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# GST Input Tax Credit Management: An Analysis of Eligibility, Blocked Credits and Compliance Requirement

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## Abstract

Goods and Services Tax (GST) in India uses the Input Tax Credit (ITC) mechanism to reduce the cascading of taxes on business inputs. The entitlement, however, is conditional: a registered recipient must satisfy statutory requirements, hold prescribed documents, establish receipt and business use, consider supplier reporting, comply with time limits and exclude credit restricted by law. This paper examines ITC management with particular attention to eligibility under Section 16 and apportionment and blocked credits under Section 17 of the Central Goods and Services Tax Act, 2017. It also analyses invoice documentation, verification, GSTR-2B, GSTR-3B, reconciliation, e-invoicing and accounting technology, using a large manufacturing organisation as the industry context.

The study retains the five objectives of the underlying Summer Internship Project (SIP): examining eligibility; analysing blocked-credit categories; studying invoices and supporting documents; examining verification and reconciliation; and understanding compliance challenges and possible improvements. It adopts a descriptive and analytical design based on secondary documentary sources, supported by retrospective, non-participant internship learning exposure in the Accounts Department–Tax Section at Bhilai Steel Plant (BSP). No survey, interview sample, confidential company dataset or transaction-level audit was undertaken. The literature review combines statutory and official material with recent published research on blocked credit, MSMEs and digital GST compliance. The analysis concludes that reliable ITC management requires a transaction-level chain of evidence from purchase authorisation and receipt through legal screening, ledger posting, portal reconciliation and return reporting. GSTR-2B and digital systems strengthen visibility but do not replace recipient-side legal assessment. Recommendations include standardised invoice checks, blocked-credit decision controls, exception ownership, supplier follow-up, time-limit monitoring, audit trails and periodic review.

***Keywords:*** Goods and Services Tax; Input Tax Credit; blocked credits; Section 16; Section 17(5); GSTR-2B; GSTR-3B; reconciliation; GST compliance.

## 1. Introduction

India introduced GST on 1 July 2017 as a destination-based, dual indirect tax framework that replaced several central and state levies. The constitutional foundation was the Constitution (One Hundred and First Amendment) Act, 2016, followed by central and state GST legislation. Under the dual structure, Central GST and State GST or Union Territory GST generally apply to intra-State supplies, while Integrated GST generally applies to inter-State supplies and imports. The system is supported by legislation, rules, notifications, circulars, judicial interpretation and a technology platform administered through the GST Network (Government of India, 2016, 2017a, 2017b).

A defining feature of GST is the credit mechanism. A registered business may, subject to the law, set off eligible tax paid on inward supplies against output tax liability. The mechanism is intended to tax value addition rather than repeatedly tax the full value at each stage of a supply chain. If a manufacturer purchases eligible inputs, the GST charged on those inputs may become credit, provided all legal conditions are fulfilled. The mechanism therefore links tax policy with accounting records, procurement, supplier reporting and return filing.

ITC is not an automatic refund of every amount shown on an invoice. The recipient must establish a legally qualifying inward supply and comply with conditions in the CGST Act and Rules. An invoice may be correctly issued yet relate to personal use, exempt supplies, a blocked category or a transaction for which another condition has not been met. Conversely, a purchase record may not yet appear in the recipient's system-generated statement because of supplier reporting or timing differences. The tax function must distinguish a genuinely ineligible credit from a credit that is temporarily unmatched and requires investigation.

This distinction has financial importance. Failure to identify eligible credit may increase the effective cost of inputs and working-capital requirements. Claiming credit without sufficient support can result in reversal, interest, penalty or litigation depending on the applicable provisions and facts. Effective ITC management is consequently both a tax-compliance activity and an internal financial-control process. It involves procurement, stores, production, accounts payable, tax, finance and information technology functions.

The issue is especially relevant in large manufacturing organisations. Steel production may involve raw materials, fuels, alloys, refractories, machinery, spare parts, repair and maintenance, transport, engineering services, utilities and professional services. These supplies vary in nature, location, value, use and documentary trail. Some may be directly connected with taxable production, while others may require apportionment or blocked-credit screening. The recipient's identity as a manufacturer does not, by itself, make every inward supply eligible.

The present paper is based on the SIP report concerning GST ITC management and the internship learning context at Bhilai Steel Plant, a unit of Steel Authority of India Limited (SAIL). SAIL's public information describes BSP as an integrated steel plant with facilities for raw material handling, ironmaking, steelmaking, casting and rolling, and product groups that include rails, heavy structurals, plates, wire rods and bars. This public context illustrates the variety of procurement likely to arise in integrated manufacturing; it does not establish the plant's internal tax procedures or actual ITC position (SAIL, n.d.-a, n.d.-b, n.d.-c).

The research problem is therefore practical and legal: how can a registered organisation determine that an inward-supply tax amount is eligible, avoid credit restricted by Section 17(5), maintain sufficient documentation, reconcile accounting records with GST portal information and report the correct amount? The paper addresses this problem through a structured analysis of statutory requirements and general compliance controls, without claiming to audit BSP or evaluate its internal performance.

## 2. Review of Literature

The literature on GST ITC is best understood through three connected bodies of material: primary legal sources that define entitlement and restrictions; official administrative guidance that explains return and portal processes; and academic or professional research that evaluates the practical consequences of tax design and digital administration. The hierarchy matters. Research articles can illuminate operational effects, but the CGST Act, Rules, notifications and binding judicial decisions govern legal entitlement.

