F. No. CBIC-20001/2/2026-GST
Government of India
Ministry of Finance
(Department of Revenue)
Central Board of Indirect Taxes & Customs
GST Policy Wing
****

Room No. 16039, Kartavya Bhawan-01
New Delhi, Dated: 26.10.2026

To,

The Principal Chief Commissioners/ Chief Commissioners (All)
The Principal Director General/ Director General (All)

Madam/Sir,

Subject: Clarification on issues related to provisions of section 17(4) of the Central Goods and Services Tax Act, 2017 – reg.

Representations have been received regarding varying practices being followed by the banking companies or financial institutions, including non-banking financial companies, engaged in supplying services by way of accepting deposits, extending loans or advances, in respect of apportionment of credit toward taxable supplies including zero-rated supplies, where such a registered person opts to comply with the provisions of section 17(4) of Central Goods and Services Tax Act, 2017 (hereinafter referred to as "CGST Act"), with a request to clarify the same.

2. The matter has been examined. In order to ensure uniformity in the implementation of the provisions of the law across the field formations, the Board, in exercise of its powers conferred under section 168(1) of the CGST Act, hereby clarifies the issues raised as follows:

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S. No.	Issue	Clarification
1.	Whether all registrations of a banking company or a financial institution including a non-banking financial company, even those which are not engaged in **supplying services by way of accepting deposits, extending loans and advances**, can opt or are required to opt to comply with the provisions of section 17(4) of CGST Act?	Section 17(4) of CGST Act provides an option to **a banking company or a financial institution including a non-banking financial company engaged in supplying services by way of accepting deposits, extending loans and advances**, to avail of fifty percent of eligible input tax credit, for the purpose of apportionment of credit towards taxable supplies, including zero-rated supplies rather than for the proportionate availment in terms of section 17(2) of CGST Act. Accordingly, it is clarified that: a. A registrant ("distinct person") of a banking company or a financial institution including a non-banking financial company, **who is <u>not</u> engaged in supplying services by way of accepting deposits, extending loans and advances**, such as one engaged exclusively in "Bullion trading" etc., neither has the option nor is required to comply with the provisions of section 17(4) of CGST Act. b. A registrant ("distinct person") of a banking company or a financial institution including a non-banking financial company, **who is engaged in supplying services by way of accepting deposits, extending loans and advances**, and who may also be

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S. No.	Issue	Clarification
		engaged in supplying services other than the said services has the option to comply with the provisions of section 17(4) of CGST Act. c. Further, if one registrant ("distinct person") of a banking company or a financial institution including a non-banking financial company, **who is engaged in supplying services by way of accepting deposits, extending loans and advances**, and who may also be engaged in supplying services other than the said services, opts to comply with the provisions of section 17(4) of CGST Act, all registrants of the said banking company or a financial institution including a non-banking financial company, **who are engaged in supplying services by way of accepting deposits, extending loans and advances**, and who may also be engaged in supplying services other than the said services, will have to necessarily comply with the provisions of section 17(4) of CGST Act.
2.	Whether the provisions of the second proviso to section 17(4) of CGST Act applicable to the tax paid on supplies made by a registered person having same PAN as the banking company or a	Second proviso to section 17(4) of CGST Act provides a relaxation to the person who has opted to comply with the provisions of section 17(4) of CGST Act, from the restriction of availment of only fifty percent of the eligible input tax credit on inputs, input services and capital goods.

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S. No.	Issue	Clarification
	financial institution including a non-banking financial company, where such a registered person does not opt to comply with the provisions of section 17(4) of CGST Act?	The said proviso needs to be read within the context of applicability of section 17(4) of CGST Act to those registrant(s) of a banking company or a financial institution including a non-banking financial company, which are engaged in supplying services by way of accepting deposits, extending loans and advances, and have opted to comply with the provisions of section 17(4) of CGST Act. **Accordingly, it is clarified that such relaxation under the second proviso to section 17(4) of CGST Act is available only in respect of supplies received from another registered person with the same PAN who has also opted to comply with the provisions of section 17(4) of CGST Act.**
3.	What is the correct manner for reporting of availment and reversal of input tax credit (ITC) in FORM GSTR-3B, to be followed by a banking company or financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances, which opts to comply with the provisions of section 17(4) of CGST Act?	1. It is to mention that Circular No. 170/02/2022-GST dated 06.07.2022 was issued to clarify the correct manner of furnishing information regarding ITC availment and reversal in FORM GSTR-3B. Further, Invoice Management System (IMS) facility has been introduced from October, 2024 onwards, wherein a facility has been provided to the registered person to accept, reject or keep pending on IMS, invoice or other documents pertaining to inward supplies, for the purpose of correct auto-population of ITC in FORM GSTR-3B.

