M/s Chowgule Industries Private Limited, Chowgule House, Mormugao Harbour, Goa - 403803 (GSTIN 30AACCC9272H1ZT)

Authority for Advance Ruling — Goa

Advance Ruling No. GOA/GAAR/07 of 2018-19/4796, dated 26/03/2019 (th… Dated **29.03.2019**

Q Questions Before the Authority

- Whether Input Tax Credit on the Motor Vehicle purchased for demonstration purpose can be availed as credit on Capital Goods and set off against output tax payable under GST.

F Facts

The applicant is an authorised dealer for Maruti Suzuki India Limited, selling and servicing motor vehicles. It buys vehicles against tax invoices, capitalises them in its books as capital assets, and uses them as demo cars for customer trial runs, which the applicant describes as part of marketing and sales promotion. Dealership norms require at least one demo vehicle of each model per location, and the vehicles are usually held for two years or 40,000 km, whichever is earlier, and then sold with GST paid on the selling price.

H Ruling

ITC on a motor vehicle bought for demonstration purpose: availability as credit on capital goods and set-off against output tax	**Yes. ITC can be availed as credit on capital goods and set off against output tax payable under GST.**	Subject to section 18(6) on any later supply of the capital goods. The ruling is framed on the applicant's stated facts: vehicles capitalised in the books, used as demo cars, and later sold with GST paid.

The Authority ruled that Input Tax Credit on a motor vehicle bought for demonstration purposes can be availed as Input Tax Credit on capital goods and set off against output tax payable under GST. It reasoned that the bar in section 17(5) does not apply because the demo vehicles are later sold on a taxable basis, and the Act prescribes no time limit within which a further supply must be made. The credit remains subject to section 18(6) when the capital goods are later supplied.

R Reasoning

The Authority relied on section 16(1) for the general entitlement to ITC on goods used or intended for use in the course or furtherance of business, and on section 2(19) for the definition of capital goods. It treated section 17(5), which bars ITC on motor vehicles except where they are used for taxable supply or certain transport and training purposes, as not excluding these vehicles because the demo cars are eventually sold with GST charged. It noted that the Act does not fix a time for further supply, so the restriction was held inapplicable. Section 18(6) was noted as governing reversal on later supply of capital goods. The order's analysis is brief and does not discuss how the words of section 17(5) were construed.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

P Provisions Relied On

- Goa Goods and Services Tax Act, 2017 (Goa Act 4 of 2017), section 96 (constitution of the Authority, per heading)
- Goa GST Act, section 97 (application for advance ruling)
- Goa GST Act, section 98 (procedure, per proceeding heading)
- CGST/GGST Act, section 16(1)
- CGST/GGST Act, section 2(19) (capital goods)
- CGST/GGST Act, section 17(5) (motor vehicles)
- CGST/GGST Act, section 18(6) (payment on supply of capital goods)
- CGST Rules, 2017, Rule 103 (per heading)

! For the Practitioner

The ruling helps dealers and vehicle businesses that capitalise demo or pool vehicles and claim ITC on them, since it supports the claim where the vehicles are eventually sold on payment of GST. It is an advance ruling confined to the applicant's facts, and its reasoning is brief. It does not set out a holding on the time gap between purchase and sale, on the meaning of further supply under section 17(5), or on the treatment of vehicles that are never sold on a taxable basis.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> ara_order_07_2018_goa_cipl.pdf

Prepared 01-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: +91 94594 56700 | sales@patronaccounting.com | patronaccounting.com