

# TAX INFO

*S. No. 65 Dated:02.01.2025*

Latest update on GST Law: **Summary of Circular No. 241/35/2024-GST dated 31<sup>st</sup> December, 2024.**  
(Subject - Ex- Work Contract delivery satisfies condition of Section 16(2) (b) receipts of Goods.)

## **Summary of Circular No. 241/35/2024-GST dated 31<sup>st</sup> December, 2024**

Clarification on availability of input tax credit as per section 16(2)(b) of CGST Act, 2017 in respect of goods which have been delivered by the supplier at his place of business under Ex-Works Contract in automobile sector.

As per Section 16(2)(b) of the CGST Act, a registered person can claim ITC only if they have “received” the goods or services. The Explanation to this clause deems goods to be received when the goods are delivered to the recipient or a person directed by the recipient, either by transfer of title documents or otherwise. **The CGST Act does not mandate physical receipt of goods at a specific location for ITC eligibility.**

**Deemed Receipt of Goods Under EXW Contracts:** In EXW contracts, Ownership of goods passes to the dealer (recipient) at the supplier’s (OEM’s) factory gate when handed over to the transporter. Transport and insurance may be arranged by the supplier on behalf of the dealer. The dealer is liable for claims in case of loss during transit.

**It is now clarified that for ITC purposes goods are deemed received when handed over to the transporter at the supplier's factory gate, as per the terms of the contract.**

**Eligibility Based on Business Use:** ITC is available only for goods used or intended to be used in the course or furtherance of business as per Section 16(1) of the CGST Act, 2017. If goods are diverted for non-business purposes or subsequently lost, stolen, destroyed, or disposed of as gifts/free samples, ITC on such goods is disallowed.

Therefore,

- Dealers can claim ITC as soon as the goods are handed over to the transporter, provided ownership passes at that point.
- Show-cause notices issued for ITC claims based on physical receipt at the business premises are unwarranted in light of this clarification.

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