भारतीय मानक ब्यूरो

वित्त विभाग

संदर्भ:मुख्यालय/1/2020-वित्त-बी.आई.एस **10 मार्च, 2021**

विषय: वस्तु एवं सेवा कर - कैपिटल एसेट्स पर आई.टी.सी के विषय में

परिपत्र संख्या बी.आई.एस/मुख्यालय/वित्त/जी.एस.टी./परिपत्र(39) दिनांक 10 मार्च, 2021, सभी संबंधित द्वारा जानकारी और आवश्यक कार्रवाई के लिए संलग्न है।

यह परिपत्र उप महानिदेशक (वित्त) के अनुमोदन से जारी किया गया है |

हस्ता/-
(गुरप्रीतसिंह)
निदेशक (वित्त)

परिचालित सेवा में भा मा ब्यूरो इंटरनेट के माध्यम से :

- **सभी क्षेत्रीय कार्यालय / शाखा कार्यालय / प्रयोगशालाओं / प्रशिक्षण संस्थान के प्रमुख**
- **मुख्यालय के सभी विभागों के प्रमुख**

प्रतिलिपि : जानकारी के लिए -

- **महानिदेशक / अपर महानिदेशक / मुख्य सतर्कता अधिकारी**
- **सभी उप महानिदेशक**

सूचना और प्रौद्योगिकी विभाग -भारतीय मानक ब्यूरो के इंट्रानेटपर डालने के लिए

BUREAU OF INDIAN STANDARDS
(FINANCE DEPARTMENT)

OurRef:HQ/1/2020/Fin-BIS 10 March, 2021

Subject:Goods and Service Tax- regarding ITC on Capital Assets

The Circular No. BIS/ HQ/FIN/ GST/Circular No. 39 dated 10 March, 2021 on the captioned subject is enclosed for information and necessary action by all concerned.

This Circular is issued with the approval of DDGF.

sd/-
(Gurpreet Singh)
Director (Finance)

Circulated through Intranet to:

- **Heads ofROs/BOs/NITS/Laboratories**
- **Heads of all Departments at HQ-BIS**

Copy for Information:

- **PS to DG – For DG'sInformation**
- **ADG/CVO/ AllDDGs**

बी.आई,एस/मुख्यालय/वित्त/ जी.एस.टी/**परिपत्र (39)**

<u>भारतीय मानक ब्यूरो</u>

<u>वित्त विभाग</u>

Sub :Goods and Service Tax- Claiming of Input Tax Credit (ITC) on purchase of Capital Goods

1. The procedure for claiming Input Tax Credit (ITC) on Capital Goodshas been revisited. The guidelines in details for claiming Input Tax Credit (ITC) in GST onpurchase ofCapital Assetsare enclosed as per**Annex A.**

2. A draft of the letter, which may be immediately sent by Heads of all ROs/BOs/NROL/CL/NITS/Accounts Department at HQ to GST office before claiming ITC on Capital Goods from FY 2020-21 onwards, is enclosed as per **Appendix I.**

3. Heads of all ROs/BOs/NROL/CL/NITS/ Accounts Department at HQ are requested to ensure that the enclosed procedure for claiming ITC on purchase of Capital Assets is followed in all respect.

This issues with the approval of competent authority.

हस्ता/-
(गुरप्रीत सिंह)
निदेशक (वित्त)

संदर्भ: मुख्यालय/1/2020-वित्त-बी.आई.एस

दिनांक: 10 मार्च, 2021

परिचालित सेवा में भा मा ब्यूरो इंटरनेट के माध्यम से :

- **सभी क्षेत्रीय कार्यालय / शाखा कार्यालय / प्रयोगशालाओं / प्रशिक्षण संस्थान के प्रमुख**
- **मुख्यालय के सभी विभागों के प्रमुख**

