

## Blocked Credits under GST- Section 17(5) of CGST Act, 2017

There are some Goods & Services Taxes (GST) you can't claim even though you have already paid for it when you made your purchases or expenses. Those GST you can't claim is called Blocked Input Tax Credit. Refer to the detailed provisions relating to Blocked credit as under:

### 1) Meaning-

As per the proviso, A registered person is not eligible to take input credits on GST paid on goods and services received by him under Section 17 (5) of CGST Act.

### 2) List of Block credit under GST-

- a. Motor Vehicle for Passenger Transport
- b. Vessel and Aircraft
- c. Foods and Beverages, Health Insurance, Beauty Treatment, etc.
- d. Club Facilities
- e. LTC (Employee Perquisites )
- f. Work Contract for construction of an immovable property (other than Plant and Machinery)
- g. ITC under Composition Scheme ( section 10)
- h. Good and service received by Non-Resident Taxable Person (other than Import)
- i. Good and services received for Personal Use/consumption
- j. Goods lost, stolen, destroy and written off.

### 3) Explanation of Block credit-

- a. Motor Vehicle for Passenger Transport- A registered person not eligible take input tax credit on Motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver) including leasing, renting or hiring thereof. Services of general insurance, servicing, repair, and maintenance of aforesaid motor vehicles.

Exceptions:

- i. a further supply of such vehicles or
- ii. transportation of passengers( more than 13) or
- iii. Imparting training on driving of such motor vehicles.

- b. Vessel and Aircraft- Vessels and Aircraft including leasing, renting or hiring thereof.

Services of general insurance, servicing, repair, and maintenance of aforesaid vessels and aircraft.

Exceptions:

- i. A further supply of such Vessels and Aircraft or
- ii. Transportation of passengers or
- iii. Imparting training on navigating/flying such vessels/aircraft.
- iv. Transportation of goods.

- c. Foods and Beverages, Health Insurance, Beauty Treatment, etc.- Supply of food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance and health insurance.

Exceptions: ITC would be available when the inward supply of goods or services or both of a particular category is used by a registered person for making outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

- d. Club Facilities- A registered person not eligible for taken input tax credit tax paid on membership fees for club and fitness center.

- e. LTC (Employee Perquisites )- Travel benefits extended to employees on vacation such as leave or home travel concession;
- f. Work Contract for contraction of immovable property (other than Plant and Machinery)- Works contract services when supplied for construction\* of an immovable property (other than plant and machinery#) except where it is an input service for further supply of works contract service; and 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.

\*The term "construction" includes reconstruction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property;

#Further the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making the outward supply of goods or services or both and includes such foundation and structural supports but excludes—

- (i) The land, building or any other civil structures
  - (ii) Telecommunication towers; and
  - (iii) Pipelines laid outside the factory premises.
- g. ITC under Composition Scheme (section 10) – If a Registered person opts for composition scheme under section 10, he is not eligible to take an input tax credit on tax paid by him on inward supply as per section 10.
  - h. Good and service received by Non-Resident Taxable Person (other than Import)-

Meaning of NRTP:- Non-Resident Taxable Person(NRTP) is one who occasionally does business 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.

Tax paid by NRTP on inward supply other than Import not eligible to take the input tax credit.

- i. Good and services received for Personal Use/consumption- End users of goods and services (Consumer) are not eligible to take the input tax credit.
- j. Goods lost, stolen, destroyed and written off.- A Registered person is not eligible to take an Input tax credit on Good which is lost, stolen, destroyed and written off.

- Kapil Thakral

Please feel free to contact us at [contact@xactitude.in](mailto:contact@xactitude.in) for any further queries.