

INPUT TAX CREDIT



Date : 06th May 2025

Let us Comprehend the GST

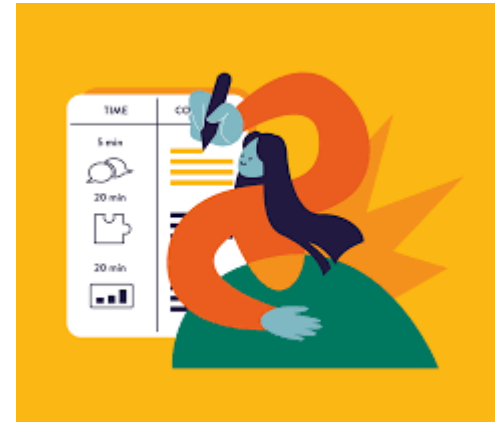
CA RAMANDEEP SINGH BHATIA

1) Section 16

Detailed Discussion Conditions for availment of input tax credit along with relevant circular , judgment and notifications

2) Section 19

Input tax credit – Job work



(62) “input tax” in relation to a registered person, means the **central tax, State tax, integrated tax or Union territory tax** charged on any supply of goods or services, or both made to him and includes —

- (a) the integrated goods and services tax charged on **import of goods**;
- (b) the tax payable under the provisions of sub-sections **(3) and (4) of section 9**;
- (c) the tax payable under the provisions of sub-sections **(3) and (4) of section 5** of the **Integrated Goods** and Services Tax Act;
- (d) the tax payable under the provisions of sub-sections **(3) and (4) of section 9** of the respective **State Goods** and Services Tax Act; or
- (e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the **Union Territory Goods** and Services Tax Act,

but does **not include the tax paid** under the **composition levy**;

(63) “input tax credit” means the credit of input tax;



- (59) **“INPUT”** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business;
- (60) **“INPUT SERVICE”** means any service used or intended to be used by a supplier in the course or furtherance of business;
- (19) **“CAPITAL GOODS”** means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business; (Accounting Policy)

INPUT TAX CREDIT



**Enabling
Section:**

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner **specified in section 49**, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are **used or intended to be used in the course or furtherance of his business** and the said amount shall be credited to the electronic credit ledger of such person.

Section 49

(2) The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41 to be maintained in such manner as may be prescribed.

INPUT TAX CREDIT

Conditions:



Document

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, —

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

INPUT TAX CREDIT





Document

Rule – 36 - DOCUMENTARY REQUIREMENTS AND CONDITIONS FOR CLAIMING INPUT TAX CREDIT

S. No.	Eligible Document for Availing ITC	Relevant Provision	Condition / Notes
1	Invoice issued by supplier of goods/services/both	Section 31	Must be as per prescribed format and conditions
2	Invoice issued under clause (f) of sub-section (3) of section 31	Section 31(3)(f)	Tax must be paid
3	Debit note issued by supplier	Section 34	Must comply with conditions under the Act
4	Bill of entry or similar document for import of goods	Customs Act, 1962	For assessment of IGST on imports
5	ISD invoice or ISD credit note or similar document issued by Input Service Distributor (ISD)	Rule 54(1)	Must be in accordance with ISD provisions

Rule – 36 - DOCUMENTARY REQUIREMENTS AND CONDITIONS FOR CLAIMING INPUT TAX CREDIT



Document

(2) Input tax credit 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 64a[***]:

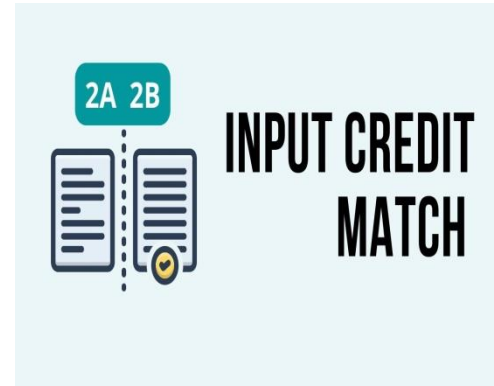
Provided that if the said document does not contain all the specified particulars but contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply, input tax credit may be availed by such registered person.

