

UDHNA COLLEGE
SYBCOM SEM-IV
ADVANCED ACCOUNTING & AUDITING-IV(TAXATION)
UNIT 4 GOODS & SERVICE TAX

Contents:

Input Tax Credit Section 16 and 17 (Elementary problems only)
Tax invoice and Debit note and Credit note section 31 to 34
Accounts and Records Section 35 and 36

- **What is input tax credit?**

Input Tax Credit (ITC) refers to the tax paid on purchases for the business which can be claimed as deduction at the time of paying tax on output tax.

- **Who can claim ITC?**

ITC can be claimed by a person registered under GST only if he fulfils all the conditions as prescribed.

- **Conditions to claim an input tax credit under GST-**

1. The dealer should be in possession of tax invoice
2. The said goods/services have been received
3. GSTR-3B have been filed by the recipient
4. The tax charged has been paid to the government by the supplier
5. The recipient must have paid towards the invoice or debit note within 180 days from the invoice date
6. When goods are received in installments ITC can be claimed only when the last lot is received
7. ITC can be claimed only for taxable supplies of goods or services and the purchases made must be used in the furtherance of such business
8. No ITC will be allowed if depreciation has been claimed on tax component of a capital good

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- **What can be claimed as ITC?**

ITC can be claimed only for business purposes.

ITC will not be available for goods or services exclusively used for:

1. Personal use
2. Exempt supplies
3. Supplies for which ITC is specifically not available under the CGST Section 17(5)

- **Eligible and ineligible input tax credit**

There is an exclusion list under Section 17(5) of the CGST Act which keeps some transactions and businesses out of the scope of ITC claims. ITC cannot be claimed on such items. Apart from the list, all others are eligible for ITC claims.

Some cases of ineligible input tax credit are listed below-

- **Motor Vehicles:** Used for personal purpose (exceptions for resale or commercial use or mandated cab services)
- **Food and Beverages:** Catering, health, and similar services unless legally required
- **Membership Fees:** Club or gym memberships
- **Insurance:** Health and life insurance, except for government mandates
- **Construction Expenses:** Building immovable property
- **Lost or Destroyed Goods:** Damaged or gifted items
- **Documents Required for Claiming ITC**

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The following documents are required for claiming ITC:

- Invoice issued by the supplier of goods/services
- The debit note issued by the supplier to the recipient (if any)
- Bill of entry
- An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs.200 or in situations where the reverse charge is applicable as per the GST law
- An invoice or credit note issued by the Input Service Distributor(ISD) as per the invoice rules under GST
- A bill of supply issued by the supplier of goods and services or both
- **Time limit to claim input tax credit under GST**

Input tax credit can be availed in GSTR-3B on or before the expiry of the time limit defined by the GST law. The time limit to claim ITC on invoice or debit note issued in a financial year is **earlier of the below two dates-**

- 30th November of the year following such financial year, or
- The date of filing the annual returns for that financial year.

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How to Avail INPUT CREDIT

To Pay IGST	<ul style="list-style-type: none">• Take Input Tax Credit from IGST, CGST & SGST paid on purchases
To Pay CGST	<ul style="list-style-type: none">• Take Input Tax Credit from CGST & IGST paid on purchases
To Pay SGST	<ul style="list-style-type: none">• Take Input Tax Credit from SGST & IGST paid on purchases



REMEMBER:

- **CGST: CGST ITC availed against CGST but cannot be used to pay SGST liability**
- **SGST: SGST ITC availed against SGST but cannot be used to pay CGST liability**
- **CGST & SGST ITC CANNOT BE USED TO PAY EACH OTHER**



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ELEMENTARY PROBLEMS ON ITC:

1. R of Delhi provided consultancy services to G, a trader for agreed consideration of Rs.300000+GST of Rs.54000(consisting CGST Rs.27000 and UTGST Rs.27000) on 25/12/2024 in Delhi.

When will G be able to avail credit of GST of Rs.54000?

2. R agrees to supply to G (a trader) certain goods worth Rs.800000 in the following lots:

Date	Lot	Value of goods
17/10/2024`	First lot	200000
17/11/2024	Second lot	250000
17/12/2024	Third lot	350000

When and for what amount will G be able to take input tax credit? Assume the rate of GST is 12%.