The CGST Act, 2017 establishes the core statutory framework. Section 16 sets out the general entitlement and conditions for taking credit, while Section 17 addresses business/non-business attribution, taxable/exempt supply apportionment and specified blocked credits. The CGST Rules provide procedural detail, including Rule 36 on documentary requirements and Rules 42 and 43 on common-credit attribution. These provisions establish that eligibility is cumulative and that credit must be supported by more than the presence of tax on a supplier document (Government of India, 2017a; CBIC, n.d.-a, n.d.-b).

CBIC's Tax Information Portal is a key legal research resource because it presents section text and amendment history. Its current presentation of Section 16 identifies the recipient's business-use nexus and the requirement for prescribed documentation and supplier-furnished invoice details. The portal's Section 17 text sets out the apportionment and blocked-credit framework. The present study uses these sources as the primary legal baseline and treats commentary as explanatory rather than authoritative (CBIC, n.d.-a, n.d.-b).

Rule 36 is important for the documentation objective. It identifies the documents on which ITC may be availed, including a supplier invoice, specified invoice under Section 31(3)(f), debit note, bill of entry for imports and Input Service Distributor documentation. This framework demonstrates why document type, completeness and linkage to the transaction matter. Supporting records such as purchase orders, goods-receipt records, service-entry records, transport documents and payment evidence may be necessary to establish the underlying facts even where they are not themselves the primary ITC document (CBIC, n.d.-c).

GST Network guidance on GSTR-2B explains the role of an auto-drafted statement in helping recipients review supplier-reported information. The statement is a reconciliation input, not a comprehensive legal opinion on the recipient's entitlement. A record appearing in GSTR-2B may still require assessment of business use, receipt, blocked-credit restrictions, apportionment and time limits. The GSTR-3B user guidance describes the return in which the taxpayer reports liability and eligible ITC. These sources support a distinction between portal visibility and legal eligibility (GSTN, n.d.-a, n.d.-b).

The Invoice Management System (IMS) adds a recipient-facing layer to the digital process. GSTN's FAQs describe the facility through which recipients may accept, reject or keep supplier-reported records pending before finalising ITC reporting. The system can improve the handling of supplier records and credit notes, but the recipient must still review whether the supply was received and whether the credit is legally available. IMS should therefore be understood as a workflow aid rather than a substitute for substantive verification (GSTN, 2024).

Circulars issued by CBIC also demonstrate that reconciliation must be interpreted in the context of the tax period and the clarification applicable to it. Circular No. 170/02/2022-GST addresses reporting of eligible and ineligible ITC and reversals in GSTR-3B. Circular No. 183/15/2022-GST and Circular No. 193/05/2023-GST address specified historical differences between ITC claimed in GSTR-3B and supplier-reported details for defined periods. They should not be treated as blanket relief for every mismatch in later periods (CBIC, 2022a, 2022b, 2023).

Sureka and Bordoloi (2024a) examine the impact of blocked credit and unavailability of ITC on Indian MSMEs. Their article in the Journal of Tax Reform identifies blocked-credit provisions and compliance requirements as factors that can affect working capital, cash flow and operating costs. Its contribution is to connect the legal design of ITC restrictions with the financial experience of smaller businesses. The study's MSME focus differs from the present paper's large-manufacturing context, so its findings are used to illuminate the consequences of credit restrictions rather than to make claims about BSP.

Sureka and Bordoloi (2024b), in Public Policy and Administration, examine the GST regime with special emphasis on ITC through a mixed-method approach involving financial information and qualitative interviews. They discuss the interaction among technology, administrative capacity and the regulatory environment. The article is relevant because it treats ITC outcomes as a product of both law and organisational capability. Its broader MSME/business focus also suggests that digital systems alone cannot remove practical obstacles where data quality, skills or process capacity are weak.

Bharathi (2024) analyses GST digitalisation and tax compliance among small businesses in India using secondary information, official statistics and published research. The paper highlights digital readiness and compliance costs as important dimensions of technology-enabled tax administration. This supports a balanced view of automation: digitalisation can improve traceability and standardisation, but it may impose adjustment costs and create difficulties for businesses with limited digital capacity. The present paper applies this insight to large manufacturing systems, where integration and data governance are central concerns.

Shamala (2023) considers GST e-invoicing as a component of digital tax administration. The conceptual assessment links structured invoice reporting with transaction visibility, audit trails and the possibility of stronger ITC validation, while also identifying ERP integration costs, data-quality concerns and taxpayer capability as implementation challenges. Its relevance lies in explaining why e-invoicing can strengthen the evidentiary environment without itself deciding whether a particular inward supply is eligible under Sections 16 and 17.

Dikshit, Gupta, Kar and Chandra (2022) study the GST information system as a large e-governance initiative and examine its adoption and success through an information-systems framework. Their empirical work, based on responses from 937 companies, links system quality, policy intervention and user experience. Although the article is not narrowly about blocked ITC, it provides useful context for understanding why the reliability of digital infrastructure and user-facing processes affects compliance outcomes.

Yadav and Pandey (2025) provide a critical discussion of ITC policy, compliance and revenue implications. The publication is useful as a recent law-and-policy discussion, but the available journal record provides limited abstract-level methodological detail. Accordingly, the present paper uses it cautiously as a secondary discussion source and does not rely on it for a quantitative finding or definitive interpretation of statutory text.

