | Legal Name - Sweta PVT LTD | Trade Name - GSTN

Records Per Page: 10 | Display/Hide Columns: | Search | Filter

| S.No. | GSTIN of Supplier | Note er | Accept | Reject | Pending | Status | Credit Note Supply Type | Source | Source Retu Period |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 29INAGL785102ZL | 1 | A | R | | Pending | Regular | GSTR-1/IFF | May - 25 |
| 2 | 29INAGL785102ZL | 1 | | R | P | Accepted | Regular | GSTR-1/IFF | May - 25 |
| 3 | 29INAGL785101ZM | 062025 | | R | P | Accepted | Regular | GSTR-1/IFF | May - 25 |
| 4 | 29INAGL7852N1ZN | lit1 | A | | P | Rejected | Regular | GSTR-1A | April - 25 |
| 5 | 29INAGL7852N1ZN | lit2 | A | R | P | No Action | Regular | GSTR-1A | April - 25 |

BACK TO SUMMARY | DOWNLOAD EXCEL | RESET | SAVE

# Permanent Vs Temporary Reversal of ITC

# Reporting

## 4. Eligible ITC

Tables 4(A)(1), (3), (4), (5) and 4(B)(2) are auto-drafted based on the values in GSTR-2B.

| Details | Integrated Tax (₹) | Central Tax (₹) | State/UT Tax (₹) |
|---|---|---|---|
| **(A) ITC Available (whether in full or part)** | | | |
| (1) Import of goods | 0.00 | | |
| (2) Import of services | 0.00 | | |
| (3) Inward supplies liable to reverse charge (other than 1 & 2 above) | 0.00 | 0.00 | 0.00 |
| (4) Inward supplies from ISD | 0.00 | 0.00 | 0.00 |
| (5) All other ITC | 0.00 | 25,380.02 | 25,380.02 |
| **(B) ITC Reversed** | | | |
| (1) As per rules 38,42 & 43 of CGST Rules and section 17(5) | 0.00 | 0.00 | 0.00 |
| (2) Others | 0.00 | 0.00 | 0.00 |
| **(C) Net ITC Available (A) - (B)** | 0.00 | 25,380.02 | 25,380.02 |
| **(D) Other Details** | | | |
| (1) ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period | 0.00 | 0.00 | 0.00 |
| (2) Ineligible ITC under section 16(4) & ITC restricted due to PoS rules | 0.00 | 0.00 | 0.00 |

# Blocked Credits – Section 17(5)

# Blocked Credits – Section 17(5)



Notwithstanding anything contained in section 16(1) and section 18(1), ITC shall **NOT** be available in respect of the following, namely

(a) motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making the following taxable supplies, namely

(A) further “supply” of “such” motor vehicles; or

(B) transportation of passengers; or

(C) imparting training on driving such motor vehicles

## Question



**Can ITC be availed in respect of demo vehicles which are motor vehicles for transportation of passengers having approved seating capacity of not more than 13 persons (including the driver), in terms of section 17(5)(a) ?**

# Circular 231/25/2024 GST dated 10.09.2024


- The usage of the words “such motor vehicles” instead of “said motor vehicle”, in sub-clause (A) of section 17(5)(a) implies that th intention of the lawmakers was not only to exclude from the blockage of ITC the motor vehicle which is itself further supplied, but also to exclude from the blockage of ITC the motor vehicle which is being used for the purpose of further supply of similar type of motor vehicles.

- As demo vehicles are used by authorized dealers to provide trial run and to demonstrate features of the vehicle to potential buyers, it helps the potential buyers to make a decision to purchase a particular kind of motor vehicle. Therefore, as demo vehicles promote sale of similar type of motor vehicles, they can be considered to be used by the dealer for making ‘further supply of such motor vehicles’.

**Q: WHAT IF THE AUTHORISED DEALER MEARLY ACTS AS AN AGENT TO MFR ?**

# Blocked Credit



(b) (i) **food and beverages**, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:

(ii) membership of a club, health and fitness centre; and

(iii) travel benefits extended to employees on vacation such as leave or home travel concession:


(c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** including when such goods or services or both are used in the course or furtherance of business.

# OWN ACCOUNT ?- Safari Retreats Private Ltd



(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** including when such goods or services or both are used in the course or furtherance of business.