3.R owing a bakery provides the following information for the month of NOV.2024:

Total ITC in respect of milk products received	Rs.120000
Milk products sold in the course of business	60%
Milk products used in birthday party of daughter	40%

How much input tax credit will be allowed to R?

4. Shri Arjun has a sum of Rs. 2,30,000 on account of input credit of SGST in the electronic credit ledger on 1-1-2024. He has to pay the following tax liabilities:

a. CGST payable for the month of January, 2024 Rs. 1,20,000

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b. IGST payable for the month of January, 2024 Rs. 1,50,000

c. SGST payable for the month of January, 2024 Rs. 50,000

State how you will utilize the credit balance of Input Tax Credit (VNSGU Minor-April 2025)

5. R has a sum of Rs. 3,50,000 on account of input credit of IGST in the electronic credit ledger. He has to pay the following tax liabilities:

a. CGST payable for the month of December, 2024 Rs. 63,000

b. IGST payable for the month of December, 2024 Rs. 255000

c. SGST payable for the month of December, 2024 Rs. 122500

State how you will utilize the credit balance of Input Tax Credit.

6. R has a sum of Rs. 3,60,000 on account of input credit of CGST in the electronic credit ledger. He has to pay the following tax liabilities:

a. CGST payable for the month of December, 2024 Rs. 131400

b. IGST payable for the month of December, 2024 Rs. 172800

c. SGST payable for the month of December, 2024 Rs. 54000

State how you will utilize the credit balance of Input Tax Credit.

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INVOICE

An invoice is a document issued by supplier of goods or services to a recipient and describes the various details like parties involved, description of item, price, discount, date etc.

- **Type of Invoices**

- Tax Invoice
- Bill of Supply
- Receipt Voucher
- Refund Voucher
- Payment Voucher
- Credit Note
- Debit Note
- Supplementary Invoice

- **Tax Invoice**

All registered persons other than supplier of exempted goods or exempted service and composite dealer shall be liable to issue Tax Invoice.

Particulars to be mentioned in the tax invoice

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- (a) Name, address and GSTIN of the supplier;
- (b) A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash;
- (c) Date of its issue;
- (d) Name, address and GSTIN or UIN, if registered, of the recipient;
- (e) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees or more;
- (f) HSN code of goods or Accounting Code of services;
- (g) Description of goods or services;
- (h) Quantity in case of goods and unit or Unique Quantity Code thereof;
- (i) Total value of supply of goods or services or both;
- (j) Taxable value of supply of goods or services or both taking into account discount or abatement, if any;
- (k) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (l) Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- (m) Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
- (n) Address of delivery where the same is different from the place of supply;
- (o) Whether the tax is payable on reverse charge basis; and
- (p) Signature or digital signature of the supplier or his authorized representative:

- **Credit Note**

As per section 34 (1) “Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to **exceed** the taxable value or tax payable in respect of such supply or where the goods supplied are returned by the recipient or where goods/services or both are found to be deficient, the registered person may issue to the recipient a credit note containing such particulars as may be prescribed”.

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- **Debit Note**

As per section 34 (3) “Where a tax invoice has been issued for supply of any goods/services or both and the taxable value or tax charged in that tax invoice is **found to be less than taxable value or tax payable** in respect of such supply, the registered person shall issue to the recipient are debit note containing such particulars as may be prescribed”.

- **Section-35. Accounts and other records**

(1) Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

- (a) Production or manufacture of goods;
- (b) Inward and outward supply of goods or services or both;
- (c) Stock of goods;
- (d) Input tax credit availed;
- (e) Output tax payable and paid; and
- (f) Such other particulars as may be prescribed:

Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business:

Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.

(2) Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.

(3) The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.

(4) Where the Commissioner considers that any class of taxable person is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.

(5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant Accounts and shall submit a copy of the audited annual accounts, the

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reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.

Provided that nothing contained in this sub-section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.

(6) Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of such tax.

- **Generation and maintenance of electronic records**

(1) Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.

(2) The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

(3) Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

- **Section-36. Period of retention of accounts:**

Every registered person required to keep and maintain books of account or other records in accordance with the provisions of sub-section (1) of section 35 shall retain them until the expiry of seventy-two months from the due date of furnishing of annual return for the year pertaining to such accounts and records:

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Provided that a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

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