प्रतिलिपि : जानकारी के लिए -

- **महानिदेशक / अपर महानिदेशक / मुख्य सतर्कता अधिकारी**
- **सभी उप महानिदेशक**

सूचना और प्रौद्योगिकी विभाग -भारतीय मानक ब्यूरो के इंट्रानेटपर डालने के लिए

ANNEX A

Guidelines for Clamming of Input Tax Credit (ITC) in GST on procedure of Capital Goods in BIS

1. Definition of "Capital Goods" as per the GST Act :-

"Capital Goods" is defined, as per section 2(19) of the CGST Act, as under;

"Section 2(19) of CGST Act – capital goods means goods, the value of which is capitalised 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;"

2. Points to be noted while availing ITC on Capital Asset(s) by any Registered Person :-

The provision of selecting to claim ITC on Capital Goods are in connection with sector 16 and 18 of CGST Act and Rule 43 of CGST Rule: The points to be noted for claiming ITC on Capital Goods are summarised as under:

2.1 **Inpossession of a tax invoice or debit note** issued by the supplier registered under the GST Act.

2.2 We **should** have **received the goods**.

2.3 **Depreciation on the tax component** of the cost of capital goods and plant and machinery **under** the provisions of the Income Tax Act, 1961 **should not be charged in the books of Accounts.** However, depreciation on cost price(excluding GST portion) may be charged.

2.4 **No Input credit will be allowed on** –

2.4.1 motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver)

2.4.2 works contract services when supplied for construction of an immovable property, other than plant and machinery

2.4.3 goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business

Note: the expression - construction‖ includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property.

2.5 The amount of input tax in respect of **capital goods used or intended to be used exclusively for non-business purposes or used or intended to be used exclusively for effecting exempt supplies**shall be indicated in FORM GSTR-2 and FORM GSTR3B and **shall not be credited to the electronic credit ledger;**

2.6 The amount of input tax in respect of **capital goods used or intended to be used exclusively for effecting taxable supplies and zero rated supplies** shall be indicated in FORM GSTR-2 and FORM GSTR-3B and shall be credited to the electronic credit ledger;

2.7 The amount of input tax in respect of capital goods used for effecting both taxable and **exempt supplies shall be credited directly to the electronic credit ledger. However, the credit attributable to exempt supplies shall be reversed every month during the life of such goods, taken as 5 years from the date of invoice**. Calculation of the amount of credit attributable to exempt supplies in a month is detailed in Rule 43(1) of the CGST Act is given at **Appendix II**

3. Capital Asset(s) on which Input Tax Credit can be taken in BIS :-

Asset	**ITC Available or Non-Available**
Acquisition of New Premises (Land/Building)	ITC Non-Available
Construction of new premises	
Purchase of e-vehicle	
Renovation/Modernisation of existing building of BIS	
Solar Power Project	ITC Available
Laboratory Equipment	
Computer software on completion of the Computerisation project	
Purchase of Furniture	

4. Accounting Entries in the Books of Accounts

The assets on which ITC is available will be booked in the books of accounts as follows:

a) its purchase price, including import duties and non-refundable / non-adjustable / non-availed taxes, after deducting trade discounts and rebates.

b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Entry

Fixed Asset A/c	Dr	XXX	(Amount including all cost except GST portion)
Capital Work-in-progress A/c	Dr	XXX	
Input Tax of CGST A/c	Dr	XXX	
Input Tax of SGST/UTGST A/c	Dr	XXX	
Input Tax of IGST A/c	Dr	XXX	
To Bank A/c			XXX
To Adjustable Advance A/c			XXX(Closing of Advance already paid)

5. Procedure for claiming Input Tax Credit on Capital Goods procured in 2020-21

If at the time of procurement of Asset, during 2020-21, so far ITC has not been availed and entire amount was Capitalised, and the amount of ITC on Capital Goods is appearing in GTSR 2A, **following rectification accounting entry need to be passed:**

Input Tax of CGST A/c	Dr	XXX	
Input Tax of SGST/UTGST A/c	Dr	XXX	
Input Tax of IGST A/c	Dr	XXX	
To Fixed Assets A/c			XXX
To Capital Work-in-progress A/c			XXX

All Heads of ROs/BOs/ NITS/NROL/CL/ Accounts Department at HQ before taking ITC on Capital Goods may take the help of GST Consultants so that the records are being maintained properly and ITC of Capital Goods have been availed as per the GST Law.