Jagtiani (2026) examines digital compliance and revenue buoyancy under India's GST using monthly revenue data for 2017–2024. The article discusses GSTN, e-invoicing, e-way bills and automated reconciliation as components of digital administration. It reports an association between the maturation of digital compliance tools and improved revenue buoyancy, while warning about the digital divide affecting smaller enterprises. This research broadens the discussion from invoice matching to the policy environment in which ITC controls operate. Its macro-level revenue analysis cannot be treated as direct evidence of the accuracy of any individual taxpayer's ITC claim.

The literature collectively indicates that ITC management has at least four dimensions. First, statutory entitlement depends on the precise conditions and restrictions in the Act. Second, documentation and supplier reporting provide an evidence trail. Third, digital systems can improve matching and visibility but depend on

accurate data and sound process design. Fourth, credit restrictions and compliance costs can affect working capital, especially for smaller businesses. These dimensions reinforce the need for a practical framework that links legal tests with records and exception handling.

**Research Gap:-** The reviewed materials explain individual legal provisions, portal workflows and broad digitalisation effects. There remains practical value in bringing these elements together in a single transaction-level framework tailored to the learning context of a large integrated manufacturing organisation. The present paper addresses this applied gap by mapping each statutory condition to documentary evidence, accounting records, portal data and a review control. It does not claim to establish an empirical gap through a survey or interviews; the gap is analytical and process-oriented.

## 3. Research Problem and Objectives

The research problem concerns the difficulty of ensuring that ITC claimed in a GST return is both legally eligible and supported by reliable records. A purchase register, supplier invoice, GSTR-2B entry and GSTR-3B figure serve related but different functions. If these sources are not reconciled and interpreted together, an organisation may claim credit that is blocked or unsupported, or fail to identify credit that is otherwise available. The issue becomes more complex where procurement is diverse and transaction volumes are high.

The five objectives below are retained from the original SIP report without changing their meaning:

**1. To examine the eligibility criteria for claiming Input Tax Credit (ITC) under the Goods and Services Tax (GST) framework.**

**2. To analyse the categories of blocked Input Tax Credit and understand the circumstances in which ITC cannot be claimed.**

**3. To study the role of tax invoices and supporting documentation in establishing ITC eligibility and ensuring GST compliance.**

**4. To examine the process of verification and reconciliation of GST-related records for accurate determination of eligible ITC.**

**5. To understand the practical challenges associated with ITC compliance and identify measures for improving accuracy and reducing the risk of ineligible or blocked credit claims.**

## 4. Research Methodology

The study uses a **descriptive and analytical** research design supported by secondary documentary analysis. It is descriptive because it explains the GST legal framework, ITC eligibility, blocked-credit categories, documents and return processes. It is analytical because it considers how these requirements interact in a transaction lifecycle and identifies practical control implications. The approach is appropriate because the project examines legal and compliance processes rather than testing a statistical relationship in a respondent population.

The documentary sources include the CGST Act, 2017; the IGST Act, 2017; the CGST Rules, 2017; CBIC circulars and portal material; GSTN user guides and FAQs; published research; official SAIL information; and Ministry of Steel publications. The sources were selected for relevance to eligibility, blocked credit, documentation,

reconciliation, digital compliance and the manufacturing context. Legislation and official notifications take precedence when legal wording is material.

The observational component is limited to retrospective, non-participant internship learning exposure from 8 June 2026 to 4 July 2026 in the Accounts Department–Tax Section at BSP. The original report describes exposure to GST invoices, transaction documentation, eligibility concepts, Section 17(5), reconciliation, returns, e-invoicing and SAP-based accounting environments. These are used as learning themes. They are not treated as a representative sample of all BSP tax activities or proof of any internal procedure.

No questionnaire, formal interview schedule, respondent sample, hypothesis test or statistical analysis was used. No confidential invoices, purchase registers, GST returns, SAP extracts, vendor data or internal audit reports were examined. No company-specific frequency, percentage, mismatch value or performance indicator is reported. This boundary is important: the paper is not an audit opinion, legal opinion on a particular transaction or assessment of BSP's actual ITC position.

The analysis follows five steps: identify the applicable statutory provision; translate it into a practical eligibility question; identify the document or system evidence relevant to that question; consider the risk of error or omission; and propose a general control. Illustrative examples are hypothetical and do not represent actual BSP transactions. The legal position is checked with materials available up to 19 November 2026; readers should verify later amendments, notifications, circulars and judicial decisions before applying the discussion to a live transaction.

## 5. GST Input Tax Credit: Conceptual and Legal Framework

Section 16(1) of the CGST Act provides the general entitlement for a registered person to take credit of input tax charged on supplies of goods or services or both used or intended to be used in the course or furtherance of business, subject to conditions and restrictions and the manner specified in the Act. The provision links the credit to the registered recipient and the business purpose of the inward supply. A personal or non-business expense does not qualify merely because GST has been charged.

Section 16(2) sets out core conditions. The recipient must possess a tax invoice, debit note or other prescribed tax-paying document; the supplier must furnish the relevant invoice or debit-note details in the prescribed outward-supply statement and those details must be communicated to the recipient; the recipient must have received the goods or services; the tax charged must have been paid to the Government, subject to the statutory mechanism; and the recipient must furnish the required return. The recipient must also comply with the time limit and other restrictions. The statutory conditions should be read together rather than treated as alternatives (CBIC, n.d.-a).

