

M/s GOEXOTIC PLUS91 MOTORS PRIVATE LIMITED

Authority for Advance Ruling — Keralam

ADVANCE RULING No. KER/42/2025

Dated **11.12.2025**

Q Questions Before the Authority

- Admissibility of Input Tax Credit (ITC) on Direct Expenditures for Second-Hand Vehicles.
- Admissibility of Input Tax Credit (ITC) on Other Common Business Expenses and Capital Goods.

F Facts

The applicant is engaged in the business of buying and selling second-hand motor vehicles, primarily luxury cars. They adopt the special valuation mechanism under Rule 32(5) of the CGST Rules, 2017, which allows payment of GST on the margin. The applicant incurs various common business expenses and procures capital goods for their operations.

H Ruling

ITC on direct expenditures (repairs, spares, etc.)	Admissible	Subject to compliance with conditions under Sections 16 to 21 of the CGST Act and Rules 36 to 45.
ITC on common business expenses and capital goods	Admissible	No restriction under Notification No. 8/2018-CT (Rate) or Rule 32(5) for these expenses.

The Authority ruled that the restriction on claiming ITC under the Margin Scheme applies solely to the purchase of the used motor vehicles themselves. Consequently, the applicant is eligible to claim ITC on other inward supplies, including direct expenditures like repairs and spare parts, as well as common business expenses and capital goods, subject to standard compliance requirements.

R Reasoning

The Authority reasoned that Notification No. 8/2018-Central Tax (Rate) and Rule 32(5) of the CGST Rules, 2017, only restrict ITC on the purchase of the used vehicles themselves. It further clarified that sales under the Margin Scheme are taxable supplies with a taxable value of zero, rather than exempt supplies, meaning they do not trigger the reversal of common ITC under Rule 42 or Rule 43. The ruling relies on Section 16(1) of the CGST Act, which permits ITC on inward supplies used in the course or furtherance of business.

P Provisions Relied On

Section 16(1) of the CGST Act, 2017

Section 17(5) of the CGST Act, 2017

Rule 32(5) of the CGST Rules, 2017

Rule 42 of the CGST Rules, 2017

Rule 43 of the CGST Rules, 2017

Notification No. 8/2018-Central Tax (Rate) dated 25.01.2018

! For the Practitioner

This ruling provides **significant relief** to dealers operating under the Margin Scheme by confirming that they can claim ITC on all business inputs and capital goods, excluding the vehicles themselves. It settles the debate regarding the classification of margin-based sales, confirming they are **taxable supplies** rather than exempt, thus avoiding ITC reversal. Practitioners should note that this eligibility remains strictly subject to the general conditions of Section 16 of the CGST Act.

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 -> [goexotic_plus91_motors_private_limited.pdf](#)

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