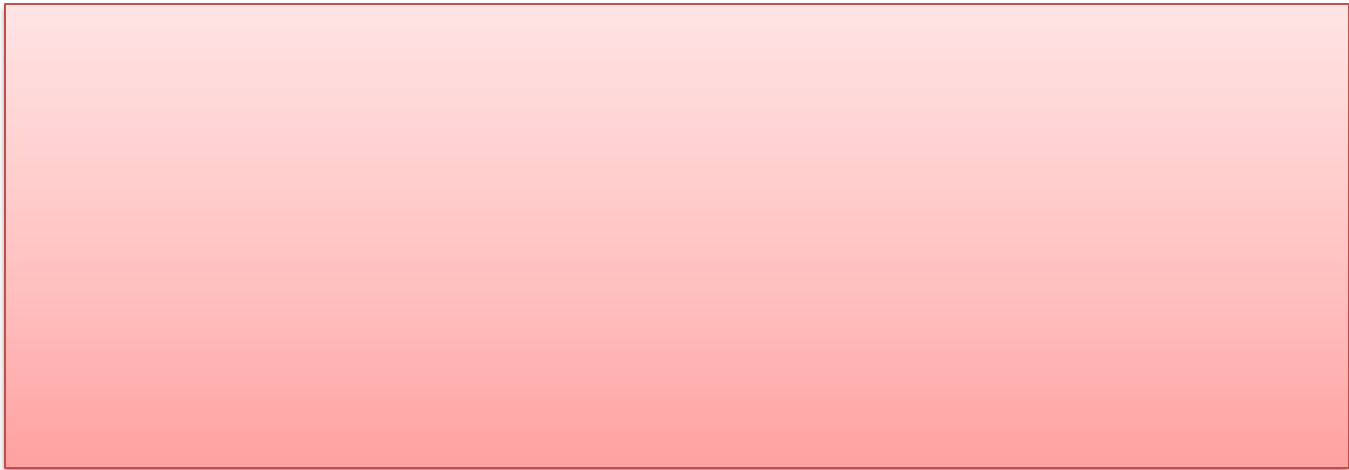


GST & CUSTOMS LAW
TOPIC – APPORTIONMENT OF
INPUT TAX CREDIT



APPORTIONMENT OF INPUT TAX CREDIT

- **SECTION 17 OF CGST ACT, 2017.**
- **SEC.17(1)** –Goods or services are used partly for business purposes and partly for other purposes.
- **SEC.17(2)** –Goods or services are used partly for effecting taxable supply including zero rated supply and partly for exempted supply.
- **SEC.17(3)** –Items included in exempted supplies.
- **SEC.17(4)** –Optional method for banks for ITC.
- **SEC.17(5)** –Blocked credits.

APPORTIONMENT OF CREDIT

SECTION 17(1)

- Goods and services are used by registered person partly for the purposes of business and partly for non business purposes.
- The amount of input tax credit as is attributable to the purposes of his business
- NO ITC- Non business / personal purposes.

SECTION 17(2)

- Goods or services are used partly effecting taxable supply including –
 - Zero rated supplies
 - Exempted supplies
 - Partly taxable and partly exempted supplies.
- ITC is available only that portion of input tax as taxable supplies including zero rated supplies.

APPORTIONMENT OF CREDIT

- **SECTION 17(3) - Items included in exempted supplies**

The value of exempt supply, shall include:

- Supplies on which the recipient is liable to pay tax on reverse charge basis,
- Transaction in securities,
- Sale of land and, subject to clause (b) of paragraph 5 Sch. II
- **RCM** – The value been defined under sec. 2 (108) to mean the supply of goods and services which is levied to tax under-
 - Sale of land
 - Sale of building subject to certain conditions,
 - Non taxable supplies.

APPORTIONMENT OF CREDIT

- **SECTION 17(4) BANKING COMPANY OR FINANCIAL INSTITUTION**

AVAILABILITY OF
50% OF TOTAL
ITC, EVERY
MONTH , &
EITHER COMPLY
WITH PROVISION
OF SEC 17(2)

AVAILABILITY OF
100% OF TOTAL
ITC. BOTH
REGISTERED
PERSONS
HAVING SAME
PERMANENT
AC. NO.

NON
AVAILABILITY OF
ITC FOR NON
BUSINESS USE
AND BLOCKED
CREDITS

APPORTIONMENT OF BLOCKED CREDIT

- Input goods, input services and capital goods may be used by the business for the following purposes:

> ITC AVAILABLE

- FOR BUSINESS PURPOSES
- FOR TAXABLE SUPPLIES
- FOR ZERO RATED SUPPLIES

> ITC NOT AVAILABLE

- NON BUSINESS
- FOR EXEMPTED SUPPLIES

- The **SEC.17(5) OF CGST Act 2017**, has listed down specific goods and services, in respect of which ITC is not available, irrespective of their use in business. These are termed as **BLOCKED CREDITS**.

APPORTIONMENT OF BLOCKED CREDIT

- **(a) MOTOR VEHICLES** [As substituted by CGST Act, 2018]
- Motor vehicles for transportation of persons having approved seating capacity of not more than 13 person(include driver), except when they are used for making the following taxable supplies,:
 - A. further supply of such motor vehicles,
 - B. transportation of passengers,
 - C. imparting training on driving such vehicles.

Apportionment of credit and blocked credits. Sec 17 (5)

Contnd...

(b) the following supply of goods or services or both—

(i)

Food and beverages,

→ ITC cannot be availed

Outdoor catering,

→ ITC cannot be availed

Beauty treatment,

→ ITC cannot be availed

Health services,

→ ITC cannot be availed

Cosmetic and plastic surgery

→ ITC cannot be availed

Exception:

If engaged in similar line of business, then Full ITC can be claimed on these items

EXCLUSION FROM ITC - SEC 17(5)

Works Contract Services

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

Goods or Services or Both

- When it is received by a taxable person for construction of an immovable property on his own account (other than plant and machinery)
- even when **used in course or furtherance of business**

Explanation to Section 17(5): the expression "Construction" includes re-construction, renovation, additions or alterations or repairs to the extent of capitalization, to the said immovable property.

Apportionment of credit and blocked credits. Sec 17 (5) Contnd...

Rent a cab services,



ITC cannot be availed

Life Insurance services,



ITC cannot be availed

Health Insurance services,



ITC cannot be availed

Exception:

If engaged in similar line of business or there is mandatory requirement from government to provide such services by employer to employee then full ITC can be claimed on these items

THANK YOU