

GOA AUTHORITY FOR ADVANCE RULING.

(Constituted under section 96 of the Goa Goods and Services Tax Act, 2017 (Goa Act 4 of 2017) read with Rule 103 of the Goa Goods and Services Tax Rules, 2017)

BEFORE THE BENCH OF

- (1) Shri. J. K. Meena, Addl Commissioner of Central Tax
- (2) Shri. Ashok V. Rane, Addl Commissioner of State Tax

Advance Ruling No. GOA/GAAR/07 of 2018-19/ 4796

Name of the Applicant	M/s Chowgule Industries Private Limited
Address	Chowgule House, Mormugao Harbour, Goa – 403803
GSTIN	30AACCC9272H1ZT
Date of Application	25/01/2019
Under Section 97(2) of the CGST/GGST Act, 2017 under which question raised	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
Date of Hearing	19/03/2019
Persons Present for Hearing	C.A. Pradip Mahatme and C.A. Kishor M. Bandekar, Authorised Representatives



(Handwritten signature)

PROCEEDING

(Under Section 98 of the Goa Goods and Services Tax, Act 2017)

The present application has been filed under section 97 of the Goa Goods and Services Tax Act, 2017 and the Central Goods and Services Tax, Act 2017 (hereinafter referred to as the SGST Act and CGST Act) by M/s Chowgule Industries Private Limited, Chowgule House, Mormugao Harbour, Goa – 403803 seeking an Advance Ruling in respect of the following question: “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.”.

The applicant is a Private Limited Company having GSTIN 30AACCC9272H1ZT. The applicant is an authorised dealer for Maruti Suzuki India Limited for sale of motor vehicles and spares and for servicing as also for some other commercial vehicle manufacturers.

During the hearing, it was submitted by the authorised representatives of the applicant that the applicant purchases vehicles against tax invoices which are reflected in the books of accounts of the applicant as Capital Assets, the vehicles are used as demo cars for providing trial run to customers to understand the features of the vehicle. This is an essential part of marketing and sales promotion to facilitate sale of cars. As per the dealership norms every sales outlet is bound to maintain at least one demo vehicle of each model per location. The vehicles are usually held for two years or 40,000 KM whichever is earlier and then sold. When the demo vehicles are sold applicable GST is paid on the selling price.

As per section 16(1) of the GST Act, every person shall be entitled to take input tax credit on every supply of goods or services or both which are used or intended to be used in course or furtherance of business.



The applicant purchases the vehicles from the supplier against tax invoices after paying taxes. The vehicles purchase from the supplier are capitalize. The capital goods which are used in the course or furtherance of business is entitle for input tax credit. As per section 2(19) of the GST Act, Capital goods means the value of which is capitalize in the books of accounts of the person claiming the input tax credit and which are used or intended to be use the course or furtherance of business.

As per section 17(5) of the GST Act input tax credit shall not be available in respect of motor vehicle except when they are used for making taxable supply and for transportation of goods or passengers or imparting training on driving flying navigating such vehicles or conveniences. The taxable supply includes further supply of such vehicles. The demo vehicles are being used only for a specified period. Later on when the demo vehicles are sold at the written down value GST is charged at applicable rate at that point of time. The GST Act does not prescribe the time within which time further supply is to be effected. Hence the provision of section 17(5) will not be applicable. The applicant is entitle for input tax credit on Demo Vehicles

The availability of input tax credit shall be subject to the provisions of section 18(6) of the GST Act. In the case of supply of capital goods on which input tax credit has been taken the register person shall pay an amount equal to the input tax credit on the said capital goods reduce by such percentage of points as may be prescribed or the tax on transaction value of such capital goods determined as value of taxable supply, whichever is higher.

In the instant case, the applicant purchases demo vehicles against tax invoices from the supplier after paying taxes. The demo vehicle is indispensable tools for promotion of sale by providing trail run to the customer. The applicant capitalizes the purchase of such vehicles in the books of accounts. The capital goods which are used in the course or furtherance of business is entitled for Input Tax Credit.



ADVANCE RULING UNDER SECTION 98 OF THE CGST/GGST ACT,

2017

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

(J. K. Meena)
Member



(Ashok V. Rane)
Member

Dated: - 26/03/2019

Place: - Panaji – Goa

To,

M/s Chowgule Industries Private Limited,

Chowgule House, Mormugao Harbour, Goa – 403803.

Copy to

1. The State Tax Officer, Vasco da Gama Ward, Panaji – Goa;
2. The Dy. Commissioner of State Tax, Vasco da Gama Ward, Panaji;
3. The Commissioner of State GST, Panaji – Goa;
4. The Commissioner of Central GST, Panaji – Goa;
- ✓ 5. Office file;
6. Guard file.

