



## JUDGEMENT

# Input Tax Credit on Demo Vehicles Deemed Eligible as Capital Goods Under GST Framework and CBIC Circulars

Issued By:	Punjab & Haryana High Court
In Case Of:	M/s BMW India Pvt. Ltd.
Order No:	CWP-7235-2022
Order Date:	12 <sup>th</sup> November 2024

## FACTS & OBSERVATIONS

- The petitioner, M/s BMW India Pvt. Ltd., contested rulings by the AAAR and AAR, Haryana, regarding the disallowance of ITC on demo vehicles.
- The case concerned the eligibility of demo vehicles, used for promotional purposes, to qualify as "capital goods" under GST law.
- The petitioner argued that demo vehicles meet the definition of "capital goods" under Section 2(19) of the CGST Act and are used in the course of business.
- The AAR and AAAR had earlier denied ITC on the basis that such vehicles did not qualify for input tax credit under the GST framework.

# JUDGEMENT

- The High Court relied on CBIC Circular No. 231/25/2024-GST and similar Haryana Government clarifications, which explicitly allow ITC on demo vehicles.
- The Court observed that denying ITC on demo vehicles capitalized in books contradicted the provisions of Section 16 and Section 2(19) of the CGST Act.
- The orders of the AAR and AAAR were set aside, and the Court clarified that demo vehicles qualify as "capital goods" under GST law.
- The petitioner was granted entitlement to ITC on demo vehicles, subject to compliance with other provisions of the Act.



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