The receipt condition requires attention to the facts. Where goods are received in lots or instalments, the Act contains a specific rule concerning when receipt is treated as complete. Where goods are delivered to another person on the direction of the registered recipient, the statutory explanation may treat receipt in the prescribed manner. For services, the recipient should retain evidence appropriate to the nature of the service, such as a work order, service-entry record, completion certificate or correspondence confirming performance. The evidence required will depend on the transaction.

Section 16(4) generally restricts taking credit after 30 November following the end of the financial year to which the invoice or debit note pertains, or furnishing of the relevant annual return, whichever is earlier. This rule must be read with subsections (5) and (6), inserted retrospectively by the Finance (No. 2) Act, 2024 for specified historical financial years and registration-revocation situations. Section 16(5) provides a special

treatment for invoices or debit notes pertaining to FY 2017–18 through FY 2020–21 where the return was filed by 30 November 2021. Section 16(6) addresses qualifying cases where registration was cancelled and later revoked, subject to the statutory conditions. These are limited provisions and do not create a general extension for current periods (CBIC, 2024a; CBIC, 2024b).

Section 17(1) restricts credit to the extent attributable to business purposes where goods or services are used partly for business and partly for other purposes. Section 17(2) restricts credit to the extent attributable to taxable supplies, including zero-rated supplies, where inputs are used partly for taxable and partly for exempt supplies. Rules 42 and 43 prescribe methods for common-credit attribution and reversal. The calculations require reliable classification of direct and common inputs and should be supported by consistent working papers (CBIC, n.d.-b, n.d.-c).

Section 17(5) overrides the general entitlement in Section 16(1) and Section 18(1) for specified categories, subject to exceptions in the section. The categories include specified motor vehicles and related services; vessels and aircraft and related services; specified food, beverages, outdoor catering, beauty, health and similar services; club and fitness-centre membership; specified employee travel benefits; works contract services for construction of immovable property; goods or services used for construction of immovable property on own account; certain composition-tax supplies; supplies received by a non-resident taxable person subject to the import exception; personal consumption; goods lost, stolen, destroyed, written off, gifted or distributed as free samples; and specified tax paid under penal provisions. Exact clauses and exceptions must be checked against the current consolidated text.

The Finance Act, 2025 amended Section 17(5), including the definition of plant and machinery and the treatment of specified tax paid under Section 74 for periods up to FY 2023–24. The amended statutory text and effective dates matter. The plant-and-machinery explanation distinguishes apparatus, equipment and machinery fixed to earth by foundation or structural support and used for making outward supplies, while excluding land, buildings or other civil structures, telecommunication towers and pipelines laid outside factory premises. A construction-related invoice should therefore not be classified by label alone; the statutory definition, capitalisation, use and facts must be assessed (Government of India, 2025; CBIC, n.d.-b).

Rule 36 identifies the documentary basis for taking ITC. Rule 37 addresses reversal in cases where the recipient does not pay the supplier the value of supply plus tax within the prescribed period, with re-availment where the condition is later satisfied. Rule 37A addresses cases where the supplier has furnished outward-supply details but has not furnished the corresponding return by the prescribed date, and provides for reversal and re-availment in accordance with the rule. Rules 42 and 43 govern apportionment and reversal of common credit. These rules make post-claim monitoring necessary; eligibility is not always a one-time decision at invoice entry (CBIC, n.d.-c).

Section 49 governs the electronic credit ledger and utilisation of credit. Credit is not interchangeable across tax heads without regard to the statutory order of utilisation. Correct classification among IGST, CGST and SGST/UTGST is therefore important. The place-of-supply and nature-of-supply analysis should be completed before return reporting, particularly for organisations with multi-State operations or imports.

E-invoicing applies to notified classes of registered persons and prescribed transactions. Where applicable, invoice data must be reported to the Invoice Registration Portal and the prescribed Invoice Reference Number and QR code generated. E-invoicing supports structured data and traceability, but the recipient should still check the commercial transaction, tax treatment, receipt and eligibility. The existence of an IRN is not a statutory certificate that every recipient-side condition for ITC has been fulfilled (GSTN, n.d.-c).

**Table 1.** Core statutory framework for ITC

| PROVISION | SUBJECT | PRACTICAL RELEVANCE |
|---|---|---|
| CGST Act, s.16 | Eligibility and conditions | Business nexus, prescribed documents, supplier reporting, receipt, payment and time limit. |
| CGST Act, s.17(1)–(2) | Apportionment | Restricts credit for non-business and exempt-supply use. |
| CGST Act, s.17(5) | Blocked credits | Specified categories are unavailable, subject to statutory exceptions. |
| CGST Rules, r.36 | Documents | Lists prescribed documents supporting ITC. |
| CGST Rules, rr.37/37A | Reversal and reclaim | Payment and supplier-return conditions may require reversal and later re-availment. |
| CGST Rules, rr.42/43 | Common credit | Prescribed attribution and reversal for inputs/input services and capital goods. |

