

FIDC
Finance Industry Development Council
(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

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24th September 2025

Shri Ashish Madhaorao

Joint Secretary

The Department of Financial Services

Sansad Marg, Jeevan Deep Building

New Delhi 110001

Subject: Additional submission to representation filed on 23 July 2025 in relation to the method of availment of input tax credit under Section 17(4) of CGST Act, 2017 for Non-Banking Financial Companies

Respected Sir,

This is with reference to the memorandum seeking discussions on the GST matter involving interpretation of Section 17(4) of the Central Goods and Services Tax Act, 2017 (CGST Act), with respect to availment of input tax credits by member NBFCs filed with your good office.

The Representation is enclosed as **Annexure A**, for your perusal.

In this regard, we wish to supplement our captioned representation with additional points which have been followed by NBFCs in following the approach for reversal of Input Tax Credit.

A. Clarification issued by the CBIC vide the FAQs issued for Banking, Insurance and Stockbrokers Sector

1. We wish to refer to the FAQs issued by CBIC on Banking, Insurance and Stockbrokers (“Collectively referred to as “Financial Sector”) which clarifies that the Banks/ NBFCs can defer the availment of input tax credit for a month or quarter and claim the same in subsequent months, subject to the time limit prescribed under Section 16(4) of the CGST Act, 2017. The said clarification FAQ has been reproduced hereunder:

Sr No.	Question	Answer
22	Can a Bank / insurer defer the availment of	Yes. As per section 16(4) of the CGST Act, 2017, availment of input tax credit can be deferred and

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	<i>input tax credit for a month or quarter and avail of the same in subsequent months?</i>	<i>availed upto the due date of furnishing of return for the month of September following the end of financial year to which relevant invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.</i>
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- The statutory time limit mentioned in the section 16(4) was amended via **Notification No. 18/2022-CT dated 28.09.2022**, which substituted the earlier deadline of “due date of furnishing of the return under section 39 for the month of September” with “**thirtieth day of November**” following the end of the financial year. This change provides additional flexibility to financial institutions in reconciling and claiming eligible ITC upto a period beyond the month in which the same is availed.

Formation of sectoral group for issuance of guidance notes on Financial Sector was approved during the GST council meeting held on 18 and 19 May 2017, and therefore are binding on the tax department

- The 14th GST Council meeting agreed to establish a three-tier structure for GST management, including the Revenue Secretary's office, the GST Implementation Committee, and eight Standing Committees.
- The Guidance Committee, which was one of the Standing Committees, was tasked with creating guidance notes for key economic sectors, with 18 sectoral groups formed for this purpose. These included one sectoral group for the Financial Sector as well. The relevant extract from the minutes of the 14th GST Council meeting is enclosed herewith as **Annexure B**, for your kind perusal.
- The GST Implementation Committee, eight Standing Committees, and sectoral working groups were notified as per the Office Memorandum 25/ Committees-1/GST Council dated 29 May 2017 issued from the GST Council Secretariat. Also, worthwhile to mention here that the Financial Sector had a representation from Maharashtra state as well.

