

AMENDMENT TO RULE 43 OF THE CENTRAL GOODS AND SERVICES TAX RULES, 2017.

Notification No. 16/2020 - Central Tax dated March 23, 2020 made effective from April 1, 2020, has brought about amendment in Rule 43 of the Central Goods and Services Tax (CGST) Rules.

Clause	Rule before Amendment	Amended Rule
(a)	<p>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 GSTR-3B and shall not be credited to his electronic credit ledger</p> <p>Step 1 - Check Capital goods which are used exclusively for Exempt / Non business purpose. Do not take any credit of the same</p>	<p>No change</p> <p>Step 1 - Check Capital goods which are used exclusively for Exempt / Non business purpose. Do not take any credit of the same (Same as Column b)</p>
(b)	<p>The amount of input tax in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero-rated supplies shall be indicated in FORM GSTR-2 and FORM GSTR-3B and shall be credited to the electronic credit ledger</p> <p>Step 2 - Check Capital goods which are used for taxable supplies. Take complete credit of the same .</p>	<p>No Change.</p> <p>Step 2 - Check Capital goods which are used for taxable supplies. Take complete credit of the same. (Same as Column b)</p>
(c)	<p>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:</p> <p>Provided that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, the value of 'A' shall be arrived at by reducing the input tax at the rate of five percentage points for every quarter or</p>	<p>The amount of input tax in respect of capital goods not covered under clauses (a) and (b), denoted as 'A' being the amount of tax as reflected on the invoice, shall credit directly to the electronic credit ledger and the validity of the useful life of such goods shall extend upto five years from the date of the invoice for such goods:</p> <p>Provided that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, input tax in respect of such</p>

	<p>part thereof and the amount 'A' shall be credited to the electronic credit ledger</p> <p>Step 3 - ITC of Common Capital goods shall be credited to Electronic Ledger (Denoted as "A")</p> <p>Step 4 - When CG used for exempt/non business purpose is being now used partly for exempt/non business and partly for taxable purpose.</p> <p>Amount to be Added in "A" is as follows:</p> <p>Total Credit of CG (which is now partly used for taxable purpose and partly used for business/exempt purpose)</p> <p>(-) Total Credit x 5% points for every quarter of part thereof.</p>	<p>capital goods denoted as 'A' shall be credited to the electronic credit ledger subject to the condition that the ineligible credit attributable to the period during which such capital goods were covered by clause (a), denoted as 'Tie', shall be calculated at the rate of five percentage points for every quarter or part thereof and added to the output tax liability of the tax period in which such credit is claimed:</p> <p>Provided further that the amount "Tie" shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated tax and declared in FORM GSTR-3B</p> <p>Step 3 - ITC of Common Capital goods shall be credited to Electronic Ledger (Denoted as "A")</p> <p>Step 4 - When CG used for exempt/non business purpose is being now used partly for exempt/non business and partly for taxable purpose.</p> <p>First add complete ITC of such CG into "A"</p> <p>Secondly add following amount to output tax liability (referred as "Tie")</p> <p>Tie = Total Credit of CG (which is now partly used for taxable purpose and partly used for business/exempt purpose)</p> <p>x 5% points for every quarter of part thereof.</p>
(d)	<p>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:</p>	<p>The aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c) in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'Tc', shall be the</p>

	<p>Provided that where any capital goods earlier covered under clause (b) is subsequently covered under clause (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'</p> <p>Step 5- Total of A at step 4 is to be denoted at "Tc"</p> <p>Step 6 - When Capital goods used for the purpose of taxable supplies is now used partly for business purpose and partly for non business/exempt purpose then following amount should be added to Tc</p> <p>Amount to be Added in " Tc " is as follows:</p> <p>Total Credit of CG (which is now partly used for taxable purpose and partly used for business/exempt purpose)</p> <p>(-) Total Credit x 5% points for every quarter of part thereof.</p>	<p>common credit in respect of such capital goods:</p> <p>Provided that where any capital goods earlier covered under clause (b) are subsequently covered under clause (c), the input tax credit claimed in respect of such capital good(s) shall be added to arrive at the aggregate value 'Tc'</p> <p>Step 5- Total of A at step 4(whose useful life remains) is to be denoted at "Tc"</p> <p>Step 6 - ITC mentioned in invoice should be added to Tc w.r.t goods which are partly getting used to taxable supplies and partly for exempt/non business.</p>
(e)	<p>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-</p> <p>Step 7 - $Tm = Tc \div 60$</p>	<p>Clause remains the same</p> <p>Explanation inserted</p> <p>For the removal of doubt, it is clarified that useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods</p> <p>Step 7 - $Tm = Tc \div 60$</p>
(f)	<p>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;"</p> <p>Step 8 - Check out of all Tm whose useful life remains. So ignore other</p>	<p>Removed</p>

