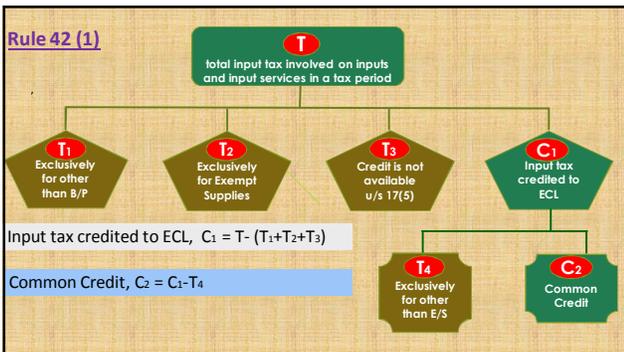
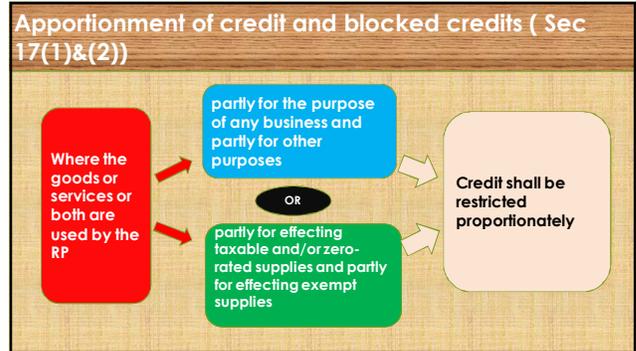


ITC ADJUSTMENTS UNDER RULE 42 & 43

Ca.Cyrjoe V J



Rule 42 (1)

the amount of input tax credit attributable towards exempt supplies,
 $D_1 = (E/F) \times C_2$

where,
 'E' is the aggregate value of exempt supplies during the tax period, and
 'F' is the total turnover in the State of the RP during the tax period

the amount of credit attributable to non-business purposes
 $D_2 = C_2 \times 5\%$

the remainder of the common credit shall be the eligible input tax credit and shall be denoted as 'C3', where,-
 $C_3 = C_2 - (D_1 + D_2)$

Rule 42(1)

the amount 'C3' shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated tax

the amount equal to aggregate of 'D1' and 'D2' shall be added to the output tax liability of the registered person

Provided that where the amount of input tax relating to inputs or input services used partly for the purposes other than business and partly for effecting exempt supplies has been identified and segregated at the invoice level by the registered person, the same shall be included in 'T1' and 'T2' respectively, and the remaining amount of credit on such inputs or input services shall be included in 'T4'

Rule 42(2)

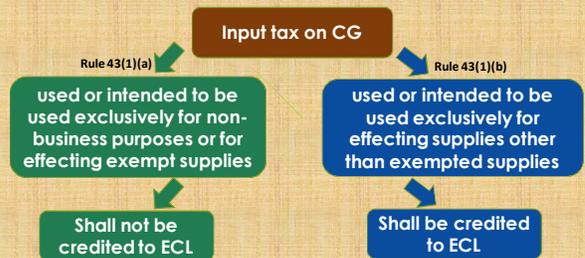
The input tax credit determined under sub-rule (1) shall be calculated **finally for the financial year** before the due date for furnishing of the return for the month of September following the end of the financial year to which such credit relates, in the manner specified in the said sub-rule.

where the aggregate of the amounts calculated finally in respect of 'D1' and 'D2' exceeds the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2', such excess shall be added to the output tax liability of the registered person in the month not later than the month of September following the end of the financial year to which such credit relates and the said person shall be liable to pay interest on the said excess amount at the rate specified in section 50(1) for the period starting from the first day of April of the succeeding financial year till the date of payment;

Rule 42(2)

where the aggregate of the amounts determined under sub-rule (1) in respect of 'D1' and 'D2' exceeds the aggregate of the amounts calculated finally in respect of 'D1' and 'D2', such excess amount shall be claimed as credit by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.

Rule 43
Input tax credit in respect of capital goods



Rule 43
Input tax credit in respect of capital goods

Rule 43(1)(c)
The amount of input tax in respect of capital goods not covered under clauses (a) and (b), denoted as 'A', shall be credited to the electronic credit ledger and the useful life of such goods shall be taken as five years from the date of the invoice for such goods

where any capital goods earlier covered under clause (a) is subsequently covered under (c)

the value of 'A' shall be arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof and the amount 'A' shall be credited to the electronic credit ledger

Rule 43
Input tax credit in respect of capital goods

Rule 43(1)(d)
The aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c), to be denoted as 'Tc', shall be the common credit in respect of capital goods for a tax period

where any capital goods earlier covered under clause (b) is subsequently covered under (c)

the value of 'A' arrived at by reducing the input tax at the rate of five percentage points for every quarter or part thereof shall be added to the aggregate value 'Tc'

Rule 43
Input tax credit in respect of capital goods

Rule 43(1)(e)
The amount of input tax credit attributable to a tax period on common capital goods during their useful life, be denoted as 'Tm' and calculated as-

$Tm = Tc \div 60$

Rule 43(1)(f)
The amount of input tax credit, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'Tr' and shall be the aggregate of 'Tm' for all such capital goods

Rule 43
Input tax credit in respect of capital goods

Rule 43(1)(g)
the amount of common credit attributable towards exempted supplies, be denoted as 'Te', and calculated as-

$Te = (E \div F) \times Tr$

where,
'E' is the aggregate value of exempt supplies, made, during the tax period
'F' is the total turnover of the registered person during the tax period

Rule 43

Input tax credit in respect of capital goods

Rule 43(1)(h)

The amount T_e along with the applicable interest shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit.

Rule 43(2)

The amount T_e shall be computed separately for central tax, State tax, Union territory tax and integrated tax.



Thank You