

TAX INFO

Dated 07/12/2021

Latest update on GST Law: Information regarding **Input Tax Credit On Goods Used As Raw Material In Manufacturing Of Expired Cakes & Pastries To Be Reversed** as given in **Ruling by AAR-Gujarat.**

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Name of Applicant	M/s. KanayalalPahilajraiBalwani (Siddharth Foods)
Authority	GST AAR Gujarat
Date of Ruling	30.06.2021
Ruling No.	GUJ/GAAR/R/16/2021

Brief Facts of the Case:

The applicant is engaged in the business of manufacturing & distribution of cakes & pastries items. The applicant sends cakes & pastries to the distributors to keep them in display to fascinate consumer. The cakes & pastries are of perishable nature and cannot be preserved for longer period and on regular interval all cakes & pastries kept in display have to be compulsorily replaced after expiry of said bakery item. **The applicant submits that display assists them to achieve the objectives of continuing to conduct the business of manufacturing and selling cakes & pastries in future also** and there is no free/sample supply of extra cakes & pastries to distributors. Such extra cakes & pastries are supplied with tax invoice which means that supply of goods is taxable supply. When such extra cakes & pastry are expired and returned, the applicant issues credit note for the same. Hence, there is no free/sample supply of goods by the taxpayer as per section 17(5) (h) of the CGST Act, 2017.

Questions on which the Ruling is Sought:

Whether or not there is requirement for reversal of input tax credit on goods used as raw material in manufacturing of expired cakes & pastries that were kept in display for use in course or furtherance of business.

Findings and Ruling:

The applicant throws away the expired Cakes & Pastry. Cakes and pastry have limited shelf life and after expiry these bakery items are prohibited from sale. The act of throwing away expired cakes and pastries is same as destroying the expired food products.

As per Section 17(5) (h) of CGST Act, 2017 highlights the Blocked ITC on goods lost, stolen, **destroyed**, written off or disposed of by way of gift or free samples.

Further, Government Circular No. 72/46/2018-GST dated 26.10.2018 has clarified that where the time expired goods, which have been returned by the retailer/wholesaler, are **destroyed** by the manufacturer, he/she is required to reverse the ITC attributable to the manufacture of such goods.

Therefore, ITC on inputs used in manufacturing expired cakes & pastries is not admissible and required to be reversed.

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