

GST

- APPEAL • AUDIT
- REFUND & MONTHLY RETURNS



GST - ITC ELIGIBILITY

1: Basic Rule — ITC allowed only for business use

Q: When is ITC allowed?

A: Only when goods/services are used strictly for business purposes.

2: ITC only with a valid tax invoice

Q: What document is mandatory for ITC?

A: A valid GST tax invoice containing GSTIN, value, and tax details.

3: Supplier must have filed GSTR-1

Q: When does ITC reflect in 2B?

A: Only after the supplier uploads the invoice in GSTR-1.

4: Recipient must pay value + tax within 180 s

Q: What if payment is delayed beyond 180 s?

A: ITC must be reversed with interest until payment is made.

5: ITC allowed only if goods/services actually received

Q: Can we claim ITC without receiving goods/services?

A: No. Receipt is compulsory to avail ITC.

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6: ITC not allowed on personal use expenses

Q: Is ITC available for personal or non-business expenses?

A: No, such credits are blocked under GST.

7: ITC not allowed when business is exempt or under composition

Q: Can exempt or composition dealers claim ITC?

A: No, ITC is strictly disallowed.

8: Blocked ITC — motor vehicles explanation

Q: Is motor vehicle ITC allowed?

A: Allowed only for transport, training, and passenger/goods services.

9: Blocked ITC — food, beverages, health, club, & personal benefits

Q: Can ITC be claimed on employee welfare items?

A: No, unless it's mandated by law.

10: Blocked ITC — works contract & construction

Q: ITC allowed on building construction?

A: No ITC for construction of immovable property (except plant & machinery).

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11: Capital goods ITC

Q: Is ITC allowed on capital goods?

A: Yes, when used for taxable business activities.

12: ITC on input services

Q: Can ITC be taken on services?

A: Yes, if used for business and not blocked.

13: ITC on inputs

Q: ITC eligibility on raw materials?

A: Fully allowed when used for making taxable supplies.

14: ITC reversal rules

Q: When must ITC be reversed?

A: For personal use, exempt supplies, and 180- non-payment.

15: ITC matching — books vs GSTR-2B

Q: Which is the final eligibility list?

A: GSTR-2B is the monthly legal credit limit.

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16: ITC for export with LUT — refund

Q: Can exporters claim refund of ITC?

A: Yes, unutilized ITC refund is allowed for zero-rated supplies.

17: ITC for zero-rated supplies in India

Q: Is ITC allowed for SEZ supplies?

A: Yes, SEZ is zero-rated, full ITC allowed.

18: ITC on advances — allowed or not?

Q: Can ITC be taken on advance payment?

A: No. ITC only after invoice + receipt of goods/services.

19: ITC for job-work

Q: Can principal take ITC of goods sent for job work?

A: Yes, and inputs can stay up to 1 year, capital goods 3 years.

20: ITC for business promotion expenses

Q: Is ITC allowed on marketing/promotion?

A: Yes, if not a gift or personal benefit.

21: ITC for employee reimbursements

Q: Is ITC available on reimbursements?

A: Allowed if business-related and invoice is in company GSTIN.

22: ITC for insurance — allowed or not?

Q: Is insurance ITC eligible?

A: Yes for business insurance; blocked for life/health unless mandatory.

23: ITC — time limit for claiming credit

Q: What is the last date to claim ITC?

A: 30th November of next FY or date of annual return, whichever is earlier.

24: ITC after cancellation or deregistration

Q: Can we use ITC after GST cancellation?

A: No. ITC must be reversed in GSTR-10.

25: ITC during GST audit — common pitfalls

Q: What ITC issues arise in audits?

A: Mismatch with 2B, missing invoices, and blocked credit claims.

26: ITC dispute defense — documentary backing

Q: What supports ITC in disputes?

A: Invoice + payment proof + goods receipt evidence.

27: ITC for import of services

Q: Is ITC allowed on import of services?

A: Yes, when IGST is paid under RCM.

28: ITC for import of goods

Q: Can IGST paid at customs be claimed as ITC?

A: Yes, using Bill of Entry as proof.

29: ITC transfer during business reorganization / merger

Q: Is ITC transferable in mergers?

A: Yes, through Form ITC-02 with CA certification.

30: Final — ITC best practices

Q: What are ITC best practices?

A: 2B matching, proper documentation, avoid blocked credits.

31 – ITC on Stolen / Lost Goods

Q: Is ITC allowed on goods lost, stolen, or destroyed?

A: No. Section 17(5)(h) blocks ITC on lost, stolen, destroyed goods or goods written off.

32 – ITC on Free Samples & Gifts

Q: Can we claim ITC on free samples or gifts?

A: No. ITC must be reversed because goods are disposed without consideration (Section 17(5)(h)).

33 – ITC on Rent Expenses

Q: Is ITC available on office/shop rent?

A: Yes, if used for business and the landlord charges GST.