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		2. Accordingly, it is clarified that the correct manner of reporting of availment and reversal of ITC in FORM GSTR-3B, to be followed by the registered person under section 17(4) of CGST Act read with rule 38 of Central Goods and Services Tax Rules, 2017 (CGST Rules), is as follows: A. **In cases where IMS was not used:** a. The eligibility of ITC from the amount which is (i) auto-populated in FORM GSTR-3B from the available ITC in FORM GSTR-2B (other than ITC on inward supplies liable to reverse charge) and, (ii) claimed on inward supplies liable to reverse charge, in the said FORM GSTR-3B, needs to be ascertained. b. The amount of ITC, which is ascertained to be eligible under section 16, shall be availed by the taxpayer in FORM GSTR-3B of the said tax period, by the following procedure: i. the credit of tax paid on inputs and input services that are used for non-business purposes and the credit attributable to the supplies specified in sub-section (5) of section 17 shall be permanently reversed in Table 4(B)(1) of the said FORM GSTR-3B; ii. the credit of tax paid on inputs and input services referred to in the second

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		proviso to sub-section (4) of section 17 shall be availed; and iii. fifty per cent of the remaining amount of ITC shall be the input tax credit admissible to the taxpayer and shall be availed. The balance amount shall be permanently reversed in Table 4(B)(1) of FORM GSTR-3B of the same tax period, as per provisions of section 17(4) of CGST Act. c. The amount of ITC which cannot be ascertained to be eligible due to non-fulfillment of conditions under section 16 of CGST Act but which may become eligible in the future on fulfillment of such conditions should be temporarily reversed in FORM GSTR-3B of the same tax period, in Table 4(B)(2) of the said FORM GSTR-3B. d. Such ITC may, on fulfilment of the requisite conditions, be reclaimed in the return in Table 4(A)(5) of FORM GSTR-3B for a subsequent tax period, subject to the time limit under section 16(4) of CGST Act and should also be subjected to the procedure provided for in para. b above. Further, all such reclaimed ITC shall also be shown in Table 4(D)(1) of the said subsequent tax period FORM GSTR-3B. B. **After amendment in CGST Rules, 2017, related to IMS are notified,**

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		including cases where IMS has been used even before such amendment: a. The taxpayer has an option to accept, to reject, or to keep pending the invoices or other documents pertaining to inward supplies received on IMS. b. The registrant is required to keep pending on IMS, invoice or other documents pertaining to inward supplies, the ITC on which is not eligible to the taxpayer at present, due to non-fulfillment of any of the conditions under section 16 of CGST Act but which may become eligible in the future on fulfillment of such conditions. Such ITC would not be made available in FORM GSTR-2B and therefore would not get auto-populated in FORM GSTR-3B. c. Thereafter, the amount of ITC in respect of invoices or other documents pertaining to inward supplies, accepted and deemed accepted on IMS, shall be made available in FORM GSTR-2B, and will get auto-populated in FORM GSTR-3B. d. In respect of the sum of, (i) such auto-populated amount of ITC (other than ITC on inward supplies liable to reverse charge), and (ii) the amount of ITC claimed on inward supplies liable to reverse charge in the said FORM GSTR-3B, the availment and reversal of ITC is required to be done following the same procedure as has been delineated in para (b) of part A above.

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		3. It may be noted that various practices regarding availment and reversal of ITC in FORM GSTR-3B, may have been followed by the taxpayers opting to comply with the provisions of section 17(4) of CGST Act, in various periods. Field formations are advised not to take an adverse view of a different methodology of reporting of availment and reversal of ITC for the past period, as long as the amount of ITC availed under the provisions of section 17(4) of CGST Act is in congruence with the principles enunciated above.

3. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

4. Difficulty, if any, in implementation of this Circular may be brought to the notice of the Board.

Yours faithfully,

(Gaurav Singh)
Commissioner (GST)

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