Para 32 of the judgement: 17(5)(d) is different from clause (c) in various aspects.
Clause (d) seeks to exclude from the purview of sub-section (1) of Sections 16 and 18, goods or services or both received by a taxable person to construct an immovable property on his own account. There are two exceptions in clause (d) to the exclusion from ITC provided in the first part of Clause (d).
The **first exception** is where goods or services or both are received by a taxable person to construct an immovable property consisting of a "plant or machinery".
The **second exception** is where goods and services or both are received by a taxable person for the construction of an immovable property made not on his **own account**.
**Construction is said to be on a taxable person's "own account" when**
**(i) it is made for his personal use and not for service or**
**(ii) it is to be used by the person constructing as a setting in which business is carried out.**
**However, construction cannot said to be on a taxable person's "own account" if it is intended to be sold or given on lease or license.**

# Food & Beverage

**CAN ITC BE AVAILED ON ICE CREAMS PURCHASED BY AN ICECREAM PARLOUR ?**

**IS IT GOODS OR SERVICE ?**

# Circular No. 164 /20 /2021-GST



Ice cream parlors sell already manufactured ice-cream and they do not have a character of a restaurant.

Ice-cream parlors **do not engage in any form of cooking** at any stage, whereas, restaurant service involves the aspect of cooking/preparing during the course of providing service.

Thus, supply of ice-cream parlor stands on a different footing than restaurant service.

**Their activity entails supply of ice cream as goods (a manufactured item) and not as a service**, even if certain ingredients of service are present.

Thus, a manufacturer or a normal distributor of ice creams is liable to pay GST at 18% considering it to be supply of goods.

**Q: What happens in case an ice cream parlour also serves food article like say falooda by mixing all the ingredients on it's premises. Then, whether such an ice cream parlour would be said to be supplying goods (ice cream) as well as services (falooda etc.).**

# Blocked Credit


(e) goods or services or both on which tax has been paid u/s10;

(f) goods or services or both received by a NRTP except on goods imported by him;

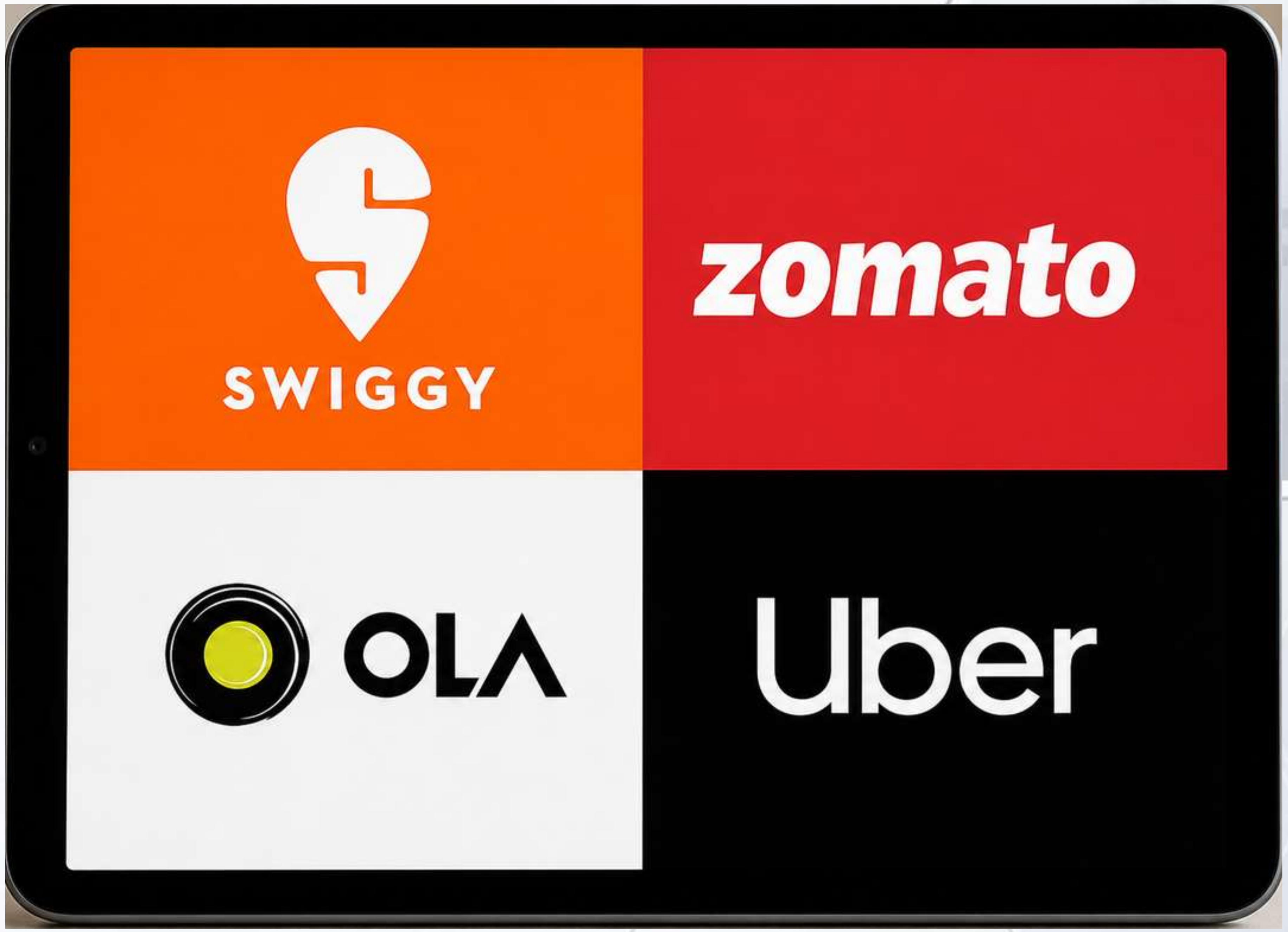
(fa) goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under CSR referred to in section 135 of the Co's Act, 2013

