



# GST AMENDMENTS FOR MAY/JUNE 2025 EXAMS ~ CA BRINDAVAN GIRI SIR

List of Amendments— ITC Chapter
1) Clarification added w.r.t Sec 16(4)
2) Sub-sec 6 inserted in Sec 16
3) Clarification added w.r.t Rule 42/43
4) New Circulars issued <ul style="list-style-type: none"><li>• ITC on ducts and manholes used in network of optical fiber cables (OFCs)</li><li>• ITC on Motor Vehicle Repair Expenses in Reimbursement Mode for Insurance Companies</li><li>• Input Tax Credit (ITC) for Demo Vehicles</li></ul>





### Time limit u/s 16(4) in respect of RCM supplies from unregistered persons

**Clarification:** For RCM supplies from unregistered person where recipient is required to issue invoice Sec 31(3)(f), **the relevant FY for calculation of time limit for availment of input tax credit u/s 16(4) will be the FY in which the invoice has been issued by the recipient u/s 31(3)(f), subject to payment of tax.**

In case, the recipient issues the invoice after the time of supply of the said supply and pays tax accordingly, he will be required to pay interest on such delayed payment of tax.

### Sec 16(6): Time Limit for ITC AVAILMENT in case cancellation of Reg is revoked

**(6) Where registration of a registered person is cancelled u/s 29 and subsequently the cancellation of registration is revoked** by any order, either u/s 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court **and where availment of ITC in respect of an invoice or debit note was not restricted u/s 16(4) on the date of order of cancellation of registration**, the said person shall be entitled to take the ITC in respect of such invoice or debit note for supply of goods or services or both, in a return u/s 39,—

- (i) filed up to 30<sup>th</sup> November following the FY to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or**
- (ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within 30 days from the date of order of revocation of cancellation of registration,**

**whichever is later**

**Clarification on the requirement of reversal of ITC in respect of the portion of the premium for life insurance policies which is not included in taxable value**

**Issue: Whether the amount of insurance premium, which is not included in the taxable value as per Rule 32(4) of CGST Rules applicable for life insurance business, shall be treated as pertaining to a non-taxable supply/ exempt supply for the purpose of reversal of ITC u/s 17(1) read with Rule 42 & 43 of CGST Rules**

**Clarification:** Amount of the premium for taxable life insurance policies, which is not included in the taxable value as determined u/r 32(4) of CGST Rules, **cannot be considered as pertaining to a non-taxable or exempt supply and therefore, there is no requirement of reversal of input tax credit as per provisions of Rule 42 or rule 43 of CGST Rules**



**Issue: Whether the input tax credit on the ducts and manholes used in network of optical fiber cables (OFCs) for providing telecommunication services is barred u/s 17(5)(c)/(d) of the CGST Act, read with Explanation to section 17 of CGST Act ?**

**Clarification:**

*Ducts and manholes are basic components for the optical fiber cable (OFC) network used in providing telecommunication services. The OFC network is generally laid with the use of **PVC ducts/sheaths** in which OFCs are housed and **service/connectivity manholes**, which serve as nodes of the network, and are necessary for not only laying of optical fiber cable but also their upkeep and maintenance.*



In view of the Explanation in section 17, it appears that **ducts and manholes are covered under the definition of “plant and machinery”** as they are used as part of the OFC network for making outward supply of transmission of telecommunication signals from one point to another. **Moreover, ducts and manholes used in network of optical fiber cables (OFCs) have not been specifically excluded from the definition of “plant and machinery”** in the Explanation to section 17, as they are neither in nature of land, building or civil structures nor are in nature of telecommunication towers or pipelines laid outside the factory premises.

→ **Accordingly, it is clarified that availment of input tax credit is not restricted in respect of such ducts and manhole used in network of optical fiber cables (OFCs), u/s 17(5)(c)/(d) .**



### ITC on Motor Vehicle Repair Expenses in Reimbursement Mode for Insurance Companies

**Issue 01:** The insurance companies, which are engaged in providing general insurance services in respect of insurance of motor vehicles, insure the cost of repairs/ damages of motor vehicles incurred by the policyholders and settle the claims in two modes i.e., Cashless or Reimbursement. Whether ITC is available to insurance companies in respect of repair expenses reimbursed by the insurance company in case of reimbursement mode of claim settlement.