6. Procedure of GST on sale of capital goods

Sale of used capital goods by a business entity, being in the course of business and for a consideration, would be squarely covered under the term of "supply" as defined in section 7 of the Act. Item no. 4(a) of Schedule II to the CGST Act also confirms that when goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, such transfer or disposal is a supply of goods. In all such cases GST would be payable.

6.1 Position of applicability of GST when no consideration is involved in the transfer as per Section 7(1)(c), read with Schedule I of CGST Act,

a) Transfer (or even disposal),**without consideration, of capital goods on which ITC has been claimed, would be deemed as a supply and attract GST.**

b) Even in the case of capital goods on which **no ITC has been claimed, transfer without consideration to a branch in another state or to an employee would entail GST.**

6.2 **Taxable Value of supply**

When a consideration is charged for the transfer, **GST is payable on the transaction value, which is the price actually paid or payable for the said supply of goods** where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. If these **conditions are not satisfied then the value of supply is to be determined as per section 15 of the CGST Act, read with chapter IV of the CGST Rules.**

However, in the case of capital goods on which ITC has been taken, the GST would be calculated as per the provisions of section 18(6) quoted earlier, read with Rule 40(2) of the CGST Rules, which is reproduced below:

"The amount of credit in the case of supply of capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods."

For example

Date of purchase of machine	10th April 2018
Value (Rs)	500,000
GST@ 18% (Rs)	90,000

ITC taken and after use for some time sold to unrelated party.

Date of sale	4th January,2021	
Sale price (Rs)	150,000	
GST@18% on sale value (Rs)	27,000	(A)
ITC remaining after reduction at the rate of 5% per quarter from the invoice date (11 quarters)	40,500	(B)

GST payable would be higher of (A) and (B), viz. Rs.40,500.

6.3 **Special provision for Disposal of used Motor Vehicles**

For old and used Motor Vehicles on which no ITC has been taken, the Government has notified that GST would be payable on the difference in value (margin) between the

a) Consideration received and the depreciated value of the vehicle when depreciation has been claimed under the Income Tax Act; and

b) Consideration received and the purchase price in all other cases.

If the margin is negative it shall be ignored, i.e. then no tax would be payable.

sd/-
(Gurpreet Singh)
Director (Finance)

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- **Heads of all Departments at HQ-BIS**

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- **ADG/CVO/ All DDGs**

Appendix I

FORMAT OF THE DRAFT LETTER TO BE SEND TO CONCERNED GST OFFICER

Bureau of Indian Standards

To 05.03.2021

....

(Concerned GST Officer)

Dear Sir/Madam

Sub: ITC on Capital Goods

GST Regn. No....... ....

For the sake of good order we are writing this to keep you informed of the change in our policy on taking Input Tax Credit (ITC) on capital goods.

Till the financial year 2019-20 we had not been taking credit on capital goods received by us. However, from the current year (2020-21) onwards we propose to avail of the same on eligible capital goods as per the provisions of the GST Acts and Rules. We further confirm that no depreciation will be claimed on the GST portion of the invoice value in respect of the capital goods on which ITC is availed.

Thanking you,

Yours truly

For Bureau of Indian Standards

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Authorized Signatory

Appendix II

<u>Calculation of the amount of credit attributable to exempt supplies in a month is detailed in Rule 43(1) of the CGST Rules</u>

For example - Capital goods X, Y and Z are purchased and ITC taken in the following manner:

X – Purchased in April 2020 with SGST Rs 9000 and CGST Rs 9000 as ITC
Y – Purchased in August 2020 with SGST Rs 12000 and CGST Rs 12000 as ITC
Z- Purchased in June 2021 with IGST Rs 60000 as ITC