34 – ITC on Electricity & Utilities

Q: Can ITC be claimed on electricity bills?

A: No GST on electricity → No ITC.

Q: What about water supply, utility services?

A: If GST is charged → **ITC allowed.**

35 – ITC on Repair & Maintenance

Q: Is ITC available on building or machinery repairs?

A: Machinery repair – ITC allowed.

Building repair – ITC blocked if capitalized (Section 17(5)(c)/(d)).

36 – ITC on Legal & Professional Fees

Q: Is ITC allowed on CA, legal, consultant fees?

A: Yes, fully allowed for business purposes.

37 – ITC on Advertising & Marketing

Q: Can ITC be claimed on ads, promotions & digital marketing?

A: Yes, if used for business.

38 – ITC on Software & IT Services

Q: Is ITC available for software subscriptions, ERP, cloud services?

A: Yes, ITC allowed on all GST-bearing IT services.

39 – ITC on Telephone & Internet

Q: Can a business claim ITC on mobile/internet bills?

A: Yes, but ensure the **bill is in the company name**.

40 – ITC on Transport & Freight

Q: Is ITC allowed on transport/freight paid?

A: Yes, except where **GTA RCM rules apply**.

41 – ITC on GTA (RCM Cases)

Q: Can ITC be claimed when GTA tax is paid under RCM?

A: Yes. RCM tax paid is eligible for ITC.

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42 – ITC on Reverse Charge Payments

Q: Is ITC allowed on all RCM taxes paid?

A: Yes, if goods/services are used for business.

43 – ITC on Debit Note Timeline

Q: Up to when can ITC on a debit note be claimed?

A: Up to **30 November** of next FY (date of debit note, not invoice).

44 – ITC When Supplier Defaults

Q: If a supplier does not pay tax to Govt., can buyer claim ITC?

A: \triangle Section 16(2)(c) applies — **risk of ITC reversal**, but buyer not automatically liable unless demand raised.

45 – Provisional ITC Claim

Q: Can businesses claim provisional ITC (Rule 36(4))?

A: No. Only ITC appearing in **GSTR-2B** is allowed.

46 – ITC & Interest Implications

Q: If wrong ITC is availed, is interest applicable?

A: Yes, **18% interest** on wrongly availed & utilized ITC.

47 – ITC in Mixed Supplies

Q: How is ITC treated for mixed supplies?

A: ITC allowed, but GST rate charged will be **highest tax rate** in the bundle.

48 – ITC Apportionment Formula

Q: How to calculate ITC for partly business & partly personal use?

A: Use Rule 42/43 apportionment formulas → ITC proportionately allowed.

49 – ITC on CSR Expenses

Q: Is ITC allowed on CSR activities?

A: Some courts allowed ITC;

Some states deny under 17(5).

(Currently **case-to-case**, documentation required.)

50 – ITC for SEZ Suppliers

Q: Can SEZ units claim ITC?

A: Yes, SEZ units get **zero-rated benefits**.

Q: Can suppliers to SEZ claim ITC?

A: Yes, even if supplied without tax under LUT.

51 – ITC & Credit Notes

Q: What happens to ITC when supplier issues a credit note?

A: Buyer must **reverse proportionate ITC** if tax value is reduced.

52 – ITC Impact of GST Notices

Q: Will ITC get blocked if department issues notice?

A: No. ITC is affected only after an **order** is passed.

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53 – ITC Re-claim After Reversal

Q: Can reversed ITC be reclaimed later?

A: Yes, after payment to supplier or correction — if conditions of Section 16 are met.

54 – ITC in Case of Proprietor's Death

Q: What happens to ITC when proprietor dies?

A: ITC can be **transferred to legal heir** through FORM ITC-02.

55 – ITC During Business Transfer

Q: Is ITC transferable during sale/merger/transfer?

A: Yes, using FORM ITC-02 with CA certificate.

56 – ITC & Annual Return (GSTR-9)

Q: Does GSTR-9 allow new ITC?

A: No, GSTR-9 is only a **reporting form**, not for availing new credit.

57 – ITC & Departmental Scrutiny

Q: What ITC documents are checked during scrutiny?

A: Invoice, GSTR-2B match, payment proof, RCM, books reconciliation.

58 – ITC Interest vs Penalty

Q: Difference between interest & penalty?

A:

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- **Interest:** For delay/wrong ITC (mandatory).
- **Penalty:** For fraud or suppression (discretionary).

59 – How to Avoid ITC Litigation

- ✓ **A:**
 - Match 2B with books
 - Follow 180- payment rule
 - Vendor compliance check
 - Proper documentation
 - Timely reversals & reclaim

60 – Final ITC Compliance Golden Rules

- A:**
 - Claim only 2B credit
 - Maintain vendor compliance score
 - Avoid ineligible ITC under Sec. 17(5)
 - Reconcile every month
 - Keep documentation for 6+ years

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