

Here's a simplified explanation of **GST Circular No. 241/35/2024-GST**, issued on **31st December 2024**, which clarifies the availability of Input Tax Credit (ITC) under Ex-Works (EXW) contracts:

□ **Background: Understanding Ex-Works Contracts**

In **Ex-Works (EXW)** contracts, commonly used in sectors like the automobile industry, the seller (e.g., an Original Equipment Manufacturer or OEM) delivers goods at their own premises (factory gate). Ownership and responsibility for the goods transfer to the buyer (e.g., a dealer) once the goods are handed over to the transporter arranged by the buyer. Previously, there was confusion about when the buyer could claim ITC—whether upon receiving the goods physically at their location or at the point of handover to the transporter.

□ **Key Clarifications from the Circular**

1. **Deemed Receipt of Goods for ITC Claim**

According to Section 16(2)(b) of the CGST Act, a registered person can claim ITC only after receiving the goods. The circular clarifies that in EXW contracts, the buyer is considered to have "received" the goods when the supplier hands them over to the transporter at the supplier's premises, as per the buyer's instructions.

2. **Conditions for Claiming ITC**

- The buyer must have received a valid tax invoice.
- The goods should be used or intended for use in the course or furtherance of business.
- If the goods are lost, stolen, destroyed, or written off after the deemed receipt, ITC cannot be claimed.

3. **Implications for Businesses**

This clarification aligns with the GST framework, which does not require physical possession of goods at a specific location for ITC eligibility. It provides relief to businesses operating under EXW contracts, allowing them to claim ITC upon the handover of goods to the transporter.

□ **Practical Takeaway**

Businesses using EXW contracts can now confidently claim ITC when the supplier hands over the goods to the transporter at the supplier's premises, provided all other conditions for ITC are met. This clarification helps prevent disputes and ensures uniformity in the application of GST provisions.