(g) goods or services or both used for personal consumption;

(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

(i) any tax paid in accordance with the provisions of section 74 in respect of any period up to FY 2023-24

# ITC in case of ECO Transactions u/s 9(5)



# Reporting by ECO in GSTR 3B



Dashboard › Returns › GSTR-3B › Supplies through E-commerce operators    English

## 3.1.1 Details of supplies notified under section 9(5) of the CGST Act, 2017 and corresponding provision in IGST/UTGST/SGST Acts

Help ?

| Description | Total Taxable Value(₹) | Integrated Tax (₹) | Central Tax (₹) | State/UT Tax (₹) | CESS (₹) |
|---|---|---|---|---|---|
| (i) Taxable supplies on which electronic commerce operator pays tax u/s 9(5) [to be furnished by electronic commerce operator] | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (ii) Taxable supplies made by registered person through electronic commerce operator, on which electronic commerce operator is required to pay tax u/s 9(5) [to be furnished by registered person making supplies through electronic commerce operator] | 0.00 | | | | |

CANCEL    CONFIRM

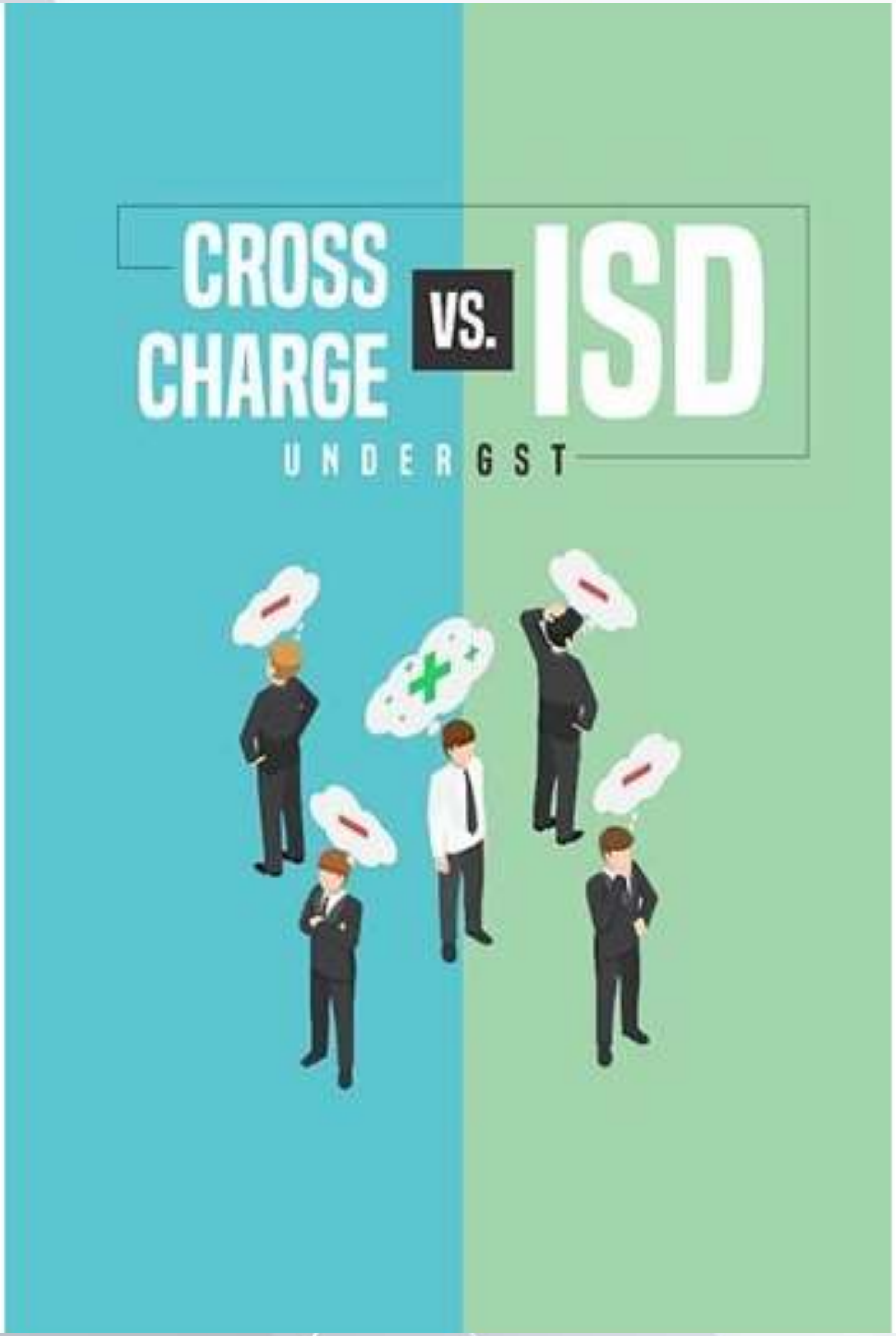
# FAQs incase of Transactions attracting 9(5)