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6. The Office Memorandum available in the public domain is enclosed herewith as **Annexure C**, for your kind perusal. Thus, it is evident that the FAQ have been issued after following a due process as decided by the GST Council wherein representatives from State and Centre were both involved in providing the clarifications contained in the FAQ.
7. Sectoral FAQs for the financial sector have been discussed in GST Council meetings and clarificatory circulars by the Central Board of Indirect Taxes and Customs ('CBIC'). For example, the 50th GST Council meeting discussed Question 17 (Q.17) from the FAQs for the financial sector, and the 31st GST Council meeting considered amendments to Question 80 (Q.80) of the same FAQs.
8. The 53rd GST Council meeting discussed Question 51 (Q.51) from the FAQs for Financial Sector. Extracts from the minutes of the mentioned GST Council meetings are provided as **Annexure D**, for review and consideration. These extracts contain the detailed discussions and decisions taken by the GST Council regarding the specific questions from the FAQs.
9. Additionally, Circular No. 218/12/2024-GST dated 26 June 2024, issued by the CBIC, also addressed the implications of the clarification provided in Question 42 (Q.42) of the FAQs for the Financial Sector. A copy of this circular is also provided as an **Annexure E**, for review.
10. Accordingly, equating the sectoral FAQs with FAQs like education guide (service tax) and the jurisprudence around the same will be improper. The sectoral FAQs have arisen out of a structured process undertaken under the aegis of the GST Council. **The fact that these FAQs are discussed and amended during GST Council meetings and referenced in CBIC circulars underscores their significance in providing clarity to taxpayers and ensuring uniform application of the GST laws across the sector. It also shows the dynamic nature of tax administration, where feedback and practical issues can lead to the refinement of guidance provided to stakeholders.**
11. The GST Council is the governing body that makes decisions regarding GST regulations in India. It consists of representatives from the central and state governments. The council's endorsement of the FAQs indicates that they are consistent with the intended interpretation of the GST laws and rules.

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12. The reference of FAQs on multiple occasion during the GST Council meets and the clarificatory circular emphasize on the relevance of FAQs and suggests that the FAQs are not informal guidance but are considered to have been issued within the proper framework established by the GST Council. This implies that the FAQs carry a certain level of authority and are recognized as a reliable source of information for interpreting and applying GST provisions, the clarifications are binding on the tax department.
13. Accordingly, to summarise the above we wish to state that Sectoral FAQ (Q.22) directly addresses the issue in hand and allows NBFCs to avail Input Tax credit upto the time limit specified in Section 16(4) of CGST Act. Further, Sector FAQs are binding on the tax department as it has been approved by a structured process under the aegis of GST council.

Certain practical aspects- related to additional compliance and Ineligible ITC and risk on account of vendor non-compliance

14. We have also outlined below various scenarios which will lead to additional compliance reports and reconciliations to be prepared by the NBFC vis a vis the process followed today.

I. Risk of Incorrect Invoices and Credit Notes

- NBFCs frequently encounter errors in vendor invoices such as incorrect document number, place of supply (POS), values, or tax amounts. These discrepancies are typically identified through a standard internal process that involves vendor outreach and rectification before availing Input Tax Credit (ITC). However, if ITC is availed upfront without these validations, it could result in excess or ineligible credit being claimed.
- Erroneous credit notes also pose a risk, especially when they are amended or cancelled after ITC has already been availed. Adjustments in such cases may lead to overstatement of credit in the earlier months. Additionally, amendments made by vendors in subsequent months can impact ITC calculations, requiring the NBFC to adjust credit in the month of amendment.
- To manage these risks, the NBFCs would need to maintain and track:

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- A **three-way reconciliation** between GSTR-2B, the ITC register, and the ITC receivable account (post considering reversals)
- **Trackers** for credit notes and amendments to ensure accurate reversal and re-availment of ITC.

II. Ineligible ITC and risk on account of vendor non-compliance

- Another significant risk arises from availing ITC on invoices which are ineligible in nature as per Section 17(5) of CGST Act, 2017 (e.g for personal use, motor vehicles etc.) or for vendors which are non-compliant or have their registrations suspended.
- In such cases, vendors may upload invoice details in GSTR-1 but fail to file GSTR-3B, or their GSTIN may be suspended during the compliance cycle. NBFCs currently performs compliance checks to exclude such vendors from the ITC register.
- In cases wherein ITC is availed on such invoices without the requisite checks and validations, the following risk arises:
 - The NBFC may be held to produce relevant documents/ invoices on which ITC has been availed and reversed.
 - In case credit has been availed, the vendors lose the opportunity to correct discrepancies.
 - Additional reports will be needed to track ineligible ITC across tax periods and for annual return disclosures.

III. Invoices Not Pertaining to NBFCs

- There are instances where invoices not related to the NBFC appear in its GST reconciliation statement. These are currently excluded from ITC claims through a validation process. However, if the NBFC is required to avail and reverse all ITC reflected in GSTR-2B without verification, it risks claiming credit for transactions not pertaining to its operations.