INPUT TAX CREDIT



Conditions

[(aa) the details of the invoice or debit note referred to in clause (a) has **been furnished by the supplier in the statement of outward supplies** and such details have been **communicated to the recipient** of such invoice or debit note in the manner specified under section 37; **(Inserted by the Finance Act, 2021, w.e.f. 1-1-2022).**



CIRCULAR NO. 183/15/2022-GST [F. NO. CBIC-20001/2/2022 - GST],
DATED 27-12-2022

CLARIFICATION TO DEAL WITH DIFFERENCE IN INPUT TAX CREDIT (ITC)
AVAILED IN FORM GSTR-3B AS COMPARED TO THAT DETAILED IN FORM
GSTR-2A FOR **FYs. 2017-18 AND 2018-19.**





INPUT CREDIT MATCH

CIRCULAR NO. 193/05/2023- GST [F. NO. CBIC- 20001/5/2023-GST], DATED 17-07-2023

CLARIFICATION TO DEAL WITH DIFFERENCE IN INPUT TAX CREDIT (ITC) AVAILABLE IN FORM GSTR-3B AS COMPARED TO THAT DETAILED IN FORM GSTR-2A FOR THE PERIOD **1-4-2019 TO 31-12-2021**

Sl. No.	Period	Applicable Rule/Limit	Clarification/Condition
1	01.04.2019 to 08.10.2019	Rule 36(4) not applicable	Apply guidelines from Circular No. 183/15/2022 fully.
2	09.10.2019 to 31.12.2019	20% additional ITC allowed	ITC allowed up to 120% of GSTR-2A, subject to conditions under Section 16(2)(c). Excess not admissible.
3	01.01.2020 to 31.12.2020	10% additional ITC allowed	ITC allowed up to 110% of GSTR-2A, subject to conditions under Section 16(2)(c).
4	01.01.2021 to 31.12.2021	5% additional ITC allowed	ITC allowed up to 105% of GSTR-2A, subject to conditions under Section 16(2)(c).
5	From 01.01.2022 onwards	ITC only as per GSTR-2B	No ITC allowed unless reflected in GSTR-2B.

(b) he has **received the goods or services** or both.

Conditions

[Explanation. — For the purposes of this clause, it shall be ***deemed that the registered person has received the goods*** or, as the case may be, services —



(i) where the goods are delivered by the supplier to a recipient or any other person on the **direction of such registered person**, whether acting as an agent or otherwise, **before or during movement** of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the **services are provided by the supplier** to any person on the direction of and on account of such registered person.]



CIRCULAR NO. 241/35/2024-GST [F. NO. CBIC-20001/14/2024-GST], DATED 31-12-2024



Para	Scenario	Contract Type	When is Goods Considered Received by Recipient (for ITC)?
3.3.1	OEM supplies goods to dealer via transporter from factory gate	EXW (Ex-Works)	At the time of handing over goods to transporter at factory gate
3.4	Goods supplied under EXW contract to transporter/recipient at supplier's premises	EXW (Ex-Works)	At the time of handing over goods to recipient or transporter at supplier's premises

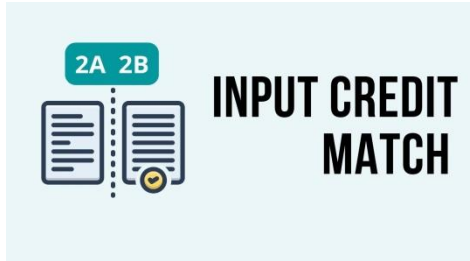
3.5 Input tax credit available on such **receipt of goods by at his (supplier's) factory gate or business premises**, subject to fulfilment of other conditions of section 16 and section 17 of CGST Act,



[(ba) the details of input tax credit in respect of the said supply communicated to such registered person **under section 38** has not been restricted;] (Finance Act, 2022, w.e.f. 1-10-2022).

Section 38 – Form 2A / 2B

38. (1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and [a statement] containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.



(2) The a "auto-generated statement under" [Statement referred in] sub-section (1) shall consist of—
(Finance Act, 2025, with effect from a date yet to be notified.)



Dashboard Services GST Law Downloads Search Taxpayer Help and Taxpayer Facilities e-Invoice

Dashboard > Returns > IMS Dashboard

Invoice Management System (IMS) Dashboard

Inward Supplies
[VIEW](#)

Outward Supplies
[VIEW](#)

Note:

Inward Supplies:
Dashboard to view and act on Imports and inward supplies reported by your supplier in IFF/GSTR-1/1A/5/6.

Outward Supplies:
Dashboard to view status of outward supplies reported based on action taken by your recipient.