| Question | Answer |
| --- | --- |
| Can ECO pay GST liability u/s 9(5) using ITC? | No, GST payable u/s 9(5) must be discharged only through E Cash Ledger (Circular 240/2024). |
| Are deemed supplies u/s 9(5) treated as exempt supplies for ITC reversal? | No, no ITC reversal is required as ECO's ITC relates to its own taxable outward supplies. |
| Is TCS applicable on supplies notified u/s 9(5)? | No, TCS is not applicable on services notified u/s 9(5) (Sec 52 explanation & Circular 167/23/2021). |
| Is turnover through ECO included in supplier's aggregate turnover? | Yes, value of supplies through ECO is included in supplier's aggregate turnover for registration limits. |
| Can ECO treat such services as inward supply liable to RCM in GSTR-3B? | No, ECO is not the recipient of services and hence cannot treat them as inward supplies or claim ITC. |
| In mixed orders, should restaurant service and other supplies be billed separately? | Yes, ECO should raise separate invoice for restaurant service, while supplier invoices other supplies. |

# ISD Vs Cross Charge






## Key Mechanisms for Allocation

| Mechanism | Applicability | How It Works | Legal Basis |
|---|---|---|---|
| **Input Service Distributor (ISD)** | Mandatory from **1 April 2025** for businesses with multiple GST registrations (distinct entities) | Head Office (HO) or central unit must obtain ISD registration. ITC on common input services (consultancy, IT, legal, HR, marketing, etc.) is distributed to respective plants/units in the same month via ISD invoices. | Section 20 of CGST Act, Rule 39 of CGST Rules, Notification No. 16/2024-Central Tax dated 6 Aug 2024 |
| **Cross Charge Mechanism** | When HO incurs expenses for services provided to branches/plants | HO raises a tax invoice to branches for the proportionate value of services (e.g., employee costs, shared IT systems). Branches claim ITC on such invoices. | Section 7 (Supply definition), Section 15 (Valuation), Circular No. 199/11/2023-GST clarifying cross charge vs ISD |