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- Basis the proposed approach, the NBFC would have to reverse 50% of the ITC in the first month. **However, on verifying that the same does not pertain to the NBFCs operations, the 50% reversed in the earlier month would have to be re-availed in order to ensure that the partial incorrect entries are not reflected in its registers, currently there are no provisions available in the law to undertake the said procedure.**
- During assessments, NBFCs would need to justify all entries in its Input tax credit register along with reversals and explain the absence of such invoices in its records. This also prevents rightful recipients from receiving their due credit.

IV. Difference in availment of Input Tax credit in books of accounts vis a vis GST returns

- NBFCs follows a robust invoice verification process before accounting and availing ITC. This ensures compliance with Section 16(2) of the CGST Act and aligns ITC receivable account in the financials with GST returns. For example, in the case of capital goods, only 50% of ITC is availed, and the rest is capitalized. In case of any mismatch in accounting and availment, such differences will arise in reporting and will require multiples checks to be in place.
- In case availment of ITC is linked to reporting in GSTR-2B:
 - Additional reconciliation reports will be required for statutory/internal auditors and GST authorities.
 - Annual return disclosures may be impacted due to timing differences in reversals.

V. Impact of Invoice Management System on the proposed process

- The GST Invoice Management System ('IMS') has been introduced in October 2024 on the GST portal to enable the taxpayers to manage, track,

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and validate invoices from suppliers with the endeavour to auto-generate the input tax credit reconciliation statement.

- IMS allows businesses to manage supplier invoices before they are considered for the final GSTR-2B for the month by enabling the recipient to 'Accept', 'Reject', or 'Pending', which helps verify the authenticity of inward invoices and ensures ITC claims are based on legitimate transactions and documents. Only the invoices marked as “Accept” flow in the GSTR-2B of the recipient taxpayer.
- As per the Invoice Management System, GST system will automatically generate draft GSTR-2B on 14th of the subsequent period. If recipient takes any action after draft GSTR-2B, they will need to recompute their GSTR-2B before filing of GSTR-3B.
- Although the IMS has been implemented to ensure that only verified invoices contribute to ITC claims in GSTR-2B, there remains a residual risk of incorrect ITC availment. This is primarily because:
 - The NBFCs follows a payment-based ITC availment system, which differs from the accrual-based approach.
 - Given the high volume of inward supply invoices processed each month, there is a possibility that ineligible invoices may get accepted and considered for ITC.
- Further, even under the IMS, the taxpayers continue to face practical challenges, for instance, an Invoice issued by Supplier is not received from business team. However, invoice appearing in IMS and kept pending and a Credit Note issued by the Supplier subsequently. Since pending action is allowed for tax invoices but not for credit notes, the receiver can keep the tax invoice pending but has to reject the credit note, which increases the supplier’s liability.

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15. Further, Partial acceptance/rejection of records will be not allowed in IMS, i.e. either receiver has to accept full invoice and take full input tax credit which is not allowed as per GST law or wait for credit note from supplier which may delay in claiming input tax credit.

Practical scenarios and challenges of same month ITC reversal on NBFCs

16. We have provided below a numerical illustration (Please refer Table 1 and Table 2) providing a comparative analysis between the current approach and the proposed approach to highlight the practical challenges which would be faced by NBFCs while implementing the proposed approach.