**Table 2.** Examples of blocked-credit screening areas

| SCREENING AREA | CORE QUESTION | CONTROL EVIDENCE |
|---|---|---|
| Motor vehicles and related services | Does the vehicle fall within the restricted category, and does an exception apply? | Vehicle specifications, business use, outward-supply activity and legal review. |
| Food, catering and employee benefits | Is the inward supply within a listed category; is a statutory exception established? | Invoice description, applicable law, employment policy and factual basis. |
| Works contract / construction | Does the work relate to construction of immovable property, plant and machinery, or repair? | Contract scope, engineering description, asset records and capitalisation analysis. |
| Composition supplier | Is the tax charged under the composition scheme? | Supplier status and tax invoice/document type. |
| Loss, write-off, gifts or samples | Have goods been lost, written off or disposed of in a listed manner? | Inventory records, write-off approval and disposal documentation. |

## 6. Analysis of ITC Eligibility and Blocked Credits

An effective eligibility decision can be organised as a sequence of gates. First, confirm that the recipient is registered and is the correct recipient for the supply. Second, establish business use or intended business use. Third, confirm the nature of the supply and the tax treatment, including place of supply and tax head. Fourth, obtain a prescribed document and verify its particulars. Fifth, confirm supplier reporting and communication through the GST system. Sixth, establish receipt. Seventh, screen for Section 17 restrictions and apportionment. Finally, check time limits, payment-related reversals and return filing. A failure at any stage requires a reasoned decision rather than automatic inclusion.

A purchase invoice for raw material used in taxable steel production may ordinarily satisfy the business-purpose test, but the recipient must still verify the invoice, supplier reporting, receipt, tax calculation and other statutory conditions. An imported machinery purchase may require a bill of entry and evidence of integrated tax paid at import. A maintenance service invoice may require a work order and service-entry evidence. These examples show why a single document cannot establish every element of eligibility.

Blocked-credit screening must focus on the actual goods or services and the statutory clause. For example, passenger motor vehicles with seating capacity within the statutory restriction may be blocked unless an exception applies. Vehicles used for further supply, passenger transportation or imparting driving, flying or navigating training may fall within specified exceptions. Related insurance, servicing, repair and maintenance can have their own treatment under the relevant clause. The reviewer should record the category, purpose and legal basis for any exception rather than assume that business use is sufficient.

Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life or health insurance and specified employee benefits are among the categories that may be restricted, subject to statutory exceptions. One exception concerns an inward supply used for making an outward taxable supply of the same category or as part of a taxable composite or mixed supply. Another may apply where an employer is obliged under a law for the time being in force to provide the relevant goods or services. A general employee-welfare policy or commercial preference should not be treated as equivalent to a statutory obligation.

Works contract services for construction of immovable property, other than plant and machinery, are restricted in the circumstances set out in Section 17(5). Goods or services used for construction of immovable property on one's own account are also restricted, even where used in the course or furtherance of business, subject to the statutory definition and exceptions. Repair and maintenance of an existing plant, replacement of equipment, fabrication, civil construction and installation may require different analysis. The accounting label 'capital expenditure' or 'repairs' is not conclusive. The reviewer should examine the contractual scope, asset, degree of attachment, statutory definition and treatment in the books.

The definition of plant and machinery is particularly important in manufacturing. The statutory explanation includes apparatus, equipment and machinery fixed to earth by foundation or structural support and used for making outward supplies, together with the specified foundation or structural support. It excludes land, buildings and other civil structures, telecommunication towers and pipelines laid outside factory premises. The precise facts of installation and use can determine the result. Where a project combines machinery and civil works, separate identification and allocation may be needed, supported by contracts, invoices and technical records.

Section 17(5) also restricts credit on goods or services received by a taxable person paying tax under the composition scheme, subject to the statutory wording; specified supplies received by a non-resident taxable person, except imported goods; personal consumption; and goods lost, stolen, destroyed, written off, gifted or distributed as free samples. The recipient should maintain inventory and disposal records so that the tax treatment can be evaluated when a loss, write-off or free distribution occurs. Credit should not be retained merely because it was originally taken when the goods were purchased.

The law also blocks certain tax paid in accordance with specified penal provisions. The relevant wording was amended to refer to Section 74 in respect of periods up to FY 2023–24. Because the statutory position depends on the tax period and the applicable demand provision, reviewers should not carry forward an older summary of Section 17(5)(i) without checking the amended text. This illustrates a broader compliance principle: every blocked-credit checklist must be version-controlled and date-sensitive.

Illustrative example 1—eligible input. A registered manufacturer purchases steel-grade alloying material from a registered supplier, receives the material into stores, holds a valid tax invoice, sees the supplier-reported details in the relevant statement, uses the material in taxable production and meets all other conditions. Subject to verification of the facts and absence of a restriction, the input may qualify for ITC. This is a hypothetical example, not a BSP transaction.

Illustrative example 2—blocked or review-required expenditure. A company pays GST on a club membership for employees. Even if the expenditure is recorded as a business expense, the reviewer must examine the specific blocked-credit clause and whether an applicable statutory exception exists. Without a qualifying exception, the credit should not be claimed. This example demonstrates why an expense's accounting classification does not decide GST eligibility.

Illustrative example 3—mixed use. A service is used partly for taxable business activity and partly for exempt supplies. The organisation should identify direct attribution where possible and apply the prescribed common-credit method under Rules 42 or 43 where required. A broad percentage chosen without reference to the statutory formula would not be an adequate substitute for the prescribed calculation.

