

INPUT TAX CREDIT

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What is Input tax?

Tax credit means that tax which a supplier reduces from his output liability while paying his tax on output. Input tax credit means that when a supplier pays the tax on his output, he can deduct the tax he previously paid on the input he purchased. Here, while paying the tax on his output, he can deduct or take credit for the tax he paid while purchasing inputs.

The “input tax credit” means the credit of input tax

Definition of Input, Input Services & Capital Goods

- ▣ **Input:-** It means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business
- ▣ **Input service:-** It means any service used or intended to be used by a supplier in the course or furtherance of business
- ▣ **Capital goods:-** It means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business

When can Input Tax Credit be claimed?

No claim of Input tax Credit can be claimed unless:-

- ❑ The person is in possession of Tax Invoice or Debit/credit note or other tax paying documents as prescribed (example : Challans)
- ❑ The person has received the goods or services or both
- ❑ The tax payable on such transaction is being paid whether by cash or credit
- ❑ The return has been furnished

Eligibility and conditions for taking input tax credit

- ❑ Subject to condition and restriction specified in Section 49 (Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts)
- ❑ Every Registered person shall be entitled to take credit of tax paid on inward supplies of goods and/or services
- ❑ Used/ intended to be used in the course or furtherance of business
- ❑ if the all 4 conditions are fulfilled as below:
 - 1.He has valid tax invoice/ debit note/ prescribed tax paying document
 - 2.He has received goods and/or services
 - 3.Tax on such supply has been paid either in cash or Utilization of ITC
 - 4.He has furnished the return u/s 39 (i.e. GSTR-3)

THANKS