# INPUT SERVICE DISTRIBUTOR (ISD) vs CROSS CHARGE

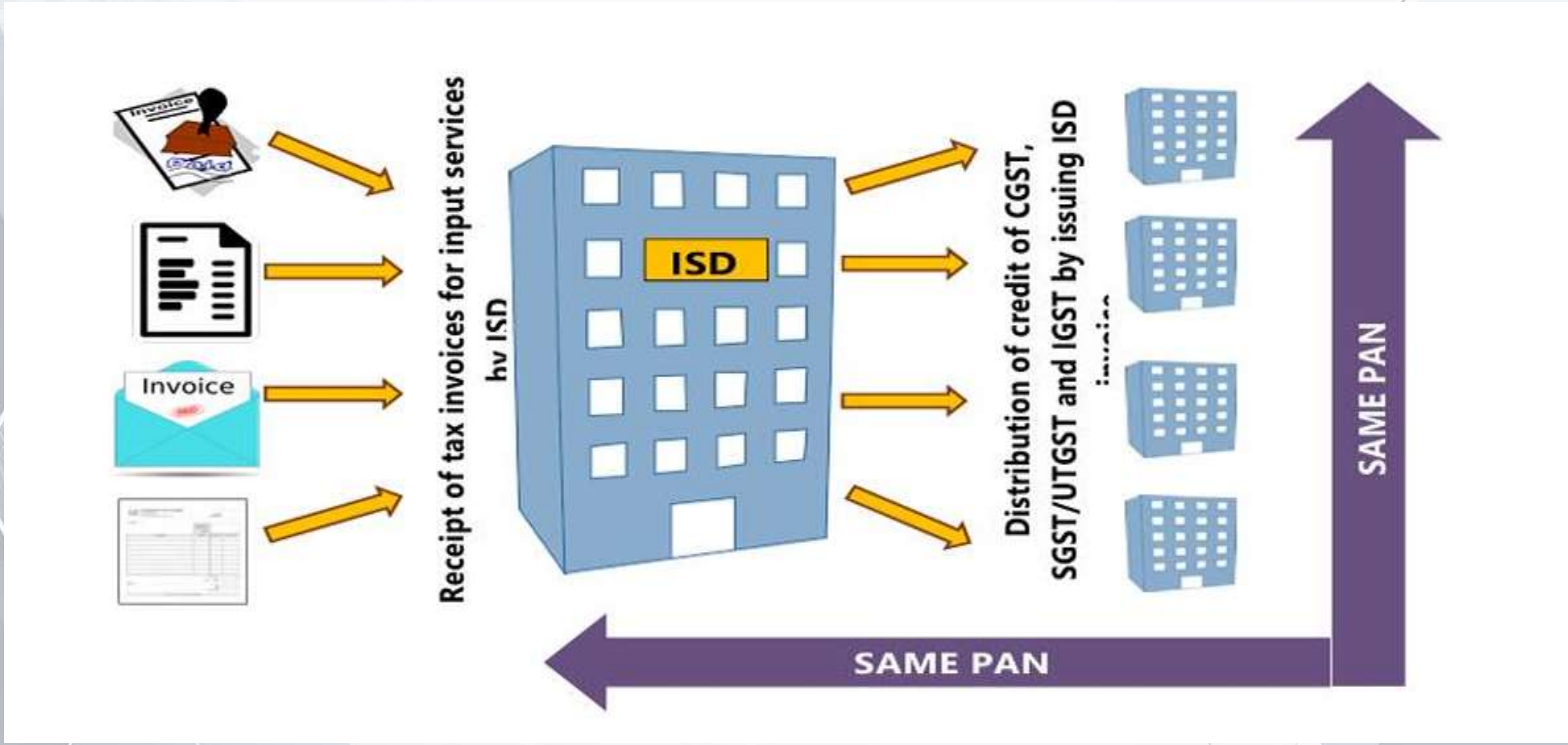
## Key Differences at a Glance

| Basis | Input Service Distributor (ISD) | Cross Charge |
|---|---|---|
| Nature | Distribution of ITC | Supply of services/goods between distinct persons |
| Applicability | Only for input services | Goods and/or services |
| Registration | Separate ISD registration required | No separate registration needed |
| Document Used | ISD Invoice | Tax Invoice |
| Tax Payment | No tax payable – just distribution of ITC | Tax to be paid under GST (output liability) |
| Return Form | GSTR-6 | GSTR-1 & GSTR-3B |
| Valuation | Not applicable | Valuation as per Rule 28 (Open Market Value, etc.) |
| Example | Common software license | Shared HR or admin services provided by HO to branch |

