

□ 10.2 Apportionment of Credit and Blocked Credits [Sec. 17]

(A) Blocked credit i.e. Input Tax Credit not available on certain Items (Negative List) {Sec.17 (5)}

Input tax credit shall not be available in respect of the following, namely :	
(1) Motor vehicles etc.	<p>In relation to motor vehicles other than motor vehicles for transportation of person having approved seating capacity of not more than thirteen persons (including driver) and other vessels and aircraft. Except when it is used to provide the following taxable supplies :</p> <p>(A) Transportation of passengers; or (B) Imparting training on driving, flying, navigating such vehicles or conveyances; or (C) For transportation of goods (D) Further supply of such motor vehicle, vessel or aircraft.</p> <p>Example :</p> <ol style="list-style-type: none"> 1. Driving school is allowed to take Input Tax Credit on purchase of cars for the purpose of teaching driving. 2. A dealer of car is allowed to take Input Tax Credit on cars purchased for resale. 3. A taxi service is allowed to take Input Tax Credit on cars purchased by him for use as taxi. <p>Question. A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect to GST paid on purchase of such motor vehicle ?</p> <p>Answer. No. ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passengers or goods or is providing the services of imparting training on motor vehicles.</p>
(1A) Service of general insurance, service, repair etc. of motor vehicle, vessel or aircraft.	<p>Service of general insurance servicing, repair and maintenance except they relate to motor vehicle vessel or aircraft as per part (A), (B), (C), (D) of point no. (1) above or received by taxable person.</p> <p>(a) Engaged in manufacture of such motor vehicle, vessel or aircraft. (b) In the supply of general insurance services for such motor vehicle, vessel or aircraft.</p>

Question.

Mr. Ajay has purchased a bus of 24 seats capacity for his factory. Is he entitled to claim ITC for purchase of bus.

Answer.

Yes, since the capacity of bus exceeds the limit of 13, he is entitled to claim credit.

Question.

M/s AB Ltd. got the repair and servicing of car used for travelling of its director, can they claim ITC on the bill of repair and servicing.

Answer.

No ITC can be claimed as car is neither used for transport of passenger nor for goods.

<p>(2) Food, beauty, health services etc.</p>	<p>The following supply of goods or services or both which is primarily provided for personal use or for the consumption of employees :</p> <ul style="list-style-type: none"> (i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery; (ii) membership of a club, health and fitness centre; (iii) rent-a-cab hiring and leasing of motor vehicles, vessels or aircraft, except for part (A), (B), (C), (D) of point no. 1, life insurance and health insurance except where the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; (iv) travel benefits extended to employees on vacation such as leave or home travel concession. <p>Exception : where such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply then such person are entitled to take the benefit of input tax credit.</p> <p>Example : A beauty parlour shop purchase beauty treatment product to be used in outward supply of service. This shop is allowed to take Input Tax Credit on purchase of goods</p>
<p>(3) Work Contract service</p>	<p>works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.</p> <p>Note : "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation.</p>
<p>(4) Construction of Immovable property</p>	<p>goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.</p> <p>Note : "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation.</p>
<p>(5) Input used under Composition Scheme</p>	<p>goods or services or both on which tax has been paid under section 10 i.e. composition scheme.</p>

(6) Input by Non-resident	goods or services or both received by a non-resident taxable person except on goods imported by him.
(7) Personal Consumption	goods or services or both used for personal consumption.
(8) Goods Lost, Stolen etc.	goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.
(9) Evasion etc.	<p>any tax paid in accordance with the provisions of sections 74, 129 and 130.</p> <ul style="list-style-type: none"> ✓ Section 74 : input tax credit wrongly availed or utilised by reason of fraud or any wilful- misstatement or suppression of facts ✓ Section 129 : Detention, seizure and release of goods and conveyances in transit. ✓ Section 130 : Confiscation of goods or conveyances and levy of penalty.