

LEGAL UPDATES

AUTHORITY FOR ADVANCE RULING (AAR) OF GUJARAT: NO INPUT TAX CREDIT AVAILABLE FOR CSR ACTIVITIES WAS EXCLUDED FROM THE NORMAL COURSE OF BUSINESS

In a case filed on behalf of M/s. Adama India Pvt. Ltd. (Applicant) to Authority for Advance Ruling (AAR) in Gujarat. The issue raised was whether Input Tax Credit(ITC) can be availed for Corporate Social Responsibility (CSR) activities. The case came before the division bench comprised of Mr. Sanjay Saxena and Mr. Arun Richard. The Applicant company supplied insecticides, fungicides, and herbicides and submitted that as per Sec. 135 of the Companies Act, 2013, they had made expenditures of mandatory amounts for CSR activities such as donations to Government relief funds, educational organizations, construction work, and installation of equipment in schools and hospitals, food distribution. The suppliers providing goods and services to the Applicant to carry out CSR activities charged GST on them for output supplies. Gujarat AAR observed that CSR activities performed by the applicant were not undertaken in their normal course of business. Gujarat AAR opined that a person is eligible for an ITC claim provided that the supply of either goods or services or both goods and services intended to be utilised in the practice or progression of the business. Hence, the Gujarat AAR held that the applicant was not eligible for ITC.