Oxygen The Digital Shop v. Commissioner of Keralam State GST, Thiruvananthapuram

ITC on interior joinery, carpentry and painting of rented showrooms – whether barred by Section 17(5)(d) of the CGST Act when the GST is not capitalised.

Date of Order: October 16, 2026
Case Law No: GIB-GSTAT-2026-137
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Background

The appellant, a partnership firm engaged in retail trading of digital gadgets and their repair, availed input tax credit of ₹5,61,470 each under CGST and SGST (aggregate ₹11,22,940) on four invoices of July and September 2017 raised by Brightech Interiors and Exteriors Pvt. Ltd. for joinery, carpentry and painting work (SAC 995476/995473) carried out in two rented showrooms at Vellayambalam and Nedumangad. The department denied the credit under Section 17(5) of the CGST/KGST Act, 2017, treating the work as alteration of an immovable property falling under "building completion and finishing services", and the Joint Commissioner (Appeals) upheld the denial. Before the Tribunal, the appellant contended that the fixtures were detachable and movable, the premises were leased, the GST was never capitalised, and relied on a Chartered Accountant's certificate and the Wework India ruling; the Revenue argued that the supplier's own classification, damage on removal of the fixtures, the capitalisation "trap" and the burden under Section 155 defeat the claim. The issue was whether the credit is eligible or restricted by Section 17(5).

Final Verdict

The Tribunal held that the department's show cause notice never disputed the classification of the supplier's services, so it could not be raised against the buyer beyond the notice. It found that the interior work, i.e. wooden and glass shelves for display and sale of goods in rented showrooms, was in direct furtherance of business, making credit available under Section 16(1). Noting that Explanation 1 to Section 17(5) brings renovation, additions or alterations within "construction" only "to the extent of capitalisation", it accepted the Chartered Accountant's certificate that the CGST and SGST were not added to the asset cost, were accounted for separately as ITC and attracted no depreciation. **"Since the amount of GST is not capitalised, such amount of tax does not get covered under the restricted category of the Section 17(5)(d)."** The impugned order was set

aside and the appeal was allowed with consequential relief.

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