

# **BLOCKED CREDIT - SECTION 17(5) UNDER CGST (AMENDED) ACT, 2018**

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## **BROAD CATEGORIES OF BLOCKED CREDIT OF GOODS OR SERVICES**

- **MOTOR VEHICLES FOR PASSENGER TRANSPORTATION, VESSELS AND AIRCRAFT**
- **FOOD & BEVERAGES, OUTDOOR CATERING**
- **BEAUTY TREATMENT**
- **HEALTH SERVICES**
- **COSMETIC AND PLASTIC SURGERY**
- **LEASING, RENTING AND HIRING OF MOTOR VEHICLES, VESSELS AND AIRCRAFT**
- **LIFE INSURANCE AND HEALTH INSURANCE**
- **MEMBERSHIP OF CLUB, HEALTH & FITNESS CENTER**
- **TRAVEL BENEFITS TO EMPLOYEES ON VACATION**
- **WORKS CONTRACT FOR CONSTRUCTION**
- **GOODS/SERVICES FOR IMMOVABLE CONSTRUCTION ON OWN ACCOUNT**
- **TAX PAID ON COMPOSITION SUPPLY**
- **GOODS/SERVICES RECEIVED BY NON RESIDENT TAXABLE PERSON**
- **PERSONAL CONSUMPTION OF GOODS OR SERVICES**
- **GOODS LOST, STOLEN, DESTROYED, DISPOSED BY WAY OF GIFT OR FREE SAMPLES**

## **BLOCKED CREDIT IN RELATION TO MOTOR VEHICLE FOR PASSENGER TRANSPORTATION, VESSEL AND AIRCRAFT**

### **THE FOLLOWING CREDIT IS BLOCKED CREDIT VIS-À-VIS MOTOR VEHICLE, VESSEL & AIRCRAFT:**

- GST paid on PURCHASE of \*Motor Vehicle, Vessel & Aircraft.
- GST paid on INSURANCE PREMIUM of \*Motor Vehicle, Vessel & Aircraft.
- GST paid on SERVICING CHARGES of \*Motor Vehicle, Vessel & Aircraft.
- GST paid on REPAIRS & MAINTENANCE of \*Motor Vehicle, Vessel & Aircraft.
- GST paid on Lease/Rent/Hire of \*Motor Vehicle, Vessel & Aircraft.

(\*Motor Vehicle for Passenger Transportation)

## STEPS TO DETERMINE BLOCKED CREDIT VIS-À-VIS MOTOR VEHICLE:

**STEP 1 - Whether it is Motor Vehicle as per definition under Motor Vehicles Act, 1988?**

**STEP 2 - Whether it is Passenger transport Motor Vehicle?**

**STEP 3 - Whether seating capacity of Motor Vehicle is upto 13 seater including driver seat?**

**STEP 4 – Whether it is Purchase of or Services of General Insurance, Servicing, Repairs & Maintenance and Rent/Hire/Lease?**

If the answer to all the steps is 'YES' then the credit will be a blocked credit.

## WHETHER IT IS MOTOR VEHICLE OR NOT (ILLUSTRATIVE EXAMPLES)

- Tractor – YES
- Cycle – NO
- Chassis – YES
- Trailer – YES
- Motor bike – NO
- Rail Vehicles – NO
- Motor Car – YES
- Factory Vehicle - NO
- Bus – NO
- Electric Vehicle – YES

## **PASSENGER TRANSPORTATION MOTOR VEHICLE:**

- Motor Vehicles are used for two purposes:
- Passenger transportation
- Goods transportation

**Credit of GST Paid for purchase of or by procuring services of General Insurance, Servicing, Repairs & Maintenance and Rent/Hire/Lease of Passenger Transportation Motor Vehicle shall be a blocked credit.**

## **SEATING CAPACITY UPTO 13 SEATER OF PASSENGER TRANSPORTATION MOTOR VEHICLE:**

- **CREDIT NOT ALLOWED SINCE IT IS PASSENGER MOTOR VEHICLE WITH SEATING CAPACITY UPTO 13 (Eg. Car, auto)**
- **CREDIT ALLOWED SINCE IT IS PASSENGER MOTOR VEHICLE WITH SEATING CAPACITY MORE THAN 13 (Eg. Bus)**