# Question

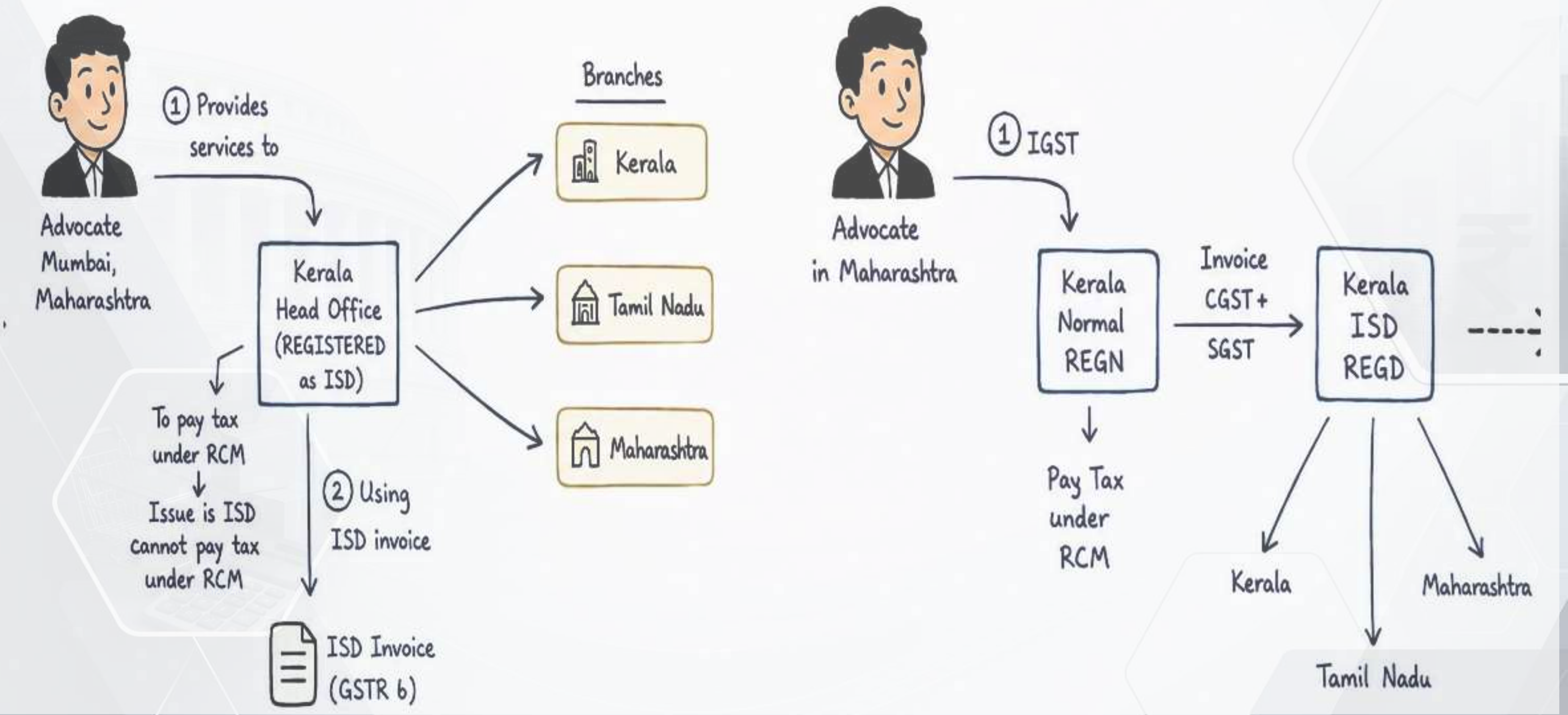


## HOW TO DISTRBUTE ITC IN CASE OF RCM FOR ISD BRANCH ?



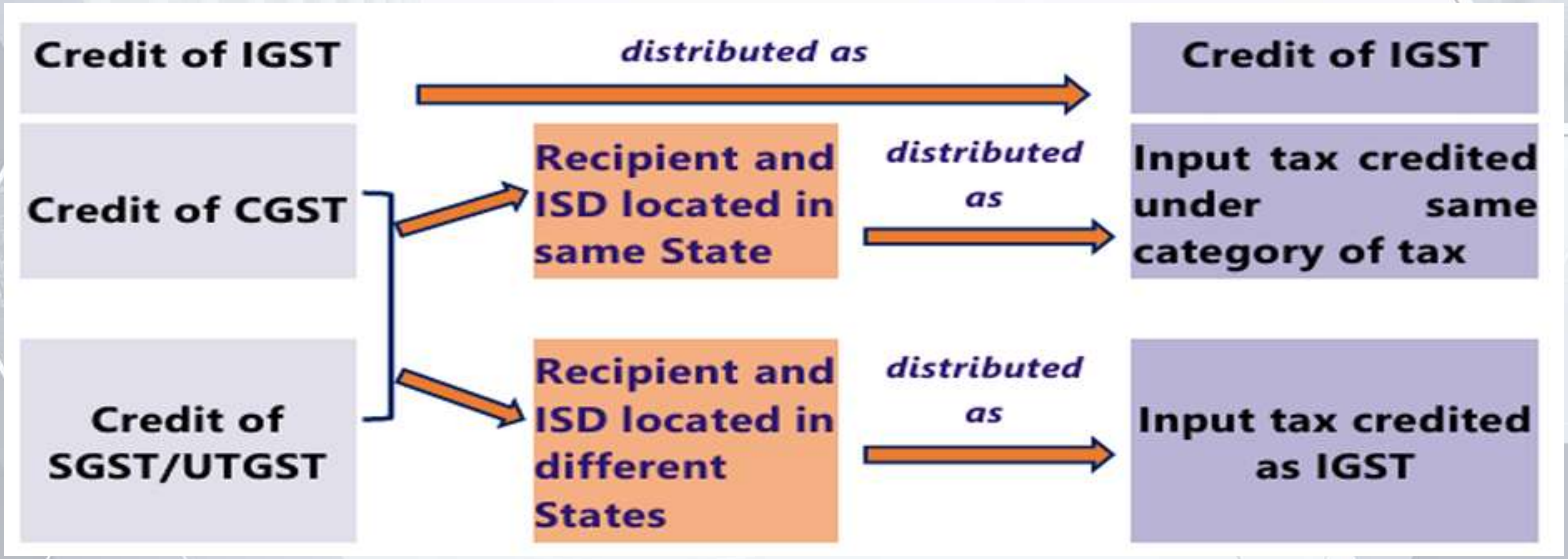
# Issues in ISD –RCM ITC Distribution





# Rule 39(1A)

- For the distribution of credit in respect of input services, attributable to one or more distinct persons, subject to levy of tax under **RCM u/s 9(3) or 9(4)** of the CGST Act, **a registered person, having the same PAN and State code as an ISD, may issue an invoice** or, as the case may be, a credit or debit note as per the provisions of sub-rule(1A) of rule 54 to transfer the credit of such common input services to the ISD, and **SUCH CREDIT** shall be distributed by the said ISD in the manner as provided in rule 39(1) .