During the months of April – July 2020, a part of the ITC availed on X will be reversed. During the months of August 2020- May 2021, part of ITC availed on X and Y will be reversed. For the months commencing from June 2021 parts of ITC availed on X Y and Z will be reversed. Assuming that all these capital goods continue to be used for both taxable and exempt supplies till March 2025, part of ITC availed in respect of X, Y and Z would be reversed every month. For the month of April 2025 and beyond, ITC on X will not be considered for reversal since its useful life is over; ITC on Y and Z only will be considered. Similarly the useful life of Y would be over in August 2025 and from this month onward, the ITC availed on Y need not be considered for reversal; only Z has to be considered. The useful life of Z would be over in June 2026 and from this month onwards no reversal is required (assuming that no other common capital good has been added in the interim period)

The actual amount of ITC to be reversed (or amount to be added to the output tax liability) in any month depends on the proportion of exempt/non-business supplies in the total turnover during that particular month and is to be calculated as under:

Let us assume that during the month of April 2020, the assessee has a turnover of Rs 10 crores comprising of

Taxable supplies	Rs.7.00 crores
Zero rated supplies	Rs.1.00 crore
Exempt and non-business supplies	Rs.2.00 crores

T(c) – Aggregate of the amounts of credit availed (credit taken in the electronic ledger) in respect of common capital goods whose useful life remains in April 2020.

Since only X is the common capital good in April 2020, T(c) = Rs.18,000/- (Rs.9,000/- SGST and Rs.9,000/- CGST)

T(m) – Amount of ITC on common capital goods attributable to the tax period, viz. month, calculated as T(c)/60

For April 2020, T(m) = 18000/60 = Rs.300 (150 SGST and 150 CGST)

T(e) – Amount of common credit attributable towards exempted supplies, calculated as
T(e) = (E/F) x T(m), where
E is the value of exempt (and non-business) supplies during the tax period, viz. April 20;
F is the total turnover in the State of the registered person during the said period.

In the example taken above, E = Rs.2,00,00,000 and F = Rs.10,00,00,000
Therefore, T(e) = (2,00,00,000/10,00,00,000) x 300 = Rs.60.

As per Rule 43(1)(i) the amount of T(e) shall be calculated separately for ITC of Central tax, State tax, UT tax and Integrated tax. Therefore, the additional tax liability/reversal of ITC as per Rule 43 would be Rs 30 SGST and Rs 30 CGST.

For the month of August 2021, let us assume that the total turnover is Rs.12 crores, comprising of

Taxable supplies and Zero rated supplies	Rs.8 crores
Exempt and non-business supplies	Rs.4 crores.

T(c) - Aggregate of the amounts of credit taken in the electronic ledger in respect of common capital goods whose useful life remains in August 2021

Since common Capital Goods X, Y and Z would all be having their useful life in August, 2021, ITC in respect of all these will have to be considered while calculating T(c).

T(c) = Rs.(18000 + 24000 + 60000) = Rs.102000.
T(m) - Amount of ITC on common capital goods attributable to the tax period, viz. August, 2021 calculated as T(c)/60. Therefore,
T(m) = Rs. (102000/60) = Rs 1700 (350 SGST, 350 CGST and 1000 IGST)
T(e) – Amount of common credit attributable towards exempted supplies, calculated as
T(e) = (E/F) x T(m), where
E is the value of exempt (and non-business) supplies during the tax period, viz. August 2021
F is the total turnover in the State of the registered person during the said period.
In the example taken above, E = Rs.4,00,00,000 and F = Rs 12,00,00,000. Therefore
T(e) = (4,00,00,000/12,00,00,000) x 1700 = Rs 567

Accordingly, Rs 567 (SGST 117, CGST 117 and IGST 333) would be the ITC reversal in terms of Rule 43 for the month of August, 2021.

Suggestion: In order to avail, the additional tax liability/ITC reversal on account of common capital goods, it is suggested to maintained detail(s) *viz.*,month of purchase, month of completion of useful life, ITC taken (separately for CGST, SGST and IGST) and the total ITC attributable to every month, in a tabular form, it may facilitate the task.