Table 1 : - ITC availment subject to reconciliation of eligible credits and confirmation of vendor payments (Current process)				
Period	Particulars	Reference	ITC (Amount in Rs.)	Comments
Month 1	Net ITC Appearing in GSTR-2B	(A1)	2,00,000	
	Invoices Matched - 10% during month 1	(B1) = (A1)*10%	20,000	
	ITC as per Table 4(A)(5)	(C1) = (B1)	20,000	ITC shall be availed only for Matched entries and the reversal shall be calculated only from ITC availed.
	ITC reversal as per Table 4(B)(1) - Permanent reversal	(D1) = (C1)*50%	10,000	
Month 2	Invoices Matched - 59% during month 2	(E1) = (A1)*59%	1,18,000	Assuming there is no additional ITC in Month 2.
	Ineligible ITC - 1% of Total ITC	(F1) = (A1)*1%	2,000	
	ITC as per Table 4(A)(5)	(G1) = (E1) + (F1)	1,20,000	
	ITC reversal as per Table 4(B)(1) - Permanent reversal	(H1) = [(G1)*50%+(F1)]	62,000	Ineligible ITC + ITC 50% of the Eligible ITC availed

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Month 3	Invoices Matched - 26% during month 3	$(I1) = (A1) * 26\%$	52,000	Assuming there is no additional ITC in Month 3
	ITC as per Table 4(A)(5)	$(J1) = (I1)$	52,000	
	ITC reversal as per Table 4(B)(1) - Permanent reversal	$(K1) = (I1) * 50\%$	26,000	
	Total ITC claimed for Month 1 to Month 3	$(L1) = (C1) + (E1) + (J1)$	1,92,000	
	ITC remaining unmatched till expiry of the period prescribed under section 16(4) of CGST Act – Required to be availed in Table 4(A)(5) and reversed in Table 4(B)(2)	$(M1) = (A1) - (L1)$	8,000	Unverified ITC which was not forming a part of the ITC register subsequently reversed under permanent reversals. Also, Ineligible ITC is appropriately reversed upon verification.
	Net ITC reversal for Month 1 to Month 3	$(N1) = (D1) + (H1) + (K1)$	98,000	Ineligible ITC + ITC 50% of the Eligible ITC availed.
	ITC reversed as per timelines stated under Section 16(4)	$(O1) = (M1)$	8,000	
	Total ITC reversed for the period including permanent reversals	$(P1) = (O1) + (N1)$	1,06,000	

Table 2 : - Availment in the same month as per entry in GSTR-2B

Period	Particulars	Reference	Total ITC (Amount in Rs.)	Comments
Month 1	Gross ITC Appearing in GSTR-2B	(A2)	2,10,000	

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	Less: ITC reduction on account of credit notes	(B2)	10,000	
	Net ITC as per Table 4(A)(5)	(C2) = (A2) – (B2)	2,00,000	As per this approach, entire ITC appearing in GSTR-2B is claimed and reversed in the Month 1 itself.
	ITC reversal as per Table 4(B)(1) - Permanent reversal	(D2) = (C2)* 50%	1,00,000	
Month 2	ITC identified as ineligible	(E2)	4,000	Assuming there is no additional ITC in Month 2.
	ITC as per Table 4(A)(5)	(F2)	Nil	
	ITC reversal as per Table 4(B)(1) - Permanent reversal	(G2) = (E2) * 50%	2,000	Additional 50% of ineligible and non-Bank ITC shall be reversed in Month 2 since 50% is already reversed in Month 1.
Month 3	Credit notes inadvertently reported by the Vendor against the Bank's GSTIN and does not pertain to the Bank	(H2)	2,000	ITC amount from previous month is reduced due to amendment of the invoices from the vendor.
	Subsequent amendment made by the vendor in their GSTR-1 which would result in ITC reduction	(I2)	10,000	This would entail the Bank to reduce the ITC already availed in Month 1.
	ITC as per Table 4(A)(5)	(J2) = (H2)-(I2)	(8,000)	In case of incorrect credit notes identified by the Bank, the ITC shall have to be added back to GSTR-2B. Further, in case of subsequent amendment of any invoice, which shall result in reduction of ITC availed during month. Hence, this would result in Addition of credit note amount and

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				reduction of ITC in case of a negative amendment.
	ITC reversal as per Table 4(B)(1) - Permanent reversal	(K2) = - (J2)* 50%	4,000	
	Total ITC claimed for Month 1 to Month 3	(L2) = (B2) + (G2) + (J2)	1,92,000	
	Total ITC reversal including permanent reversals	(M2) = (C2) + (H2) + (K2)	1,06,000	

We request that an opportunity to present our case be once again given to us, before finalising a point of view on this subject.