	Tr = Tm for all such Capital goods whose useful life remains	
(g)	<p>The amount of common credit attributable towards exempted supplies, be denoted as 'Te', and calculated as</p> <p>Step 9</p> <p>Te= (E÷ F) x Tr</p> <p>where, 'E' is the aggregate value of exempt supplies, made, during the tax period, and</p> <p>'F' is the total turnover in the State of the registered person during the tax period</p>	<p>Same</p> <p>Step 8 - Te= (E÷ F) x Tm</p>
(h)	<p>The amount Te 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.</p> <p>Step 10 - Amount of Te shall be added to output tax liability alongwith applicable interest.</p>	<p>No Change</p> <p>Step 9 - Amount of Te shall be added to output tax liability</p>

In above Table, detailed steps of computing reversal is explained. Will now take one practical example to understand better. Example only pertains to working post amendment .

Workings are done for the month of **June ,2020**

List of Assets and their ITC

Name of Asset	Date of Invoice	Amount(in INR)	CGST	SGST
A -Used for Clause (a)	1.6.20	40000	2400	2400
B- Used for Clause (b)	15.6.20	50000	2500	2500
C- Used for Clause (a) now for Clause (c)	1.10.19	30000	2700	2700
D- Used for Clause (b) now for Clause (c)	1.12.19	60000	5400	5400
E- Used for Clause (b) now for Clause (c)	1.3.20	45000	4050	4050
F- Used for Clause (c)	20.6.20	20000	1200	1200

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Turnover for the month of June,2020

Particulars	Amount(Rs.)
Taxable Supply	9 Lacs
Exempt Supply	3 Lacs
Total Supply	12 Lacs

Workings for GSTR 3B for the month of June, 2020

Step 1 - Asset A is purchased during June,20 . As its used for exempt purpose, credit of Rs.2,400/- (each for CGST and SGST) is to be ignored

Step 2 - Asset B is purchase during June ,20. As its used completely for Taxable Supply credit of Rs. 2,500/- (each for CGST and SGST) is to be availed and credited to Electronic Credit Ledger.

Step 3 -ITC of Asset F is to be considered as common credit and Rs. 1200/- (for each CGST and SGST) is to be credited in ITC ledger. (To be added for “A”)

Step 4 - For Asset C

a) In “A” - 2700/- should be credited in Electronic credit ledger

b) Tie (CGST) = $2700 \times 5\% \times 3$
= Rs. 405/- each for CGST and SGST should be added to output liability

Step 5 - Working of Tc

$A = Tc = 1200 + 2700 = 3,900$ (CGST) (as useful life of Asset C,F is still there)

Step 6 - For Asset D and E

$Tc = 3900 + 5400 + 4050 = 13,350/-$ (CGST)

Step 7

$Tm = 13,350 / 60$

= 223 (CGST)

Step 8

$Te = 223 \times 3 / 12$

= 56 (CGST)

Step 9 - Rs.56 each for CGST and SGST should be added to output tax liability .

Summary of Action to be taken in GSTR 3B of the month June ,20

Amount to be credited in Electronic Credit Ledger

Step 2 - Rs. 2500

Step 3 - Rs. 1200

Step 4- Rs. 2700

Total = 6,400/-

Amount to be added as output liability

Step 4- Rs. 405

Step 9- Rs. 56

Total= 461/-

Its pertinent to note that Rs.461/- shall be added alongwith applicable interest.

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For any further queries you can mail to us on priyal.shah@npvca.in.