## **PURCHASE OF OR SERVICES OF GENERAL INSURANCE, SERVICING, REPAIRS & MAINTENANCE AND RENT/HIRE/LEASE:**

- **PURCHASE – CREDIT BLOCKED**
- **GENERAL INSURANCE – CREDIT BLOCKED**
- **SERVICING, REPAIRS & MAINTENANCE – CREDIT BLOCKED**
- **RENT/HIRE/LEASE – CREDIT BLOCKED**



## BLOCKED CREDIT IN RELATION TO VESSEL/AIRCRAFT

- **STEPS TO DETERMINE BLOCKED CREDIT VIS-À-VIS VESSEL/AIRCRAFT:**

**STEP 1 - Whether it is a Vessel?**

**If the answer to all the steps is 'YES then the credit will be a blocked credit.**

**STEP 2 - Whether it is Purchase of or Services of General Insurance, Servicing, Repairs & Maintenance and Rent/Hire/Lease?**

## **INPUT TAX CREDIT (ITC) OF MOTOR VEHICLE FOR PASSENGER TRANSPORTATION, VESSEL, AIRCRAFT AVAILABLE UNDER CERTAIN SITUATIONS**

### **ITC OF PURCHASE OF MOTOR VEHICLE FOR PASSENGER TRANSPORTATION, VESSEL OR AIRCRAFT AVAILABLE WHEN IT IS USED FOR PROVIDING THE FOLLOWING TAXABLE SUPPLIES:**

- Further supply of the motor vehicle, vessel or aircraft
- Transportation of passengers
- Imparting training on driving the motor vehicle, navigating vessel, training on flying aircraft
- Transportation of goods (available for vessel or aircraft)

**ITC OF SERVICES OF GENERAL INSURANCE, SERVICING, REPAIR & MAINTENANCE OF MOTOR VEHICLE, VESSEL OR AIRCRAFT AVAILABLE WHEN IT IS USED FOR PROVIDING THE FOLLOWING TAXABLE SUPPLIES:**

- Further supply of the motor vehicle, vessel or aircraft
- Transportation of passengers
- Imparting training on driving the motor vehicle, flying aircraft or navigating vessel
- Transportation of goods (available for vessel or aircraft)
- Received by taxable person who is engaged in the manufacture of motor vehicle, vessel or aircraft
- Received by taxable person who is engaged in supply of general insurance services in respect of such motor vehicles, vessels or aircraft

## **ITC OF LEASING, RENTING OR HIRING SERVICES OF MOTOR VEHICLE, VESSEL OR AIRCRAFT AVAILABLE WHEN IT IS:**

- Used by registered person for making outward taxable supply of the same category of service
- Used by registered person as an element of a taxable composite or mixed supply
- Obligatory for an employer to provide to provide the same to its employees under any law

## **BLOCKED CREDIT IN RELATION TO:**

- **FOOD & BEVERAGES**
- **OUTDOOR CATERING**
- **BEAUTY TREATMENT**
- **HEALTH SERVICES**
- **COSMETIC & PLASTIC SURGERY**
- **LIFE INSURANCE & HEALTH INSURANCE**
- **MEMBERSHIP OF CLUB**
- **MEMBERSHIP OF HEALTH & FITNESS CENTRE**
- **TRAVEL BENEFITS TO EMPLOYEES ON VACATION**

## • EXAMPLES

- Mittal & Co Pvt. Ltd. orders food from a restaurant for its employees during Diwali celebration. ITC on food is blocked credit.
- ABC Co Ltd refills its Coffee Machine monthly with coffee beans. ITC blocked.
- Mrs. Khanna who is a life coach undergoes a beauty treatment. ITC on beauty treatment is a blocked credit.
- Mr. Ram pays insurance premium for health insurance. ITC on health insurance premium is a blocked credit.
- Mr. Karan avails membership of a club and pays membership fees. ITC on membership fees is a blocked credit.
- Miss. Komal who is an actress by profession joins a gym. ITC on membership fees of gym paid by her is a blocked credit.
- XYZ Minerals Ltd. arranges for a vacation of Mr. Khan who is employee of the company. The ITC on travel arrangements is a blocked credit.