We hope our request will merit your kind consideration and suitable clarification will be issued at the earliest.

We will be pleased to provide any further information that may be required for consideration and implementation of this representation.

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

RAMAN AGGARWAL
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17 July 2025

Sh. Ashish Madhaorao

Joint Secretary

Department of Financial Services

Ministry of Finance

Sansad Marg, Jeevan Deep Building

New Delhi 110001

Subject: Representation Seeking Clarification with Regard to the Method of Availing Input Tax Credit under Section 17(4) of CGST Act, 2017 for Non-Banking Finance Companies

Respected Sir,

This is with reference to the email dt. 14th July, 2025 Seeking Inputs on the GST matter involving Interpretation of Section 17(4) of the Central Goods and Services Tax Act, 2017 (CGST Act), with respect to availing input tax credit by member NBFCs.

A. Our understanding:

In this regard, as a background:

1. Section 17(4) is a special provision under the GST Law allowing banks/ NBFCs/ financial institutions (FIs) to avail of adhoc 50% of the eligible input tax credit. The said provision is an option available to banks/ NFBCs/ FIs, in relation to supplying services by way of accepting deposits, extending loans or advances.

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2. The said provisions has been grandfathered into the GST regime from the *erstwhile* service tax regime read with the Cenvat Credit Rules, 2004. The said provision was introduced in light of the fact that such assesseees typically have both taxable (fee income) and exempt income (interest income) - and recognising the challenge in valuing the 'interest income' of such assesseees (for purposes of turnover based proportionate reversal under the general rule), more specifically given that such entities are engaged in the business of accepting deposits (and paying interest) as well as lending (and receiving interest).
3. We have reproduced the relevant provisions for ease of reference:

“(4) A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse:

Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year:

Provided further that the restriction of fifty per cent shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.”

Section 17 therefore, prescribes the availment of 50% of **"eligible input tax credit"** in that month.

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4. Under the CGST Act, the key provisions for availing ITC and apportionment are:

Section 16: Eligibility and condition for taking input tax credit

Section 17: Apportionment of credits and blocked credits

B. Our Point of View

Given the above, the following aspects require consideration:

5. The term "eligible input tax credit" has not been defined under the GST Laws. But the term 'input tax' has been defined u/s 2(62) of the CGST Act as IGST, CGST, SGST and UTGST charged on any supply of goods / services / both made to a registered person.

The term 'input tax credit' has been defined u/s 2(63) as credit of 'input tax'.

6. The conditions of "eligibility" of input tax can be determined only under Section 16 of the CGST Act. As per Section 16(2) prescribes that any registered person shall be "entitled to the credit of input tax" provided all the following conditions are met:
- (i) he is in possession of a tax invoice issued by the supplier
 - (ii) the supply has been reported by such supplier in his GSTR-1
 - (iii) the supply has been received
 - (iv) the supply is available in the GSTR-2B
 - (v) the tax charged has been paid by the supplier to the Government
 - (vi) the return GSTR-3B has been filed

Therefore, unless all the conditions of Section 16(2) are fulfilled by the registered person, any 'input tax credit' cannot be construed to be 'eligible input tax credit'. **Accordingly, it is only**

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once the member NBFCs have verified that all conditions are met can they avail and reverse the 50% of 'eligible input tax credit' u/s 17(4).

7. Section 17(1) and Section 17(2), which are the general provisions for reversal of ITC based on turnover, use the term "input tax" - prescribing that the registered person is entitled to an amount of "input tax" as is attributable to purposes of business/ taxable supplies (including zero rated supplies).

However, Section 17(4) uses the term "eligible input tax credit" - the use of the term "eligible" should not be diluted in a manner where option of claim of ITC under Section 17(4) is read to supersede the principle rules of eligibility as are prescribed u/s 16 itself.