Credit cannot be availed, on account of the details of the said supplies being furnished under sub-section (1) of section 37



Clause	Registered Person	Condition
(i)	Newly registered person	Within prescribed period after taking registration
(ii)	Person who has defaulted in tax payment	Default continued for prescribed period
(iii)	Person with mismatch in outward tax declared vs paid	Declared tax exceeds paid tax beyond prescribed limit
(iv)	Person who availed excess ITC	Availed ITC exceeds eligible ITC as per clause (a) by prescribed limit
(v)	Person defaulting in tax payment as per section 49(12)	Default in discharge of liability subject to prescribed conditions
(vi)	Any other prescribed class of persons	As may be notified

CASE LAWS: Suncraft Energy (P.) Ltd. v. Assistant Commissioner, State Tax [2023] 153 taxmann.com 81 (Calcutta) – SLP Dismissed by SC –Amount involved



- **Action Against Supplier is essential before seeking Reversal from Assessee.**
- Where revenue reversed input tax credit alleging non-reflection of supplier's invoices in GSTR 2A, since assessee had complied with section 16(2) and payment was made via valid tax invoice and show cause notice found fault with assessee's GSTR-1 only and not with possession or receipt of tax invoice, order reversing ITC was to be set aside as action against supplier was essential before seeking reversal from assessee.

(c) subject to the provisions of section 41, the tax charged in respect of such supply has been **actually paid to the Government**, either **in cash or through utilization of input tax credit** admissible in respect of the said supply; and



Section 41 (Finance Act, 2022, w.e.f. 1-10-2022)

(2) The credit of input tax 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 - Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof. - w.e.f. 26-12-2022.

Condition/Event	Action Required by Recipient	Due Date	Consequence of Non-compliance	Remedy if Supplier Files Later
ITC availed in GSTR-3B for invoice/debit note matched in GSTR-1/GSTR-1A/IFF, but supplier did not file GSTR-3B for that period	Reverse ITC	On or before 30th November following FY	ITC becomes payable with interest under Section 50	Re-avail the credit in future GSTR-3B after supplier files his GSTR-3B

INPUT TAX CREDIT



CASE LAWS: McLeod Russel India Ltd. v. Union of India –[2025] 172 taxmann.com 663 (Gauhati)



- **Section 16(2)** of CGST Act & ASGST Act is to be **read down** and in event selling dealer fails to deposit tax collected by him from purchasing dealer, remedy for department would be to proceed against defaulting selling dealer to recover such tax; **purchasing dealer cannot be denied ITC.**

(d) he has furnished the **return under section 39** :

Goods Received in Lots & Installments

Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the **last lot or instalment**:



RECTIFICATION OF RETURNS AS A BUSINESS RIGHT



CBIC vs. Aberdare Technologies (P.) Ltd. [2025] 172 taxmann.com 724 (SC),

- The department challenging the Bombay High Court's order allowing rectification of return mistakes **in the nature of clerical or arithmetical errors**. The bench comprising Chief Justice Sanjiv Khanna and Justice Sanjay Kumar held that the right to correct mistakes stems from the right to conduct business and should not be denied unless there is a valid justification. The court observed that **denying rectification without a legitimate reason undermines the fundamental business rights guaranteed under the Constitution**.
- The court emphasized that timelines must be realistic as defects or lapses are often realized when input tax credit (ITC) is denied to the purchaser, despite tax payment. This results in an **undue financial burden on taxpayers, who are forced to bear the cost twice**.

RECTIFICATION OF RETURNS AS A BUSINESS RIGHT



- Similar matter arose on 24th March 2025 in ***Union of India vs. Brij Systems Ltd.*** [2025] 172 [taxmann.com](https://www.taxmann.com) 722 (SC), where the bench of Chief Justice Sanjiv Khanna, Justice Sanjay Kumar, and Justice K.V. Viswanathan reiterated their stance.
- In this case, the assessee had made a bona fide error while filing the GSTR-1 return, and the High Court allowed rectification despite the department's objections. The court remarked that the earlier decision in *Aberdare Technologies (P.) Ltd.* mandated a consistent approach. However, recognizing the revenue's concerns regarding statutory timelines under Sections 37(3) and 39(9) of the CGST Act, 2017, the court appointed **Mr. Arvind P. Datar as an Amicus Curiae** to provide assistance. The matter is scheduled to be heard again on 28th April 2025.

INPUT TAX CREDIT



RECIPIENTS FAILS TO PAY



Provided further that where a recipient fails to pay to the supplier of goods or services or both, *other than the supplies on which tax is payable on reverse charge basis*, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be [paid by him along with interest payable under section 50], in such manner as may be prescribed :**Finance Act, 2023, w.e.f. 1-10-2023** (~~“added to his output tax liability, along with interest thereon”~~)

Provided also that the **recipient shall be entitled to avail of the credit of input tax on payment made by him** [to the supplier] of the amount towards the value of supply of goods or services or both along with tax payable thereon.