## **ITC OF FOOD & BEVERAGES, OUTDOOR CATERING, BEAUTY TREATMENT, HEALTH SERVICES, COSMETIC & PLASTIC SURGERY, LIFE & HEALTH INSURANCE AVAILABLE WHEN IT IS:**

- Used by registered person for making outward taxable supply of the same category of service
- Used by registered person as an element of a taxable composite or mixed supply
- Obligatory for an employer to provide to provide the same to its employees under any law

## **ITC OF MEMBERSHIP OF CLUB, HEALTH & FITNESS CENTRE, TRAVEL BENEFITS TO EMPLOYEES IS AVAILABLE WHEN IT IS:**

- **Obligatory for an employer to provide to provide the same to its employees under any law**



## BLOCKED CREDIT IN RELATION TO WORKS CONTRACT SERVICES

### • STEPS TO DETERMINE BLOCKED CREDIT VIS-À-VIS WORKS CONTRACT:

**STEP 1 - Whether the services are works contract as defined u/s 2(119) of central goods & services tax act ?**

**If the answer to all the steps is 'YES then the credit will be a blocked credit.**

**STEP 2 - Whether works contract is for construction of an immovable property other than plant & machinery?**

## CONSTRUCTION OF IMMOVABLE PROPERTY (EXCEPT PLANT & MACHINERY):

Immovable property is not defined under GST.

- The definition has to be taken from General Clauses Act, 1897 which is defined u/s 3(26) as follows: “land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth”

Plant & Machinery is explained in section 17 as follows: “plant and machinery means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes –

- (i) land, building or any other civil structures;
- (ii) telecommunication towers; and
- (iii) Pipelines laid outside the factory premises

- **EXAMPLES**

- Mr. Ram owns a two floor office in Kolkata. He gets his office altered by way of addition of two more floor. The supplier of works contract services provides labour services as well as material like bricks, cement for addition of another floor. ITC of works contract service is a blocked credit for Mr. RAM.
- Film studio owned by a film production house gets his studio renovated. The ITC of renovation charges is blocked credit for film production house.

**ITC OF WORKS CONTRACT SERVICE IS ONLY AVAILABLE WHEN -  
IT IS Input service for further supply of works contract service**

## **BLOCKED CREDIT IN RELATION TO GOODS OR SERVICES OR BOTH RECEIVED FOR CONSTRUCTION OF AN IMMOVABLE PROPERTY (OTHER THAN PLANT & MACHINERY)**

### **MEANING OF CONSTRUCTION**

- Construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property.

**If Goods/Services used for construction of immovable property then the credit will be a blocked credit.**

## **BLOCKED CREDIT IN RELATION TO TAX PAID BY A COMPOSITION DEALER**

### **COMPOSITION DEALER**

Composition dealer means a person who opts to pay tax at a certain percentage of the total turnover.

- A composition dealer shall not collect tax from the recipient on supplied made by him.
- A composition dealer shall not be entitled to credit of input tax.

## **BLOCKED CREDIT IN RELATION TO GOODS OR SERVICES OR BOTH RECEIVED BY A NON RESIDENT TAXABLE PERSON EXCEPT GOODS IMPORTED BY HIM**

### **NON RESIDENT TAXABLE PERSON**

Non resident taxable person means any person who occasionally undertakes transactions involving the supply of goods or services, or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

## **BLOCKED CREDIT IN RELATION TO GOODS LOST, STOLEN, DESTROYED, WRITTEN OFF OR DISPOSED OFF BY WAY OF GIFT OF FREE SAMPLES**

- Goods lost, stolen or destroyed – ITC of goods or raw material used for trading or manufacturing of goods which are lost, stolen or destroyed is blocked credit.
- Goods written off – ITC of goods or raw material used for trading or manufacturing of goods which have now become obsolete or non moving or non saleable is blocked credit.
- Goods disposed off as gift or free samples - ITC of goods or raw materials used for trading or manufacturing of goods which are disposed off as gift to someone or as free samples.



**Thank You**  
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