8. Unlike Rule 6(3B) of the *erstwhile* Cenvat Credit Rules, 2004 which was pari materia section 17(4), the latter does not contain a "notwithstanding" clause. Hence, the scheme under section 17(4) cannot override the principal Section 16 which prescribes eligibility to input tax credits as well as allows registered persons to claim ITC till 30 November following the financial year to which the invoice pertains. **Section 17(4) is therefore not a complete code by itself, but a specific provision as an alternate to section 17(2) alone. Accordingly, the entire framework under section 16 should equally apply to the provisions of section 17(4).**
9. In light of the above, the interpretation of the term "that month" u/s 17(4) can only be interpreted as the month in which all the conditions of eligibility to input tax credit are fulfilled. **Therefore, NBFCs would be required to meet all the tests prescribed (as captured above) to determine whether they can avail a particular credit, and when they make such determination, the provisions of section 17(4) direct that in such month, 50% credit can be availed and the balance shall lapse.**

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10. All our member NBFCs follow a robust process of verification of invoice/ vendor details and only post due verification and approvals process payments to such vendors which are then accounted for and included in their inward register, this process is followed for all invoices to determine whether the same are eligible or not.
11. The typical process that is followed by NBFCs having pan India presence is decentralised procurement but centralised payments / clearance of invoices, which involve following key steps:
 - (i) Requisitions to purchase goods and services are generated using a well defined process. They may be done at a State or local office level, or centrally depending on the nature of the transaction and its value (for example, large expenditures may require approval from head office)
 - (ii) Based on such requisitions, the suppliers supply the goods / services and submit tax invoices to the buyer locations, which again can be local offices, or principle place of business in the State or Head office. This location would have personnel who would be responsible to approve and validate such expenditure
 - (iii) The central accounts payables teams have a defined standard operating procedure whereby the team follows check lists to confirm compliances in the vendor invoices, internal approvals needed, and tax charged. Post this, the accounts team processes the vendors tax invoice and releases payments.

Often the processing of an invoice undergoes multiple discussions/ iterations with the vendor and branch and AP teams prior to clearance for payment. In many

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cases, vendor payments are being held due to dispute in the services and revised invoices are called for. It is at this stage other conditions of Section 16(2) are ratified prior to processing the invoice.

In order to complete the overall process, from a timing stand point, it takes approx. six to eight weeks for the NBFC to pay the invoice to the vendor, determine the eligibility, avail 50% credit, and show a permanent reversal of balance 50%.

12. **The term “that month” cannot be interpreted in any other manner, and definitely not be suggest as being the month to which the vendor invoice pertains to.** The vendor may issue invoice in a particular month, but the NBFC may have to take several steps before it can determine whether the input tax credit is indeed eligible. All such steps cannot be completed in the same month. A view that the credit has to be therefore availed (even before meeting the conditions to availment) would result in incorrect or irregular credit availment.

13. Further, CBIC had released its updated list of FAQs dated 15 December 2018 wherein specific aspects for Input tax credit reversals for the financial services sector have been discussed. These FAQs have clarified that any input tax credit can be claimed by NBFCs only basis the payment made to the vendors in compliance with provisions of Section 16 of CGST Act and not basis standalone vendor filings, we have reproduced the relevant extract for your reference:

14.

“Q 38. Are there any special provisions in respect of banking companies?”

Ans. A banking company or a financial institution including a non-banking financial company engaged in supply of specified services would either avail proportionate credit or avail 50% of the eligible input tax credit. The option once exercised cannot be withdrawn in the same year.

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*The restriction of 50% will not apply to **the tax paid on supplies** made by one registered person to another registered person having the same PAN.*

*Q 39. A banking company or a financial institution including a non-banking financial company engaged in supply of specified services supplies, non-business supplies and exempted supplies. How should it avail credit in case it chooses the 50% option? Ans. **50% of the eligible credit only can be taken. Thus, the credit of tax paid on inputs and input services used for non-business purposes should not be availed.** Besides, ITC that are not eligible in terms of Section 17(5) should also not be availed. 50% of the remaining credit is admissible and can be availed.”*

The procedure for claim of Input tax credit followed by member NBFCs is in line with the clarifications provided by the Board and the same has been followed since GST go-live.