## 7. ITC Reconciliation and Compliance Management

Reconciliation is the process of comparing records from different systems and explaining differences. In ITC management, the principal records include the purchase register, supplier invoice, goods-receipt or service-entry record, GSTR-2B, accounting ledger and GSTR-3B. These records are generated for different purposes and at different stages. A complete reconciliation therefore requires more than matching invoice numbers and amounts.

The first comparison is between the purchase register and the supporting document. The recipient should verify supplier GSTIN, invoice number and date, document type, taxable value, tax rate, tax amount, tax head and place of supply. The second comparison is with receipt evidence. For goods, this may include a goods receipt note, delivery challan, weighment record or transport document. For services, it may include a service-entry sheet, work completion certificate or other evidence. The third comparison is with GSTR-2B or the relevant GST portal data. The fourth is with the accounting ledger and the ITC amount proposed for GSTR-3B.

Differences should be classified rather than simply marked as unmatched. Common categories include supplier not reported; supplier reported under an incorrect GSTIN; invoice number or date mismatch; value or tax difference; tax-head or place-of-supply error; credit note or amendment; purchase posted after the statement cut-off; goods or services not yet received; duplicate accounting entry; blocked-credit review; reversal pending; and time-limit concern. Each category calls for a different corrective action.

A supplier-reporting difference may require communication with the supplier and monitoring of the next return period. An internal posting difference may require a correction in the purchase register or accounting ledger. A tax-head mismatch may require tax review and correction in the return working. A blocked-credit flag requires a legal assessment, not merely supplier follow-up. A duplicate entry requires identification of the original claim and confirmation that credit has not been taken twice. An exception register should record the invoice reference, issue category, amount, responsible owner, action date, evidence and closure status.

GSTR-2B is an important auto-drafted statement, but it is not the final eligibility decision. It reflects data available through the prescribed system processes and helps the recipient compare supplier-reported information with its books. It does not independently prove business purpose, receipt, non-blocked status or compliance with every condition. Equally, a mismatch should not automatically be treated as permanently

ineligible without examining the cause and applicable rule. The recipient remains responsible for accurate self-assessment.

GSTR-3B is the return through which the taxpayer reports summary liability and eligible ITC. The return working should reconcile with the purchase register and portal data and should separately identify eligible credit, ineligible credit and reversals as required by the form and instructions. Circular No. 170/02/2022-GST provides guidance on reporting of eligible and ineligible ITC and reversals. Historical circulars dealing with GSTR-2A differences must be applied only to their stated periods and conditions (CBIC, 2022a, 2022b, 2023).

The Invoice Management System gives recipients a facility to take actions on supplier-reported records. Acceptance, rejection or pending status can help manage records before return filing. Credit notes require particular attention because their acceptance and the extent of corresponding ITC reduction may depend on the facts and current portal instructions. GSTN's published FAQs and advisories should be consulted for current functionality. The process should preserve evidence of the action and the reason for it (GSTN, 2024, 2025).

Payment conditions also require monitoring. Where the recipient does not pay the supplier the value of supply plus tax within the prescribed period, Rule 37 may require reversal with applicable interest, with re-availment when payment is made in accordance with the rule. Rule 37A addresses specified cases where the supplier has not furnished the corresponding return. These rules demonstrate why ITC control should extend beyond the month in which the invoice is booked. A periodic ageing report can identify unpaid invoices and supplier-return issues.

E-invoicing and ERP systems can reduce manual entry and improve traceability. A well-designed system may validate GSTINs, mandatory fields, tax codes, duplicate invoice references, purchase-order links, receipt status and approval workflows. SAP or another enterprise system can support a connected record from purchase requisition through goods receipt, invoice verification, ledger posting and tax reporting. However, automation can replicate incorrect master data or tax logic across many transactions. System rules therefore require periodic testing, access controls, change management and human review of exceptions.

A robust monthly close process can include: extracting the purchase register; importing the latest GSTR-2B data; matching records using GSTIN, document number, date and value; classifying exceptions; screening expense categories for Section 17(5); checking reversals and reclaims; confirming time limits; reviewing the proposed GSTR-3B figures; and retaining the final reconciliation and reviewer sign-off. For large organisations, responsibility should be assigned to named process owners, while the tax team retains oversight of legal interpretation.

**Table 3.** Purchase-to-return reconciliation

| STAGE | RECORDS COMPARED | TYPICAL EXCEPTION | RESPONSE |
|---|---|---|---|
| Invoice capture | Invoice and purchase register | Incorrect GSTIN, value or duplicate | Correct master/entry; block duplicate. |
| Receipt validation | Invoice and GRN/service entry | Goods or services not evidenced | Obtain receipt evidence or hold review. |
| Portal matching | Purchase register and GSTR-2B/IMS | Supplier not reported or mismatch | Classify and follow up with supplier. |
| Legal screening | Invoice, use and Section 17 | Potential blocked credit | Record clause and assess exception. |

| | | | |
|---|---|---|---|
| Return preparation | Ledger, reconciliation and GSTR-3B | Wrong tax head or reversal | Correct workings and obtain reviewer sign-off. |
| Post-return monitoring | Payment ageing and supplier return status | Rule 37/37A trigger | Reverse/re-avail in accordance with rules. |

## 8. Industry Context and Practical Implications: SAIL and BSP

SAIL is a Government of India public-sector steel producer with integrated steel plants and special steel facilities. Its public profile identifies Bhilai among its integrated plants. SAIL's published information describes BSP as an integrated facility with production stages that include raw material handling, ironmaking, steelmaking, casting and rolling. Its public product information includes rails, heavy structural products, plates, wire rods and bars (SAIL, n.d.-a, n.d.-b, n.d.-c).

