

M/s. Narsingh Transport

Authority for Advance Ruling — Madhya Pradesh

Order Number 02/2019

Dated **18.02.2018**

Q Questions Before the Authority

- Whether the GST paid on cars provided to different customers on lease rent will be available to it as Input Tax Credit (ITC) in terms of Section 17(5) of Central Goods and Service Tax Act, 2017.

F Facts

The applicant is a Goods Transport Agency providing services and has purchased cars to provide to various companies on a monthly lease rent basis. The applicant sought an advance ruling on whether they are eligible to claim Input Tax Credit on the GST paid for the purchase of these vehicles. The vehicles are used exclusively for the purpose of providing lease rent services to other entities.

H Ruling

Input Tax Credit on leased cars

Allowed

Subject to the condition that vehicles are used for further supply of lease rent services and registered for commercial use.

The Authority ruled that the applicant is entitled to avail Input Tax Credit on the passenger vehicles provided to customers on lease rent. This entitlement is subject to the condition that the vehicles are used for making taxable supplies of lease rent services. The ruling specifies that if the vehicles are used for the applicant's own use, the ITC facility will not be available.

R Reasoning

The Authority relied on Section 17(5) of the CGST Act, which restricts ITC on motor vehicles except when used for the further supply of such vehicles. It determined that the applicant's activity of leasing cars constitutes a 'further supply' of motor vehicles, thereby falling within the exception to the restriction. The ruling emphasizes that the vehicles must be registered for commercial use and not for the applicant's personal use to qualify for the credit. It also noted that the applicant must reverse the ITC if the vehicle is not further leased upon the termination of a contract.

P Provisions Relied On

Section 17(5) of the CGST Act, 2017

Section 97(2) of the CGST Act, 2017

Section 7(1)(a) of the CGST Act, 2017

Notification number 11/2017-Central Tax (Rate) dated 28.06.17

Rule 42 of the CGST Rules



For the Practitioner

This ruling confirms that businesses engaged in the **leasing of motor vehicles** as a taxable service are eligible to claim ITC on the purchase of such vehicles. It provides clarity that 'further supply' includes leasing arrangements, thus bypassing the general ITC restriction on motor vehicles. However, it does not apply to vehicles used for the applicant's own internal or personal purposes, which remain ineligible for credit.

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 -> mp-02-2019-narsingh_transport.pdf

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