Bangalore Branch of SIRC of

The Institute of Chartered Accountants of India

Three Day's Residential Refresher Course (RRC) on GST

Organized under the aegis of Indirect Taxes Committee of ICAI

Hosted by: Bangalore Branch of SIRC of ICAI

Day 1 – Thursday, 11 October 2018

Case studies on "Input Tax Credit" under GST

Case Study – 1

Aparna Ltd. (*herein after referred to as* ***Developers***) is a company engaged in construction of residential complexes. The developer has entered into a contract with a customer on April, 2017 for Rs. 50 lakhs which is to be paid on quarterly installments.

Quarter	**Amount**
May 17 – July 17	10 Lakhs
Aug 17 – Oct 17	10 Lakhs
Nov 17 – Jan 18	10 Lakhs
Feb 18 – April 18	10 Lakhs
May 18 – July 18	10 Lakhs

Occupancy certificate was received in the month of February 2018.

In May 2018, developer incurred an additional cost of Rs. 10 Lakhs for construction of a Sports Area.

Issues to be addressed

1. Whether Aparna Ltd. shall be eligible to avail the credit of the inputs used in the construction activity prior to Occupancy Certificate? If yes, what shall be the ratio?

2. Whether Aparna Ltd. shall be eligible to avail the credit of the inputs used in the construction activity after Occupancy Certificate has been issued? If yes, what shall be the ratio?

3. Whether Aparna Ltd. shall be eligible to avail the credit of the inputs used in the additional construction activity incurred in May 2018?

   Ans.

Case Study – 2

ABC Ltd is engaged in works contract having three projects, A B and C, out of which, Project A and B has received Occupancy Certificate and Project C is an ongoing Project.

The Occupancy Certificate for both Projects A and B has been received on December 2017, accordingly the GST has been levied taking eligible Input tax Credit.

In April 2018, the company incurs common expenditure such as marketing services, Audit expenses and etc.

Issues to be addressed

Whether reversal of Input Tax Credit is applicable in respect of completed projects A and B?

Ans.

Case Study – 3

Landmark Ltd is into two businesses, one being construction of residential complexes (100 flats) and another being Maintenance & renting of immovable properties.

In the year 2017-18, 70% of the construction of residential complexes was completed and there were no agreements of sale.

Maintenance & renting of immovable properties had receipts in the year and the input tax credit belonging to the construction business has been availed for maintenance & renting of immovable property.

In the year 2018-19, remaining 30% of the construction was completed.

Out of 100 flats, 70 flats were sold before issuance of occupancy certificate for which input tax credit of remaining 30% construction was utilized and 30 flats remained unsold.

Issues to be addressed

1. Comment, with respect to Input tax credit utilization in the year 2017-18.

2. Comment, with respect to Input tax credit utilization in the year 2018-19.

Ans.

Case Study – 4

PQR Ltd is in the business of renting out the immovable property for commercial purpose.

An elevator is being installed in the rented out premises by the PQR Ltd.

Issues to be addressed

Whether Input Tax Credit on installation of the elevator can be availed?

Ans.

Case Study – 5

Sunshine Ltd, a dealer in ice cream, is located at Bengaluru (Head office) having its Branch at Chennai. Head office places an order to Reva Ltd a supplier located at Delhi for purchase of Refrigerator.

On the direction of Head office the Refrigerator is supplied to the Chennai Branch for its use by the Reva Ltd.

Reva Ltd raises an invoice in the name of Sunshine Ltd (Head office) and Sunshine Ltd makes payment along with GST.

Issues to be addressed

Comment on who should claim Input tax credit, whether Head office or Branch? What is the procedure?

Ans.

Case Study – 6

Richie Rich Ltd is a company engaged in renting of immovable property for commercial purpose. The construction activity for the same purpose is carried out by the Richie Rich Ltd.

The following are the few supplies for the construction activity by the Richie Rich Ltd:

1. Renovation to the Lifts
2. Air Conditioner installation
3. Refurbishments such as changes to structures, wall and floor tiles
4. Electrical Panels (Movable)
5. Roller Blinds and Curtains (Movable)

Issues to be addressed

Discuss whether Input Tax Credits can be claimed on the above mentioned description of Supplies.

Ans.

Case Study – 7

Innovative India Ltd deals in FMCG (Fast – Moving Consumer Goods).

The company calls for **"dealers meet"** for all its dealers. In the event, the company distributes Mobile Phones to all its dealers.

Issues to be addressed

Whether input tax credit can be claimed on distribution of mobile phones to the dealers?

Ans.

Case Study – 8

Ronak info Ltd is in the business of information technology. The company buys a car for business purpose.

The company incurs expenditure on repairs of car used for business purpose.

Issues to be addressed

Whether input tax credit can be claimed on repairs of car?

Ans.