# Question

## Set off Rules in ACT vs GST Portal Advisory

# Section 49(5), 49A, 49B and Rule 88A



(5) The amount of input tax credit available in the electronic credit ledger of the registered person on account of-

(a) integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;

(b) the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;

(c) the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax

[4][**Provided** that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;];

(d) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax:

[5][**Provided** that the input tax credit on account of Union territory tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;]

(e) the central tax shall not be utilised towards payment of State tax or Union territory tax; and

(f) the State tax or Union territory tax shall not be utilised towards payment of central tax.

**[10][Section 49A. Utilisation of input tax credit subject to certain conditions.-**

Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.]

**[11][Section 49B. Order of utilisation of input tax credit.-**

(1) Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.]

## [23][Rule 88A. Order of utilization of input tax credit.-

Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order:

**Provided** that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.]

# Section 49(5), 49A, 49B and Rule 88A



| ITC of | Output IGST liability | Output CGST liability | Output SGST/ UTGST liability |
|---|---|---|---|
| IGST | (I) | (II) – In any order and in any proportion | |
| (III) ITC of IGST to be completely exhausted mandatorily | | | |
| CGST | (V) | (IV) | Not permitted |
| SGST/UTGST | (VII) Only after ITC of CGST has been utilized fully | Not permitted | (VI) |

# Are Supplies made to SEZ Unit always ZERO RATED ?


# Reporting



Dashboard > Returns > GSTR-3B > Outward and Reverse Charge Inward                English

## 3.1 Details of Outward Supplies and inward supplies liable to reverse charge (other than those covered by Table 3.1.1)

Help

Table 3.1(a), (b), (c) and (e) are auto-drafted based on values provided in GSTR-1. Whereas Table 3.1(d) is auto-drafted based on GSTR-2B.

| Nature of Supplies | Total Taxable value (₹) | Integrated Tax (₹) | Central Tax (₹) | State/UT Tax (₹) | CESS (₹) |
|---|---|---|---|---|---|
| (a) Outward taxable supplies (other than zero rated, nil rated and exempted) | 1,21,650.00 | 5,679.00 | 8,364.00 | 8,364.00 | 0.00 |
| (b) Outward taxable supplies (zero rated ) | 0.00 | 0.00 | | | 0.00 |
| (c) Other outward supplies (Nil rated, exempted) | 0.00 | | | | |
| (d) Inward supplies (liable to reverse charge) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (e) Non-GST outward supplies | 0.00 | | | | |

CANCEL CONFIRM

**Can ITC be used to set off OTL and other dues demanded by department ?**

# Circular 172/04/2022 dated 6.7.22

- As per section 49(4): The amount available in the e **CREDIT** ledger may be used for making any payment **TOWARDS OUTPUT TAX** under this Act or under the IGST Act.

- It is clarified that any payment towards output tax, **WHETHER SELF ASSESSED IN THE RETURN OR PAYABLE AS A CONSEQUENCE OF ANY PROCEEDING INSTITUTED UNDER THE PROVISIONS OF GST LAWS,** can be made by utilization of the amount available in the e credit ledger of a registered person.

- However output tax **does not include** tax payable under RCM, implying thereby that the **e credit ledger cannot be used for making payment of any tax which is payable under RCM.**

- Similarly, e credit ledger cannot be used for payment of erroneous refund sanctioned to the taxpayer, where such refund was sanctioned in cash