15. Further, we wish to draw attention to similar provisions in the context of Service Tax Rules, 1994 under Rule 6(3) which allowed an assessee to adjust excess service tax paid in a month in a "subsequent month". This provision was read as any of the subsequent months and not just the immediately subsequent month. Needless to add that several interpretations of Courts has been that any beneficial provision extended to assesseees cannot be read to the disadvantage of the assesseees, in case there is any ambiguity in interpretation.
16. In addition, the **practical challenges** of requiring NBFCs to avail and reverse permanently (under Table 4B(1) of the GSTR-3B) would be umpteen, such as:
 - (i) Any error in invoicing done by supplier in invoice raised, would result in NBFC availing and reversing 50% of such erroneous transaction without verifying the correctness of the invoice from a business/ commercial standpoint.

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- (ii) There is no mechanism under the GST Law, allowing claim back of any ITC that has been permanently reversed - any erroneous reversal would preclude the NBFCs from re-availment of such ITC.
- (iii) The ITC balance in the books of accounts would only be based on actual verification of the correctness of such invoice, which typically takes four to six weeks. There would be a mismatch of ITC balance in the books of accounts as compared to the GST returns, resulting in additional reconciliations to be done by businesses as well as Revenue Audit authorities.
- (iv) Treatment of transactions pertaining to reverse charge would be different - given that reverse charge transactions do not appear in GSTR-2B statement.
- (v) Reporting errors by vendors are typically called out and corrected before availment by reach out to them. These could be for document number, POS, value, tax charged etc. Credit is availed post this process to determine “eligible credit” for a particular distinct person. If such credit is availed before any such validation, it would trigger irregular and excess/ short availment resulting in tax/interest/penalty exposures
- (vi) Sometimes incorrect invoices, not pertaining to the NBFC, may also get erroneously reported. These are ignored for the purpose of availment. This clearly requires a validation process.
- (vii) There may be scenarios wherein the vendors upload details in GSTR-1 but do not file/ incorrectly file their GSTR-3B leading to non-compliance. The risk for availing credit on such non-compliant invoices will fall on NBFCs.

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- (viii) Determination of eligibility also requires application of provisions of section 17(5), which can be determined only after examination of all facts. This process will require internal steps to be completed.
- (ix) Member NBFCs would be required to maintain a tracker of all outstanding/ disputed invoices which are unpaid for a period more than 180 days and undertake reversals alongwith interest. This interest would be an additional burden on the NBFCs alongwith the requirement to maintain additional trackers and change in processes to be compliant with the proposed interpretation.
- (x) In case of any ineligible or excess ITC being availed and utilised, there would be interest implications at 18% per annum. In some cases, on account of vendor non-compliance the same are identified three years post filing which will lead to significant interest implications.

17. It would be relevant to mention that by following the process of verification of invoice for business reasons as well as compliance with Section 16(2) of the CGST Act, **businesses are anyway being conservative and facing a working capital impact in the current process due** to a time lag between payment of tax by supplier and actual claim of such ITC by recipient. Changing a long followed position/ process would result in redefining business processes and systems for alignment with GST - where any perceived incremental benefit to the Government Exchequer may be nil (if not detrimental).

Special Request

Considering the importance of the matter and its likely impact, we take this opportunity to request you to kindly invite FIDC, as the representative body of NBFCs to join the meeting proposed by the GST Policy wing on 23rd July 2025 to explain the above matter.

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We hope our inputs shall be considered favorably and look forward to attending the proposed meeting on 23rd July, 2025.

Assuring you of our full co-operation always and thanking you in anticipation

Your Sincerely,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

RAMAN AGGARWAL
Chief Executive Officer
Mobile: 9810016667