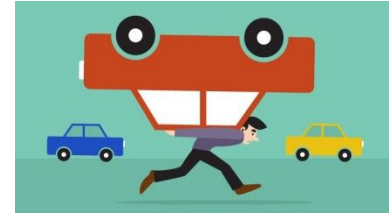
INPUT TAX CREDIT



Rule
How to
make
Reversal

RULE 37

Reversal of input tax credit in the case of non-payment of consideration.



[(1) A registered person, who has availed of input tax credit on any inward supply of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, but fails to pay to the supplier thereof, the amount towards the value of such supply **[whether wholly or partly,] along with the tax payable thereon,** within the time limit specified in the second proviso to sub-section (2) of section 16, **shall pay [or reverse]** an amount equal to the input tax credit availed in respect of such **supply [, proportionate to the amount not paid to the supplier,] along with interest payable** thereon under section 50, while furnishing the return in FORM GSTR-3B for the tax period immediately following the period of one hundred and eighty days from the date of the issue of the invoice :

INPUT TAX CREDIT

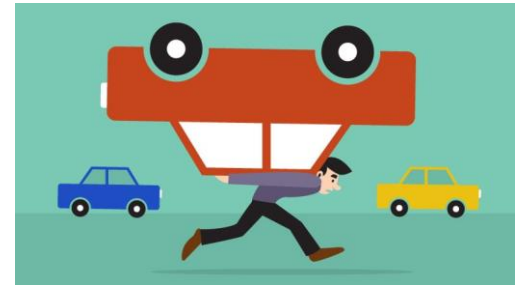


**Rule
How to
make
Reversal**

Rule 37

Provided that the value of supplies made without consideration as specified in *Schedule I* of the said Act shall be **deemed to have been paid** for the purposes of the second proviso to sub-section (2) of *section 16* :

Example : Corporate Guarantee Services by the Holding company to subsidiary company.



INPUT TAX CREDIT



Rule 37

Provided further that the value of supplies on account of any amount added in accordance with the provisions of clause (b) of sub-section (2) of section 15 shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16;

**Rule
How to
make
Reversal**

Section 15(2) (b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

Example : FOC Supply – Cement – Building - Construction.

INPUT TAX CREDIT



(2) Where the said registered person **subsequently makes the payment** of the amount towards the value of such supply **along with tax payable** thereon to the supplier thereof, he shall be entitled to **re-avail the input tax credit** referred to in sub-rule (1).’]

~~[(3) The registered person shall be liable to pay interest at the rate notified under sub-section (1) of section 50 for the period starting fr...~~

(4) The time limit specified in **sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit**, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.

**Rule
How to
make
Reversal**



INPUT TAX CREDIT



CAPITAL GOODS



(3) Where the registered person has **claimed depreciation on the tax component of the cost of capital goods** and plant and machinery **under the provisions of the Income-tax Act, 1961 (43 of 1961)**, the input tax credit on the said tax component shall not be allowed.

What is capital Goods ?

(19) **“CAPITAL GOODS”** means goods, the value of which *is capitalised in the books of account* of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

INPUT TAX CREDIT



TIME LIMIT

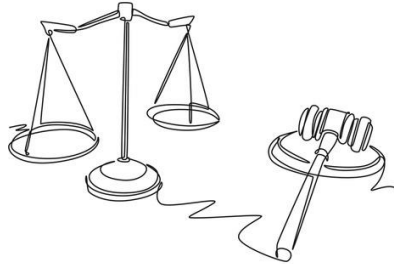
((4) A registered person shall not be entitled to take input tax credit in respect of **any invoice or debit note** for supply of goods or services or both after the **[thirtieth day of November]** following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier:

[Provided that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under **section 39 for the month of September, 2018** till the due date of furnishing of the return under the said section for **the month of March, 2019** in respect of any invoice or invoice relating to such debit note for supply of goods or **services or both made during the financial year 2017-18**, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.]

INPUT TAX CREDIT

Input Tax Credit - Sub-section (4) of Section 16 of CGST Act, 2017 - Constitutional validity - Language of Section 16 of CGST/BGST Act, 2017 suffers from no ambiguity and clearly stipulates grant of ITC subject to conditions and restrictions put thereunder. **GOBINDA CONSTRUCTION Versus UNION OF INDIA - 2023 (77) G.S.T.L. 483 (Pat.)**

Case Law on Section 16(4)



GST : Provision contained in section 16(4) of CGST Act is violative of neither article 14 of Constitution nor articles 19(1)(g) and 300A of Constitution

Jain Brothers v. Union of India [2023] 157 taxmann.com 403 (Chhattisgarh)

The High Courts have upheld the constitutional validity of section 16(4) but a SLP has been admitted by the **hon'ble Supreme Court** in the case of **Shanti Motors vs Union of India & Others [Diary No(s). 4474/2024]** and the order is still awaited.

