Lakshmikumaran & Sridharan attorneys

# L&S Update

an e-update to clients from
**Lakshmikumaran** & **Sridharan**

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## Input Tax Credit - Changes proposed in the CGST Bill, 2017

# Input Tax Credit - Changes proposed in the CGST Bill, 2017

The CGST Bill, 2017 has been introduced in the Lok Sabha on 27.03.2017. Few of the important changes proposed in the said Bill are as under: -

## A. Credit in Relation to Telecommunication Tower and Pipelines

- Under revised Model GST law, credit in respect of pipelines and telecommunication tower was available for utilisation only to the extent of one-third of the credit amount in the year of receipt and balance in subsequent years, as provided in relevant provisions.

- However, in the CGST Bill, telecommunication tower and pipelines outside the factory premises have been excluded from the definition of Plant & Machinery. Thus, the same will fall under negative list mentioned in clause 17(5)(c) & (d) and credit in respect of inputs & input services used for construction of pipeline outside the factory premises and telecommunication tower will not be available.

## B. Timelines for payment to Supplier of Goods and/or Services

- The CGST Bill proposes that the payment to the supplier of goods and/ or services for the value of supply and tax payable thereon must be paid within 180 days failing which the credit amount shall be required to be paid as an output tax liability along with interest.
- Further, a proviso has been inserted like in the present Cenvat Rules which enables the recipient to take back the credit amount (and not the interest) once the payment is made to supplier.
- Thus, the interest amount will remain a cost even after payment is made to the supplier.

## C. Eligible/ Ineligible Credit

- The credit on expenses related to rent-a-cab, food & beverages, outdoor catering, beauty treatment, health services, cosmetic & plastic surgery, life insurance and health insurance shall also be allowed in cases where such inward supply is used by the registered person for making outward supply of same category of services or as a part of composite/ mixed supply.
- Credit in respect of goods or services received by a non-resident taxable person will not be available except on goods imported by him.

## D. Apportionment of Credit – Changes in respect of exempt supplies and restrictions for banking companies or financial institutions

- A new sub clause has been inserted to include transactions in securities, sale of land and, subject to certain conditions, sale of building as exempt supply.

- The restriction of 50% credit to banking companies or financial institutions, will not apply to the tax paid on supplies between registered persons with the same PAN. This proviso will enable the Banks /FIs to avail full credit of the tax paid on inter-unit transactions.

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