

INTRODUCTION TO GST
INPUT TAX CREDIT_01-PART 4

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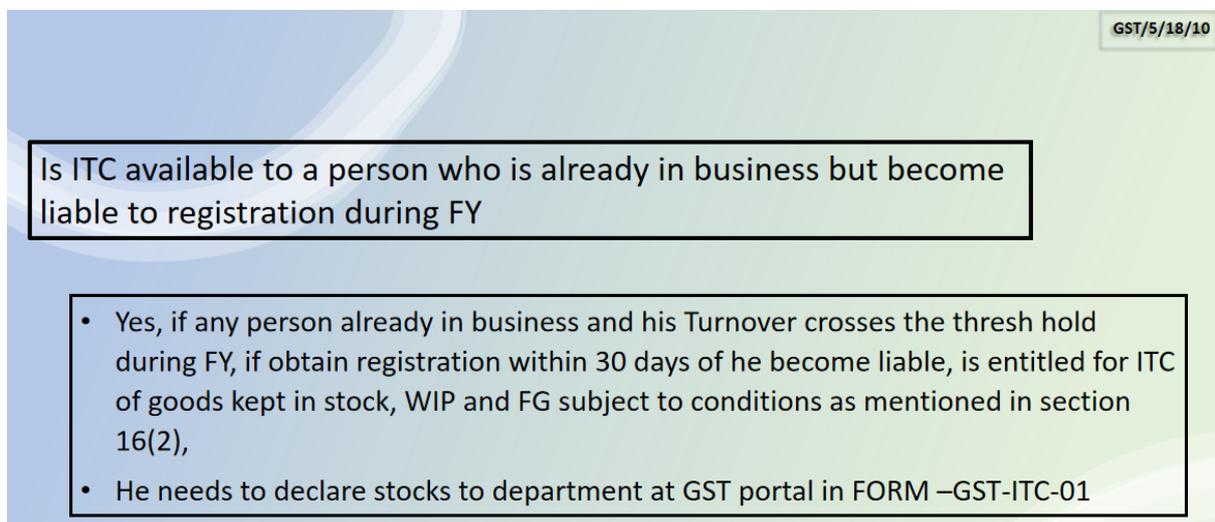
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Management

The Institute of Cost Accountants of India, Kolkata

Week 05

Lecture 22



GST/5/18/10

Is ITC available to a person who is already in business but become liable to registration during FY

- Yes, if any person already in business and his Turnover crosses the threshold during FY, if obtain registration within 30 days of he become liable, is entitled for ITC of goods kept in stock, WIP and FG subject to conditions as mentioned in section 16(2),
- He needs to declare stocks to department at GST portal in FORM –GST-ITC-01

So, friends, there are so many business transactions and something somewhere happens on daily basis. So here is the case.

Is ITC available to a person who is already in business? He is a businessman but become liable to register during financial year. This is the case where person crosses the threshold limit of 20 lakh rupees in a financial year. As he has crossed the limit of 20 lakh rupees now GST is mandatory for him. GST number is to be obtained. So, if that is the case is there any implication from ITC point of view. Means if he is eligible for ITC because if one day his turnover increases or crosses the limit of 20 lakh rupees and one day before that particular date, he is having raw material worth rupees 10 lakh rupees on which he has paid GST at the rate 18 percent.

So, let's take an example, if today is 16th of June 2024 and this is the date when turnover sale crosses rupees 20 lakh. So, on this date he starts charging GST. This date or 17th of June onwards he will start charging GST because now GST is applicable, his turnover is more than

20 lakh rupees. Though he has the option to apply for GST within 30 days from the date of 16th of June. Within 30 days from this date he is supposed to apply for GST number.

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- He needs to declare stocks to department at GST portal in FORM –GST-ITC-01

Handwritten notes:
10,00,000 GST
1,00,000
16/6/2024 → Sale with 10% GST
17/6/2024 → GST no. for

If he has stock of 10 lakh rupees on which he has paid GST. For calculation purposes, if its 10%, i.e. 1 lakh rupees, he has already paid to his supplier, and from this debt, he is supposed to charge GST. His liability will come on his outward supply. Can he use this 1 lakh rupees he has already paid through his supplier against his outward liability? Answer is yes. If any person who is already in business and his turnover crosses the threshold limit during financial year, if obtains registration within 30 days (here condition is within 30 days, so means if he wants benefit of this one lakh rupees ITC which he has already paid to government through his supplier and he wants this one lakh rupees benefit, he has to apply within 30 days GST number), otherwise, this benefit will not be available to him.

He becomes liable/entitled to ITC, subject to conditions as mentioned in section 16. So section 16 condition must be there to avail ITC. So basically, as I told you, whenever I am going for ITC benefit, I have to check if my output, my material/my final product which I am going to sell, is GST applicable on that? Maybe 5%, or maybe 3%. If that is the case, ITC is available.