# Question

**Can Interest be always charged on Entire Net GST payable in case of returns filed belatedly?**

# Section 50(1)

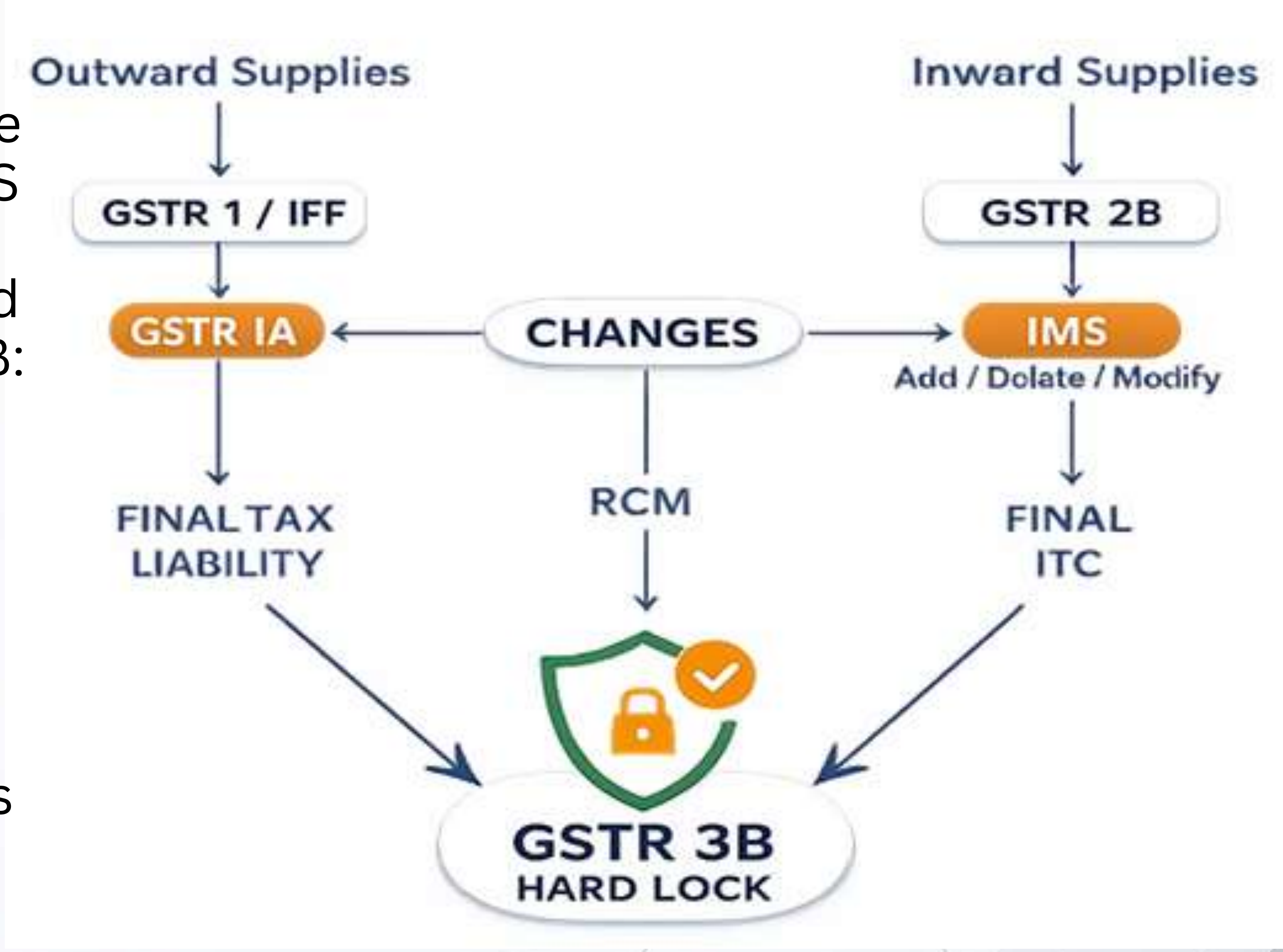
- Incase, where the supplies made during a tax period are declared by the registered person in the return for the said period and the said return is furnished after the due date in accordance with provisions of section 39, except where such return is furnished after commencement of any proceedings u/s 73 or 74 or 74A in respect of the said period, the interest on tax payable in respect of such supplies shall be calculated on the portion of tax which is paid by debiting the e cash ledger, for the period of delay in filing the said return beyond the due date, at such rate as may be notified u/s 50(1).
- **Where any amount has been credited in the E Cash Ledger as per section 49(1) on or before the due date of filing the said return, but is debited from the said ledger for payment of tax while filing the said return after the due date, the said amount shall not be taken into consideration while calculating such interest if the said amount is lying in the said ledger from the due date till the date of its debit at the time of filing return**

# Is Hard Locking of ITC in 3B from July 26?

Rumors of locking of ITC in GSTR 3B are in the market after introduction of GSTR 1A and IMS

However, the question remains on how would the following be dealt with after locking of 3B:

1) ITC on Bill of Entry not appearing in 2B
2) Rule 42 /43 reversals
3) ISD RCM Issues
4) Other permanent and temporary reversals and re-availment of ITC including Rule 37 and 37A



# GSTN Advisory on AATO for FY 25-26 – JULY 1 2026

GSTN has issued an advisory dated 1 July 2026 revising the timeline for amendment of Aggregate Annual Turnover (AATO) for FY 2025-26 on the GST Portal.

The revision follows the deployment of an upgraded AATO functionality from 1 July 2026, enabling automatic updation of AATO as subsequent GST returns are filed after the amendment window.
Earlier, as per the advisory dated 2 May 2022, taxpayers could amend AATO during May for FY up to FY 24-25.

For FY 25-26. the AATO amendment application window has been rescheduled to 1 July to 31 July 2026, while jurisdictional tax officers will review the amended details between 1 Aug and 15 Aug 26.

GSTN stated that these changes are intended to improve consistency, accuracy, and uniformity of AATO reporting across the GST Portal. Taxpayers are advised to verify amended details carefully and raise grievances through the GST Portal’s Self-Service Portal if required.

# Any Questions

# Thank You

Presented by:

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