

**GIB/WB/SENCO GOLD/08.05.2019/AAR-414**

**Advance Ruling Category :** Input Tax Credit

**State :** West Bengal

**Order No.:** GIB/WB/SENCO GOLD/08.05.2019/AAR-414

**Name of Entry :**

Senco Gold Limited

**Date :** 08-05-2019

**Breif Issue :**

**Facts & Issue Of The Case :**

The Applicant is engaged in the manufacturing and retailing of jewellery and articles made of gold, silver, platinum, diamonds and other precious stones under the brand name “Senco Gold & Diamonds”. Apart from his own retail stores, the Applicant also maintains a network of franchisee-operated stores. The Applicant intends to settle the mutual debts through book adjustments. He seeks an advance ruling on whether the input tax credit is admissible when he settles through book adjustment the debt created on inward supplies from the Franchisee.

section 2(31), provides the scope and ambit for modes of payment. It includes, in relation to the supply of goods or services, any payment, made or to be made, whether in money or otherwise, and also the monetary value of any act or forbearance. This definition of ‘consideration’ cast the net so wide that almost no form of payment is excluded. Similarly, if the payee owes the payer a debt, and accepts a reduction in such a debt liability as a valid form of payment, that should also be regarded as a valid ‘consideration’ for a supply. In other words, reduction in book debt (an asset in the payer’s books of accounts) is a valid ‘consideration’.

Third proviso to section 16(2) of the GST Act says: “the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.”

**Decision of Advance Ruling Authority :**

**Decision :**

The Applicant can pay the consideration for inward supplies by way of setting off book debt. The GST Act and rules made there under does not restrict the recipient from claiming the input tax credit when consideration is paid through book adjustment, subject to the conditions and restrictions as may be prescribed and in the manner specified in Sections 16 and 49 of the GST Act.