Then check all conditions mentioned in section 16; I have documents with me, the transaction is depicted in GSTR-2A, GSTR-2B, my supplier has paid tax to the government, I have filed my returns and I have physical possession of goods and I consumed it. If all these conditions are fulfilled and your final product is subject to GST, ITC is available to you and you can go for ITC benefit. Same condition will be applicable here also when you are first time coming into GST preview.

And apart from that, for this type of business, where during financial year he has crossed the limit, he is supposed to declare his goods of rupees 10 lakh, what are already there in his stock to the government, means to the GST department in form GST-ITC 01. So, in this form, he has to declare his stock of 10 lakh rupees so that government can make out how much stock was there with him and that he has applied for GST registration within 30 days. So, fulfilling these two conditions, he will be able to avail ITC of 1 lakh rupees on the stock he is already having. Though, before this date, he was not under GST, still, benefit is available provided he fulfills the conditions.

So, here 1 lakh rupees is important for me as a businessman because it is a clear-cut cash which I have already paid as tax. I can adjust this lakh rupees against my outward liability. So, if after this date I start selling my goods and by 31st March 2025 I have total liability of 5 lakh rupees of GST on my sale, so on these 5 lakh rupees I will adjust this one lakh rupees first and the balance four lakh rupees I will pay to the government on my value addition. So straight away I am saving one lakh rupees over here. And if I do not go for registration within 30 days this will be a cost for me and my profit will be less by this one lakh rupees.

That is the importance of ITC. So, in each and every business transaction I have to understand the business transaction, I have to understand the provisions of section 16 and section 17 and can save lakhs and lakhs of rupees. Because this one lakh rupees on one side it is saving my working capital and also saving my 10% to 12% interest on working capital. It has cumulative effects.

GST/5/18/11

If a person having TO less than Rs. 20 lakh or Rs. 40 lakh as the case may be, obtain registration voluntarily..... will he be entitled for ITC on goods kept in stock?

He is entitled for ITC on goods kept in stock as Raw materials, WIP and /or FG.

Further friends, another case in business. It says if a person is having turnover less than 20 lakh rupees or 40 lakh rupees as the case maybe (this 40 lakh rupees case we have already discussed), has obtained registration voluntarily. Means the person whose turnover is not 20

lakh rupees or whose turnover is not 40 lakh rupees. So he doesn't have any requirement of GST number, but still if he feels so that he should be a GST registered person and he obtains registration, then will he be entitled for ITC on goods he is having in his stock? Answer is yes. He can avail the benefit of ITC if we go for GST registration voluntarily, though law doesn't say so and he doesn't need any GST number because his turnover is less than 20 lakh rupees or 40 lakh rupees but still. So, it means if a person obtains registration number under GST voluntarily, all GST provisions will be applicable on him. And similarly, ITC is also available if he has stock in his godown. He can avail ITC.

GST/5/18/12

What if Composite Dealer crosses the thresh hold limit of Rs. 1.50 Crore or Rs 50 lakh as the case may be during FY..... is he entitled for ITC on goods kept in stock on that date ?

Yes if Composite dealer crosses the thresh hold limit of Rs. 1.50 CR during FY, he will be regular dealer and is entitled for ITC on stock of Raw material, WIP and FG subject to conditions laid down in Sec 16.(2).

Similarly, friends if a composite dealer or a small dealer having turnover up to 1.5 crore, who is a trader or a service provider up to 50 lakh rupees under section 10 of CGST Act; this is a benefit available for small businessmen because their compliances are less in this section. So here if a composite dealer whose turnover is less than 1.5 lakh rupees or 50 lakh rupees, if he is a service provider and he crosses the limit of 1.5 lakhs or 50 lakhs during the year because his business has gone further, so the date on which he crosses this limit, he must be having some stock in his warehouse and he must have paid taxes on that (it is similar to the previous case). Is ITC available? Answer is yes. He can avail ITC subject to the conditions as laid down in section 16. ITC is available to him.

So natural procedure is; if you are going for GST registration which earlier you were not having, but you are a businessman from last 10 years or 15 years or you were a composite dealer now you are going for a regular dealer or you have obtained registration voluntarily. You were a businessman and having business for so many years and now you want a GST number.

So whatever stock you will be having on that particular date and whatever tax you have already paid to your supplier, that tax amount is available to you as ITC subject to the conditions. So that much amount will be a saving for you and it will increase your profit by that amounts.

GST/5/18/13

If for any dealer, exempted supplies become taxable during any FY, is he entitled for ITC on stock kept for....

Yes he is entitled for.

In case of Capital goods also he is entitled but such ITC shall be reduced by 5% per quarter from the date of invoice.

So, friends, I mentioned you that for ITC purpose, your final product means the product you are selling in the market, must be subject to GST. So, there may be cases when you are dealing with exempted goods only. As I told you that in case of medical services by hospital, education services by schools and colleges, by luxury generation, by agriculture produce, all these items, all these products or goods or services are not subject to GST.

If they are exempted, then your inputs will be subject to your cost only and no ITC is available. So whatever plant and machinery you have commissioned for generation of electricity, you will not get any ITC. For your hospitals whatever equipments you have installed or whatever hospital facility you have created, maybe indoor or outdoor, ITC is not available.

