

**OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES
ODISHA, CUTTACK**

No. 2148 /CT,

Dt. 8-2-17

III-27/2/2016-Policy

CIRCULAR

Sub: Input Tax Credit on Capital Goods - Clarification

The JCCT (Enforcement Range), Sambalpur, vide his letter No.369 dt.4.10.2016, has sought for a clarification stating that Rule 11 of OVAT Rules (which mandates credit of input tax proportionately in case a dealer effects sale of both taxable and tax free goods) is inconsistent with Section 20(8)(k) of OVAT Act, 2004 (which states that no input tax credit shall be allowed in respect of input or capital goods, if the finished products of a manufacturer are exempted from tax either in whole or in part under the OVAT or CST Act).

Isolated reading of Section 20(8)(k) of OVAT Act, as it stands today w.e.f. 1.6.2008, gives a meaning that where finished products are exempted from tax either in whole or part under OVAT Act or CST Act, no input tax credit would be available on inputs or capital goods used in manufacturing. But we have to read this provision conjointly with other provisions of the Act as per the scheme of the Act.

Rule 11 of OVAT Rules provides the manner of calculation of ITC under different facts and circumstances. Sub-rule (2) of the said Rule states the manner in which input tax credit on capital goods shall be allowed.

The matter was examined in detail at this level. All relevant provisions of the Act and the Rule were read together in order to have a comprehensive understanding of the issue. Accordingly, it is hereby clarified that where a



dealer sells taxable as well as tax exempted goods, credit of input tax on capital goods shall be allowed to him as per the provisions of Rule 11 of the OVAT Rules read with Section 20(5) of the OVAT Act.

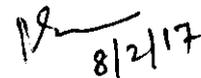


**Commissioner of Commercial Taxes
Odisha, Cuttack**

Memo No. 2149 /CT

Dated 8-2-17

Copy to JCCT (Enforcement Range), Sambalpur for information and necessary action.



**Special Commissioner of Commercial Taxes
(Policy)**

Memo No. 2150 /CT

Dated 8-2-17

Copy to All Territorial Range JCCTs / All Enforcement Ranges JCCTs for information and necessary action.



**Special Commissioner of Commercial Taxes
(Policy)**

Memo No. 2151 /CT

Dated 8-2-17

Copy to All DCCTs / ACCTs of Circles for information and necessary action.



**Special Commissioner of Commercial Taxes
(Policy)**

Memo No. 2152 /CT

Dated 8-2-17

Copy to All Special / Additonal Commissioner of CT Organisation for information.



**Special Commissioner of Commercial Taxes
(Policy)**