

Introduction to Block Credit in GST

In the realm of Goods and Services Tax (GST), the concept of input tax credit (ITC) is fundamental. It allows businesses to offset the tax they pay on inputs against their final tax liability. However, there are certain scenarios where input tax credit cannot be availed fully or partially. These scenarios are categorized under "Blocked Credits" in GST.

Understanding Block Credit

Block credit refers to those inputs or input services for which input tax credit cannot be claimed under GST law. These are specifically outlined in Section 17(5) of the CGST Act, 2017, and are essential for businesses to be aware of to ensure compliance and avoid unnecessary complications.

Categories of Block Credit

1. **Motor Vehicles:** Input tax credit cannot be claimed on motor vehicles and other conveyances, except when they are used for specified purposes like making further taxable supplies of such vehicles or transportation of passengers, etc.
2. **Goods and Services Used for Personal Use:** If goods or services are used for personal consumption or non-business purposes, input tax credit cannot be claimed.
3. **Works Contract Services:** Input tax credit is blocked for works contract services when they are used for construction of an immovable property (other than plant and machinery).
4. **Goods and Services Used for Construction of Immovable Property:** Input tax credit is not allowed on goods or services used for construction of immovable property (other than plant and machinery), except where it is used for further supply of works contract service.
5. **Goods and Services Used for Composition Taxable Person:** If a registered person opts for composition scheme under GST, input tax credit cannot be claimed on goods or services used for providing such composition supply.

Conclusion

Understanding the concept of block credit is crucial for businesses to correctly assess their input tax credit claims and ensure compliance with GST regulations. By being aware of the categories under which input tax credit is blocked, businesses can avoid unnecessary penalties and disputes with tax authorities.