

M. Com. Sem-4

Taxation- 2

Chap 6

Lecture- 2

ITC - practical



**Illustration: 1** On Input tax credit :

Shri Ram has business of purchase and selling of computers. He has purchased 20 computers @ ₹ 50,000 each of attracts 18% GST. 1 computer was given to son for his personal use. Please calculate amount of input tax credit.

\* Total purchase :

$$\begin{aligned} 20 \text{ computer @ } ₹ 50,000 &= ₹ 10,00,000 \\ + \text{GST (Input) } 18\% &= ₹ 1,80,000 \\ \hline &₹ 11,80,000 \end{aligned}$$

⇒ ITC Available

$$\begin{aligned} 19 \text{ computer} &= 19 \times 50000 = ₹ 9,50,000 \\ + \text{GST (Input)} &= ₹ 1,71,000 \end{aligned}$$

As 1 computer pur. For personal use (For his son)  
ITC Not Available for purchase for personal use.



## Computation at GST

Particular	Taxable Value	SGST	CGST
(A) <u>Other than RCM</u>			
Sale	10,00,000	90000	90000
(B) <u>RCM</u>			
Legal Fees	200000	18000	18000
Output liability		108000	108000

## Computation at ITC

Particular	Taxable Value	SGST	CGST
Purchase	400000	24000	24000
RCM (Legal Fees)	-	18000	18000
Input		42000	42000

## \* Payment of Tax

		ITC		Cash	
	liability	SGST	CGST	SGST	CGST
(A) <u>other than RCM</u>					
<u>SGST</u>	90000	42000	-	48000	-
<u>CGST</u>	90000	-	42000	-	48000
(B) <u>RCM</u>					
<u>SGST</u>	18000	-	-	18000	-
<u>CGST</u>	18000	-	-	-	18000

### Illustration: 2 On liability of tax payment ;

Shri Apoorva has supplied goods of ₹ 10,00,000/- where chargeable GST to customer is 18%. This sales was made in the month of January 2018. He has purchased goods of ₹ 4,00,000 from registered person, on which 12% GST is payable. He has obtained the services of an advocated for ₹ 2,00,000 which is chargeable to

tax under reverse charge at 18%. Calculate the amount of tax payable by Mr. Apoorva. Assume all transactions are intra-state transactions.



## \* Computation of GST liability

Particulars	Taxable Value	IGST
(A) other than RCM		
Sale	20,00,000	2,40,000
(B) <u>RCM</u>		
Legal service	10,00,000	1,80,000

Particulars	ITC Taxable Value	IGST
Purchase	10,00,000	1,80,000
RCM (Legal fees)	—	<u>1,80,000</u>
		<u>3,60,000</u>

## \* Payment of Tax

Particulars	Liability	ITC (IGST)	Carry (IGST)	(IGST) Bal ITC
(A) <u>other than RCM</u>			—	120000
IGST	240000	240000		
(B) <u>RCM</u>		—	180000	
IGST	180000			

### Illustration: 3 On unutilized amount of Input Tax Credit:

Mr. Malav has dispatched goods of ₹ 20,00,000 to his customer with chargeable GST of 12% in the month of April, 2024. He has purchased goods ₹ 10,00,000 at 18% GST from registered person. The advice of an advocate was obtained because the purchase was extra ordinary. An advocate was paid ₹ 10,00,000 at 18% chargeable tax under the reverse charge mechanism. Assume all transactions are inter-state transactions; including fees of advocate.

Determine liability for payable tax of Mr. Malav. Also determine the amount of unutilized input tax credit.



## \* Computation of IGT liability

Particulars	Taxable value	IGST
(A) <u>Other than RCM</u>		
Sale	50,00,000	600000
(B) <u>RCM</u>		
Legal Fees	1,00,000	18,000

Particulars	Taxable value	IGST
Opening Bal.	-	1,20,000
Purchase	20,00,000	3,60,000
RCM	-	18,000
		<u>4,98,000</u>

Particulars	Tax Payable	ITC	Cash
(A) <u>Other than RCM</u>			
IGST	6,00,000	4,98,000	1,02,000
(B) <u>RCM</u>			
IGST	18,000	-	18,000

**Illustration: 4** On use of balance of input tax credit during current year :  
Shri Ram has debit balance of Input IGST of Rs. 1,20,000 of previous period and has undertaken inter state sales of ₹ 50,00,000 in the month of May 2023 @ 12% IGST. He has purchased goods of ₹ 20,00,000 @ 18% IGST from out state registered person. This month also he has paid ₹ 1,00,000 to the export (advocate) @ IGST of 18% under reverse charge mechanism.



**Illustration: 5** On lack of purchase document : Shri Shyam had purchased goods of ₹ 75,00,000 @ 12% payable GST. Shri Shyam has not received original invoice of it. This purchase was made by him in the month of April, 2024. He has received original bill in the month of May. Mr Shyam has claimed input tax credit for the month of April. Do you think that his claim can be granted? Explain.

\* Answer

- ⇒ The ITC (credit) claimed in April 2024 is not granted.
- ⇒ Any Registered person is entitled to get ITC when all condition prescribed in Act. is fulfilled. Here Mr Shyam Purchased goods in April 2024 but not possession of original Invoice. Hence, ITC is not Available in the month of April 2024.
- ⇒ As he Received the Invoice in the month of May 2024. then ITC will be claimed in the month of May 2024.