Case Study – 9

Agarbatti Ltd is a company engaged in manufacture of Agarbattis.

The company outsources its banners and catalogues from a supplier, where the design is provided by the Agarbatti Ltd and Catalogues are sent by the supplier to the company, which in turn is sent to different locations within State and outside the State by the Agarbatti Ltd without any consideration.

Issue to be addressed

Whether input services on catalogues are eligible and can be claimed under GST by the Agarbatti Ltd.

Ans.

Case Study - 10

ABC Limited is incorporated on January 05, 2018. It applied for registration voluntarily on under GST law on March 10, 2018 and received registration on March 25, 2018. It has received invoices from suppliers towards provision of services during January 05, 2018 to March 09, 2018.

Issue to be addressed

Whether input credit can be claimed in respect of services received prior to registration under GST law?

Ans.

Case Study -11

Passenger vehicle – say Van is purchased by a hotel for catering service and also scooters purchased for home delivery of foods. The supplier has charged GST on the said vehicles. Hotel is liable to tax under 18% category for supply of food at restaurant.

Issue to be addressed

Can ITC be claimed on purchase of Van and Scooter when section 17(5) of CGST Act, 2017 has specific restriction? If yes, justification for the same.

Ans.

Case Study – 12

PQR a 5-star hotel has bar and restaurant. Alcoholic liquor for human consumption is not liable to GST and therefore, the hotel is not levying GST.

Issue to be addressed

What are the issues impacting input tax credit in this situation?

Ans.

Case Study – 13

XYZ cold storage limited has constructed a cold storage building for warehousing of goods. The works contractor has charged GST on the construction of cold storage building.

Issue to be addressed

Can ITC be claimed on cold storage building which is used to provide warehousing services? Will the opinion change if it is for captive use by the company?

Ans.

Case Study – 14

A developer of residential property has sold all the flats before obtaining occupancy certificate. Due to different rates of output tax (i.e. flats with 12% under Pradhan Mantri Awas Yojna scheme and 18%) upon completion of the project he has excess input tax credit.

Issue to be addressed

Can the developer claim refund of excess input tax credit? If no, can the developer carry forward the excess input tax credit to be utilized for another project?

Ans.

Case Study -15

A residential welfare association (RWA) charges for its members based on the sft basis of the flat. Some of the members are liable to pay amount less than Rs. 7,500/- per month and some are liable to pay more than Rs. 7,500/- per month for monthly maintenance. In terms of notification no. 12/2017 Central Tax (Rate) dated 28.06.2017 as amended GST is not liable for monthly charges of upto Rs. 7,499/- per month.

Issues to be addressed

1. Whether RWA is entitled to input tax credit of all services / goods received?
2. Is Input tax credit required to be reversed by the RWA where certain members contribution is < Rs. 7,500 per month

Ans.

Case Study -16

Arrow shirts to promote its sales offers buy 2 get 1 shirt free scheme to the customers.

1. Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply – Section 2(47)
2. No-taxable supply means a supply of goods or services or both which is not leviable to tax under CGST Act or under the IGST Act – Section 2 (78)

Issue to be addressed

Can free supply be construed as non-taxable supply and therefore get covered under exempt supply and require reversal of input tax credit?

Ans.

Case Study – 17

ABC Limited a software entity apart from income from software service has following income

1. Interest on fixed deposits
2. Income from sale of shares / securities

Issue to be addressed

Whether the company is required to reverse input tax credit on the above mentioned income?

Ans.

Case Study – 18

XYZ Private Limited has missed to claim input tax credit in its GSTR 3B return of Rs. 15,00,000/- for the period July 2017 to March 2018.

Issue to be addressed

Whether the input tax credit can be claimed in the Annual Return in Form GSTR 9 or reconciliation statement in Form GSTR 9C?

Ans.

Case Study – 19

LMN Limited engaged in software development has Head Office at Bangalore and branches at Mumbai and Delhi. The head office receives invoices towards audit fee, software licence for use of software by HO and branches, insurance for employee

Issued to be addressed

Whether the Head Office needs to distribute the input tax credit by Input Service Distributor mechanism or can it issue an invoice to the branches on services received by it by way of cross charge?

Ans.

Case Study – 20

PQR Packing Ltd is engaged in supply of packing materials located in Karnataka. The company supplies its materials all over India (both inter and intra state supplies). The input on packing materials are claimed within a month of purchase by the company.

The materials are transported through trucks to far locations which might involve damage/destruction of packing materials.

On 01.01.2018, the company sent a load of packing materials to a dealer which took a month to reach the place of recipient.

The recipient reported certain damaged goods to the PQR packing Ltd. The company replaced the materials for the ones destroyed/damaged in transit. **Issues to be addressed** Comment on how the Input Tax Credit should be treated by the PQR Packing Ltd.

Ans.