If because of government rulings your exempted supplies become taxable or Government issues a notification one day that this product which was exempted from GST till date will be taxed from this particular date, then what? Any product can be taxable at any point of time. Similarly, any taxable item can be exempted from GST at any point of time during any financial year. Does the dealer become entitled to ITC on the stock kept for that particular date? Answer is yes. Whenever any product becomes taxable, whenever any business becomes taxable, whatever stock they are having in their books of accounts or record or warehouse, whatever amount of tax they have already paid to their supplier, that tax amount is available to them as ITC. It's a big saving for them, big saving for the business.

Is there any time limit for availing ITC..... ?

In normal circumstances, ITC on invoices received during FY can be availed up to the date of filing on monthly returns for the month of Sept, next year. (Budget-22 proposed 30th Nov of NEXT YEAR-ntf no. 18/2022 dt 28.09.2022)

So, friends we have seen, whatever inputs I am procuring for my business purposes, (not personal purposes, because personal consumption, you cannot take ITC benefits), if I have paid taxes on it, that taxes are available to me to set-off against my output liability. And question comes, is there any time limit? i.e. Is there a time limit to avail the benefit of ITC?

Friends, here two terms are very important. One is avilment of ITC. Another is utilization of ITC. Avilment of ITC and Utilization of ITC. So here it says, in normal circumstances ITC on invoices received during financial year can be availed up to the date of filing monthly returns for the month of September next year. (From budget 2022 it is 30th of November next year.) As I told you earlier that if we are in financial year 2024-25, it means we are talking about 1st April 2024 to 31st March 2025. 12 months. This is our financial year/Current financial year.

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→ Availment of ITC
- Utilization of ITC

FY 2024-25 (1/4/2024 - 31/3/25)
ITC of

So, from 1st April 2024 till 31st March 2025, whatever purchases I have made for my business purposes, whatever inputs I have purchased for my business purposes, whatever services I have availed for my business purposes, I am eligible for ITC on the taxes paid subject to the

conditions mentioned in Section 16 and restrictions in Section 17 (block credits). So, I will avail ITC further, if my own services or my own products are taxable under GST. If my product is exempted from GST this benefit is not available to me but if my own product or service is exempted from GST, I will not be able to avail ITC, but if it is taxable, I will avail ITC benefits. So, during this period, whatever procurements I have done, I will claim its benefit. Means I will avail this benefit.

What is the procedure of availing this benefit? Availing of benefit means I am claiming this on record with the government that I have procured this much of inputs and ITC is mine. So, there is a procedure for that and it will be discussed when we will talk about return filing because when monthly returns are filed, I claim my ITC. I claim that amount which I have procured during that particular month because returns are filed monthly or quarterly also. But in normal circumstances, it is monthly returns. So, we will talk about all these returns. So, during month time, I avail/claim my ITC. That claim of ITC is availment of ITC. So, is there any time period to avail my ITC? Or is there any time to utilize my ITC?

Availment: During month return, I claim that this much of procurement I have done during this particular month and on this procurement, I have paid this much of tax. So it is my claim. I will intimate to the government through one return which is known as GSTR-3B. In GSTR-3B which is monthly return, I will claim that this much is my ITC and that is my availment. So I have availed it and how I will use it.

So friends in same return when I will set off this availment against my outward liability means when I am selling my product, I am charging tax to my customer. That amount which I have charged to my customer, I am supposed to pay to the government. So when I am paying to the government, I am taking this benefit of availment and balance if any, I am paying in cash. So that is my utilization.

So, first question is here. Is there any time for availment of ITC?

First part: So, law says, yes, if you want to claim your ITC, it must be claimed by 30th of November of the next year. So here in financial year 24-25, during this period, whatever procurement I have done, of raw material, of capital goods or input services or my inputs I have to avail ITC/claim ITC by 30th November 2025. If I miss out any document, any invoice, any particular procurement and I have not claimed it by 30th November 2025, it will be gone forever. So, friends, in GST, for availment of ITC, there is a time limit of 30th November. It was introduced by notification number 18/2022, and prior to that, this 30th November was 30th

September, i.e. return for the month of September next year. So, in this, before amendment, the provision was for filing of return for the month of September of the next year, but after amendment it is 30th of November of the next year.

There is a difference when we will deal in returns, you will understand it in better way. So, for availment of ITC there is a time limit but for utilization of ITC there is no time limit. You can utilize it anytime in future, the only condition is you must first avail it. It must be claimed by you in your returns and if you have claimed it then you can utilize it anytime.

It happens so many times that you have procured goods, but because of some market conditions, your sale is zero/nil. We have seen it in COVID time. Because COVID was declared in March 2020. And people were not aware that there will be *Janata* lockdown. And they procured goods as usual. So after march 2020 there was no sale, there was no production, but material was there, inputs were there, so it took almost three years to normalize the things, so later on people started utilizing this ITC.