This industrial setting is relevant to ITC management because a large manufacturing operation can involve a wide range of inward supplies. Raw materials and production consumables may be directly linked to manufacturing. Capital equipment and machinery may require analysis under the plant-and-machinery definition and construction restrictions. Transport and logistics services may raise questions of place of supply and documentary evidence. Maintenance and engineering services require evidence that the service was received and an assessment of whether the work relates to plant, machinery or immovable property. Employee-related and administrative expenses may require Section 17(5) screening.

The internship was undertaken from 8 June 2026 to 4 July 2026 in the Accounts Department–Tax Section at BSP. The original SIP records learning exposure to GST invoices, transaction documentation, eligibility verification, blocked-credit provisions, reconciliation, returns, e-invoicing, compliance procedures and SAP systems. This exposure helped connect statutory requirements with the practical importance of accurate records and integrated accounting information. It is used here as a learning context and not as evidence of internal BSP workflows.

A steel plant's procurement and accounting environment illustrates why a standardised ITC process is valuable. The tax treatment of a supply depends on the actual goods or service, recipient GST registration, use, invoice, place of supply, receipt, supplier reporting, time limit and restrictions. A high-value invoice is not automatically eligible, and a low-value invoice is not automatically immaterial. The same control logic should apply consistently, with risk-based prioritisation for complex or high-value items.

No confidential BSP data has been used. The paper does not disclose supplier identities, invoice values, GSTINs, internal screenshots, purchase registers, tax returns, SAP extracts or audit reports. It does not calculate BSP's actual ITC, measure supplier compliance, assess the Tax Section's performance or claim that a particular recommendation has been implemented by SAIL. Any organisational process described is a general control proposal, not a factual description of BSP's internal arrangements.

## 9. Findings and Discussion

The first finding is that ITC eligibility is cumulative. The general business-purpose entitlement in Section 16(1) must be read with the conditions in Section 16(2), the time limit and the restrictions elsewhere in the Act and Rules. A valid invoice or a GSTR-2B entry alone is insufficient to establish every element of entitlement. This directly addresses Objective 1.

The second finding is that Section 17(5) requires transaction-specific screening. Blocked-credit categories contain exceptions and technical definitions, particularly in relation to motor vehicles, employee-related services, works contracts, construction and plant and machinery. An expense-name-only approach is unreliable. The organisation should record both the restriction considered and the factual basis for any exception. This addresses Objective 2.

The third finding is that invoices and supporting documents perform complementary functions. The prescribed tax document establishes the documentary basis under Rule 36, while purchase orders, receipt records, service evidence, bills of entry and payment information help establish commercial substance and compliance with the relevant conditions. Records should be linked through stable identifiers and retained in a retrievable form. This addresses Objective 3.

The fourth finding is that reconciliation is a recurring control, not a one-time matching exercise. Purchase records, GSTR-2B, accounting ledgers and GSTR-3B have different sources and purposes. Mismatches may result from supplier reporting, timing, amendments, credit notes, internal posting or classification errors. Each exception should have an owner, reason code, evidence and closure record. This addresses Objective 4.

The fifth finding is that compliance challenges are both legal and operational. Supplier non-reporting, inaccurate master data, incomplete documentation, duplicate claims, blocked-credit misclassification, time-limit oversight and manual processing can undermine accuracy. Digital systems can improve detection and traceability, but poor data or incorrect configuration can amplify errors. Technology should therefore be combined with human review, training, change control and clear accountability. This addresses Objective 5.

The literature reinforces these findings but does not provide direct evidence about BSP's actual ITC. Recent research on blocked credits identifies potential working-capital and cash-flow implications, particularly for MSMEs (Sureka & Bordoloi, 2024a). Research on digitalisation and e-invoicing highlights improved traceability while identifying digital capability and system-integration challenges (Bharathi, 2024; Shamala, 2023). The macro-level digital compliance study by Jagtiani (2026) adds a policy perspective but cannot be used to infer transaction-level accuracy. These distinctions prevent overgeneralisation from other populations and research designs.

**Table 4.** Research objectives and analytical coverage

| OBJECTIVE | EVIDENCE BASE | MAIN CONCLUSION |
|---|---|---|
| 1. Eligibility | Section 16 and related rules | Eligibility is cumulative; no single document or portal entry is conclusive. |
| 2. Blocked credits | Section 17(5) and amendments | Restrictions and exceptions require fact-specific classification. |
| 3. Documentation | Rule 36 and commercial records | Invoice plus receipt and business-use evidence create traceability. |
| 4. Verification/reconciliation | Purchase register, GSTR-2B, ledgers and GSTR-3B | Differences need classification, ownership and closure evidence. |
| 5. Challenges/improvements | Literature and internship learning themes | Data quality, supplier reporting, legal changes and manual work require integrated controls. |

## 10. Suggestions and Recommendations

First, maintain accurate supplier and recipient master data. GSTIN, legal name, registration status, State code and place-of-supply fields should be validated at onboarding and reviewed periodically. Changes should be supported by evidence and approved through a controlled process.