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TIME LIMIT – EXTENSION



(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21,

the registered person shall be entitled to take input tax credit in any return under section 39 which is filed up to the thirtieth day of November, 2021.

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TIME LIMIT - REGISTRATION OF A REGISTERED PERSON IS CANCELLED



(6) Where registration of a registered person is cancelled under **section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30** or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and

where availment of input tax credit in respect of an invoice or debit note **was not restricted under sub-section (4) on the date of order of cancellation of registration,** the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in **a return under section 39,—**

INPUT TAX CREDIT



TIME LIMIT



- (i) filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier;

or

- (ii) for the period **from the date of cancellation of registration or the effective date of cancellation of registration**, as the case may be, till the **date of order of revocation of cancellation of registration**, where such return is filed **within thirty days from the date of order of revocation** of cancellation of registration,

whichever is later.

INPUT TAX CREDIT



JOB WORK UNDER GST



- ❑ Job-work sector constitutes a significant industry in Indian economy. It includes **outsourced activities that may or may not culminate into manufacture**. The term Job-work itself explains the meaning.
- ❑ It is processing of goods supplied by the principal. The concept of Job-work already exists in Central Excise, wherein a **principal manufacturer can send inputs or semi-finished goods to a job worker** for further processing. Many facilities, procedural concessions have been given to the job workers as well as the principal supplier who sends goods for job work.
- ❑ The GST Act **makes special provisions with regard to removal of goods** for job-work and **receiving back the goods after processing** from the **job-worker without payment of GST**. The benefit of these provisions shall be available both to the principal and the job-worker.



INPUT TAX CREDIT



WHAT IS JOB-WORK ?



- ☐ Section 2(68) of the **CGST Act, 2017** defines Job-work as 'any treatment or process undertaken by a person on goods belonging to another registered person'.
- ☐ The one who does the said job would be termed as 'job-worker'.
- ☐ The ownership of the goods does not transfer to the job- worker but it rests with the principal.
- ☐ The job-worker is required to carry out the process specified by the principal, on the goods.

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PRINCIPAL WITH REFERENCE TO JOB WORK

- ☐ Person sending goods for job work is termed as '**Principal**'. He should be **a registered person**.
- ☐ The term 'principal' used with reference to job work is different from the term 'principal' as defined in section 2(88) of IGST Act.
- ☐ '**Principal**' for purpose of job work provisions **means a registered person who sends any inputs and/or capital goods, without payment of tax, to a job worker for job-work and from there subsequently send to another job worker and likewise** - section 143(1) of CGST Act and explanation to section 19(7) of CGST Act.



INPUT TAX CREDIT



**Removal of
Input without
payment of Tax**

1) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on inputs sent to a job worker for job work.

**Direct Dispatch
of Input to Job
worker**

(2) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the principal shall be entitled to take credit of input tax on inputs even if the inputs are ***directly sent to a job worker for job work without being first brought to his place of business.***

INPUT TAX CREDIT



**Receipt Back
Input Goods Sent**

(3) Where the inputs sent for **job work are not received back** by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker **in accordance with clause (a) or clause (b) of sub-section (1) of section 143** within **one year** of being sent out, it shall be deemed that such inputs had been **supplied** by the principal to the job worker on the day when the said inputs were sent out :

Provided that where the inputs are sent directly to a job worker, the period of **one year shall be counted from the date of receipt** of inputs by the job worker.

INPUT TAX CREDIT



**Removal of Capital
Goods without
payment of Tax**

(4) The principal shall, subject to such conditions and restrictions as may be prescribed, be **allowed input tax credit on capital goods** sent to a job worker for job work.

**Direct Dispatch of
Input to Job
worker**

(5) Notwithstanding anything contained **in clause (b) of sub-section (2) of section 16,** the principal shall be entitled to take credit of input tax on capital goods even if the capital goods are **directly sent to a job worker** for job work without being first brought to his place of business.

INPUT TAX CREDIT



Receipt Back Input Goods Sent

(6) Where the capital goods sent for job work are not received back by the principal **within a period of three years of being sent out**, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out :

Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted **from the date of receipt** of capital goods by the job worker.

INPUT TAX CREDIT



Moulds and dies, jigs and fixtures, or tools

(7) Nothing contained in **sub-section (3) or sub-section (6)** shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work.

Explanation. — For the purpose of this section, “principal” means the person referred to in section 143.



INPUT TAX CREDIT



THANKS

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