Chowgule Industries Private Limited

Authority for Advance Ruling — Maharashtra

NO. GST-ARA-18/2019-20/B-121, Mumbai, dated 26/12/2019 (order date a… Dated **26.12.2019**

Q Questions Before the Authority

- Whether the applicant is entitled to avail input tax credit charged on inward supply of motor vehicles used for demonstration purposes in the course of business of supply of motor vehicles, as input tax credit on capital goods, and whether the same can be utilised for payment of output tax payable under the Act.

F Facts

The applicant is an authorised dealer for Maruti Suzuki India Limited, and for some other commercial vehicle manufacturers, for the supply of motor vehicles, spares and servicing. Under the dealership norms it must keep at least one demonstration vehicle of each model per location, which it buys against tax invoice and capitalises in fixed assets excluding the GST component, without claiming depreciation on that component or business expenditure under section 37 of the Income Tax Act. Demo cars are generally replaced every two years or 40,000 km and are then sold after paying applicable tax on the sale value.

H Ruling

Whether ITC on inward supply of demonstration motor vehicles, taken as ITC on capital goods, is available and can be utilised for output tax	**Answered in the affirmative: ITC is available on the demo vehicles as capital goods, and can be utilised for output tax payable under the Act**	The utilisation is subject to section 49 and the section 18(6) payment on capital goods, which the Authority noted was the higher of the reduced ITC or the tax on the transaction value

The Authority answered the question in the affirmative. It held that the demo vehicles are capital goods used in the course or furtherance of business, so input tax credit is available on them, and that section 17(5) does not bar the credit because the vehicles are later supplied on sale. The utilisation of the credit is governed by section 49, subject to the section 18(6) payment obligation on capital goods.

R Reasoning

The Authority read section 16(1) as entitling a registered person to credit on inputs used or intended for use in the course or furtherance of business, and found that section 2(19) capital goods were satisfied because the demo cars are capitalised in the books and used for trial runs that promote sales. On section 17(5)(a), it held that the bar on motor vehicles is lifted where the vehicles are used for further supply, and that the GST Act sets no time limit for such further supply, so the applicant's later sale of demo cars after one or two years keeps the credit available. It noted the applicant's reliance on the Goa and Kerala advance rulings, but its reasoning rests on the statutory provisions.

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

P Provisions Relied On

Section 16(1) of the CGST Act and the corresponding MGST Act provision

Section 2(19) of the CGST Act (capital goods)

Section 17(5)(a) of the CGST Act (motor vehicles, further supply exception)

Section 18(6) of the CGST Act (payment on capital goods)

Section 49 of the CGST Act (manner of utilisation of ITC)

Sections 97 and 98 of the CGST and MGST Acts (advance ruling procedure)

! For the Practitioner

Dealers who buy demonstration vehicles and capitalise them can use this ruling to support ITC claims on those vehicles, relying on the further-supply exception in section 17(5)(a). The ruling is binding only on the applicant under the advance ruling provisions, and it does not quantify the section 18(6) payment or address demo vehicles that are never sold on. The Goa and Kerala rulings the applicant cited are persuasive only and are not the basis of this decision.

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 -> mah aar 18 2019-20 b-121 26.12.2019 cipl.pdf

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