#### **Clarification:**

- *In reimbursement mode, the insured avails repair services from non-network garages and pays the repair costs upfront.*
  - *The insurance company later reimburses the approved repair cost to the insured.*
  - **Definition of Recipient:**  
*As per Section 2(93) of the CGST Act, the insurance company qualifies as the "recipient" of repair services since it bears the financial liability for the approved repair costs.*
  - **Consideration for Repair Services:**  
*Under Section 2(31) of the CGST Act, the insurance company's reimbursement of the repair cost qualifies as "consideration" for the supply of repair services.*
  - **Credit Availment under Section 16:**  
*Section 16 of the CGST Act permits registered taxpayers to avail ITC for goods or services used in the course of business. Since repair services are essential for providing insurance services, ITC is admissible.*
  - **Not Barred by Section 17(5):**  
*Section 17(5) does not restrict ITC on motor vehicle repair services incurred for outward insurance services.*
- ➔ **ITC is available to insurance companies for motor vehicle repair expenses incurred in reimbursement mode as these expenses directly relate to their business of providing general insurance services.**

**Issue 02:** Where the invoice raised by the garage also includes an amount in excess of the approved claim cost, the insurance company only reimburses the approved claim cost to the garage after considering the standard deductions viz. the compulsory deductibles to be borne by the insured, depreciation, improvements outside the coverage, value of salvage of the damaged parts of the motor vehicles, etc. The remaining amount is to be paid by the insured to the garage. What is the extent of ITC available to the insurer in such cases?

#### **Clarification:**

- Garages may issue invoices that include both the **approved claim cost** (covered by the insurance company) and amounts in excess of the approved claim cost (to be paid by the insured).
- The insurance company reimburses only the approved claim cost, considering standard deductions such as compulsory deductibles, depreciation, and salvage value.

#### **ITC Availability:**

##### **(1) Single Invoice Scenario:**

- If the garage issues a single invoice for the total repair cost to the insurance company but the insurer reimburses only the approved claim cost, **ITC is available**



only on the reimbursed (approved claim) amount, not the full invoice value.

**(2) Separate Invoice Scenario:**

- If the garage issues two separate invoices: One to the insurance company for the approved claim cost, and Another to the insured for the excess amount, **ITC is fully available to the insurance company for the amount covered in the invoice issued to it, provided the insurance company reimburses this amount to the insured.**

→ **ITC is limited to the approved claim cost reimbursed by the insurance company, whether it is part of a single invoice or a separate invoice.**

**Issue 03: Whether ITC is available to the insurer where the invoice for the repair of the vehicle is not in name of the insurance company.**

**Clarification:** *In such a case, condition of Section 16(2)(a)/(aa) are not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice.*



### Clarification on Availability of Input Tax Credit (ITC) for Demo Vehicles

**Demo Vehicles:** Authorized dealers are required to maintain demo vehicles for trial runs and demonstrating features to potential buyers. These vehicles are purchased from manufacturers and reflected as capital assets in the dealer's books. They are held as demo vehicles for a certain period before being sold at a written-down value.

#### Input Tax Credit on Demo Vehicles:

- **Section 17(5) of CGST Act** restricts input tax credit (ITC) for motor vehicles with a seating capacity of 13 or fewer persons, unless used for specific taxable supplies like further supply of vehicles, transportation of passengers, or driving training.
- **Clarification:** Demo vehicles are used for marketing and promoting vehicle sales, thus facilitating the further supply of similar vehicles. Therefore, they can be considered as used for making the "further supply of such motor vehicles," making ITC available.
- **Exception:** If demo vehicles are used for purposes other than further supply (e.g., transporting staff), ITC will not be available.

#### Capitalization of Demo Vehicles:

- When demo vehicles are capitalized as per section 16(1), they are treated as "capital goods". ITC is available on these vehicles if they are used in the course of the dealer's business.
- **Conditions:** ITC on demo vehicles may be restricted if depreciation has been claimed on the tax component of the vehicle's cost under the Income-tax Act. Additionally, if a capitalized demo vehicle is sold, GST may be payable as per section 18(6) and rule 44(6).