Second, use a standard invoice-verification checklist. The checklist should cover document type, supplier and recipient details, invoice number and date, description, taxable value, rate, tax amount, tax head, place of supply, purchase-order reference, receipt evidence, IRN/QR code where applicable, GSTR-2B status, duplicate check and reviewer conclusion.

Third, create a separate Section 17(5) screening matrix. The matrix should identify categories that commonly require review, relevant statutory clauses, exceptions, evidence needed and escalation triggers. It should be updated when the Act or Rules change. Complex construction, employee-benefit and vehicle cases should be routed to a tax reviewer rather than resolved through a generic expense code.

Fourth, reconcile purchase records with GSTR-2B and the accounting ledger every tax period. Differences should be classified and assigned to an owner with a target resolution date. Supplier follow-up should be documented, and the organisation should distinguish supplier-side reporting problems from internal posting issues and substantive ineligibility.

Fifth, establish a pre-return review of GSTR-3B. The review should verify eligible credit, ineligible credit, reversals, reclaims, credit notes, tax-head allocation and time limits. The final return working should be reconciled to the books and retain reviewer sign-off. Portal auto-population should be treated as a starting point for review rather than a substitute for it.

Sixth, monitor payment and supplier-return conditions after initial credit. Ageing reports can identify invoices approaching the prescribed payment period. A Rule 37 and Rule 37A tracker can help ensure timely reversal and re-availment when conditions are met. The tracker should preserve the original invoice, reversal entry, payment evidence and re-availment period.

Seventh, strengthen digital controls. ERP and GST tools should include duplicate detection, mandatory-field validation, tax-code controls, role-based access, approval workflows, audit logs and exception dashboards. System changes should be tested before deployment and reviewed periodically. Automation should prioritise routine matching while leaving fact-sensitive legal decisions to authorised personnel.

Eighth, provide periodic training for procurement, stores, accounts payable and tax personnel. Training should cover invoice particulars, receipt evidence, blocked-credit categories, GSTR-2B, IMS, GSTR-3B, time limits, reversal rules and relevant amendments. Cross-functional training is useful because tax errors can originate outside the tax department.

Ninth, maintain a version-controlled legal update register. Each relevant amendment, notification, circular or judicial decision should be recorded with its publication date, effective date, affected process, responsible reviewer and implementation evidence. Historical periods should be treated under the law applicable to those periods, rather than applying the current rule retrospectively without authority.

Finally, use a risk-based review approach. High-value invoices, unusual tax treatments, construction-related costs, employee benefits, imports, credit notes and transactions with repeated supplier mismatches may warrant enhanced review. Risk prioritisation should not eliminate the baseline checks required for all claims; it should allocate additional attention where legal or financial exposure is higher.

## 11. Conclusion

This paper examined GST Input Tax Credit management through eligibility, blocked credits, documentation, verification, reconciliation and compliance controls. It retained the five objectives of the original SIP and used a descriptive, analytical and secondary-documentary method supported by retrospective internship learning exposure. The legal framework shows that ITC is a conditional entitlement rather than an automatic consequence of tax appearing on a purchase invoice.

Section 16 establishes the general business-use entitlement and the principal conditions for taking credit. Section 17 restricts credit attributable to non-business or exempt use and identifies specified blocked categories. The CGST Rules add documentary, payment-related and apportionment requirements. GSTR-2B, IMS, e-invoicing and ERP systems improve information flow and traceability, but the recipient remains responsible for assessing the facts and the law.

The analysis concludes that effective ITC management should follow a document-to-ledger approach. Every claim should be traceable from a prescribed document to business purpose, receipt, supplier reporting, blocked-credit screening, accounting entry, reconciliation and return disclosure. Exceptions should be classified, assigned and closed with evidence. A process that combines legal review, standardised documents, digital validation and human oversight can reduce both excess claims and missed eligible credits.

The BSP internship context demonstrates the practical relevance of these controls in a large manufacturing environment, but the available evidence does not support conclusions about BSP's actual ITC values or internal control effectiveness. The study is limited by its lack of transaction-level data, survey or interviews and by the time-sensitive nature of GST law. Future research could use anonymised, authorised transaction data to measure mismatch causes, resolution time, credit reversals and the effect of automation across manufacturing organisations.

## 12. Limitations and Future Research

The paper is limited to the provisions and processes most relevant to ITC management. It does not provide a comprehensive treatment of every GST issue, nor does it provide transaction-specific tax advice. The legal analysis is current to the stated verification date and may require updating for later amendments, notifications, circulars or judicial decisions.

The study relies primarily on secondary sources and the SIP's description of internship learning. It does not use confidential company records, actual invoices, tax returns, supplier performance data or SAP extracts. It therefore cannot quantify BSP's ITC, identify actual error rates, assess the performance of the Tax Section or establish a causal relationship between controls and financial outcomes.

No primary survey, interview, statistical sample or hypothesis test was conducted. The literature review includes studies with different populations and methods, including MSME surveys, information-systems research and macro-level revenue analysis. Their results are discussed as context and are not transferred to BSP or to the present study's population.

Future work may examine anonymised invoice-level data with appropriate organisational permission. Researchers could classify mismatches by cause, measure resolution times, compare pre- and post-automation processes, or study how the Section 17(5) screening matrix affects the rate of incorrect claims. Comparative research across steel, automotive, pharmaceuticals and other manufacturing sectors could also identify sector-

specific documentation and blocked-credit issues. Any such study should define its sample, permissions, variables and method before data collection.

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