L&S Update

an e-update to clients from
Lakshmikumaran & Sridharan

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GST – Draft Input Tax Credit Rules

Input Tax Credit Rules

- Below table contains the major changes in ITC rules:

Relevant extract of rule	Existing provision	Revised/ New Provision
Rule 1: Documents on the basis of which credit can be availed	Bill of entry	Bill of entry *or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for assessment of integrated tax on imports*
Rule 2: Reversal of ITC in case of non payment of consideration	In respect of reversal of credit on account of non payment of consideration for a supply within prescribed time limit, following details should be furnished in Form GSTR 2: (a) Details of such supply (b) Amount of input tax credit availed of	Revised details to be furnished: (a) Details of such supply *(b) Amount of value not paid* *(c) Amount of ITC availed of proportionate to such amount not paid to the supplier*

Relevant extract of rule	Existing provision	Revised/ New Provision
Rule 2: Reversal of ITC in case of non payment of consideration	No corresponding provision	Value of supplies made without consideration as specified in Schedule I shall be deemed to have been paid for the purpose of second proviso to Sec 16(2)
Rule 2: Reversal of ITC in case of non payment of consideration	No corresponding provision	Time limit specified in Section 16(4) for availing of credit shall not apply in case of re-availment of credit that had been reversed earlier.

Relevant extract of rule	Existing provision	Revised/ New Provision
Rule 5: Manner of claiming credit in special circumstances	No corresponding provision	• In case of supply of credit availed capital goods or plant and machinery, the amount of credit for the purpose of Sec 18(6) shall be determined by reducing the input tax on the said goods at the rate of 5% for every quarter or part thereof from the date of issue of invoice for such goods.

Relevant extract of rule	Existing provision	Revised/ New Provision
Rule 8: Manner of determination of ITC in respect of capital goods and reversal thereof in certain cases	Life of capital goods used: (a) Partly for business and partly for non business purpose; or (b) for the purpose of effecting taxable supplies including zero rated supplies as well as exempted supplies is taken as five years.	It is clarified that the life of 5 years shall be counted from the date of invoice of such capital goods.

Relevant extract of rule	Existing provision	Revised/ New Provision
Rule 9(6): Manner of reversal of credit under special circumstances	No corresponding provision	• For the purpose of Section 18(6), life of capital goods shall be taken to be 5 years. • Where the amount determined under Rule 9(6) is more than the tax determined on the transaction value of the capital goods, the amount determined shall be added to the output tax liability.

- Apart from the above, there are certain other minor modifications also in the rules.

- **Input Tax Credit Forms**

Form No.	Description
Form GST ITC - 1	Declaration for claim of input tax credit under Section18(1)
Form GST ITC – 2	Declaration for transfer of ITC in case of sale, merger, demerger etc. under Section 18(3)
Form GST ITC – 3	Declaration for intimation of ITC reversal on inputs, inputs contained in semi-finished and finished goods and capital goods in stock under Section 18(4)
Form GST ITC – 4	Details of goods/capital goods sent to job worker and received back

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