



Rajput Jain & Associates

Chartered Accountants

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Changes on GSTR-3B





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Changes proposed in disclosure of ITC in Table 4 of GSTR-3B

After the introduction of GSTR-2B and auto population of figures in GSTR-3B, there has been greater accountability on the taxpayer to ensure that ITC has been claimed only for those invoices which are furnished by suppliers in their GSTR-1 are claimed as ITC. However, there were additional associated challenges faced by the trade, such as time gap in claiming ITC (goods in transit, goods in quality control, delays in accounting etc.) resulting in spike or reduction in claim of ITC compared to the amounts available in GSTR-2B, especially when comparison were made for individual months. Also, lack of complete clarification of disclosures to be made led to varied disclosure practices being followed across India, defeating the purpose of streamlining GST.

To streamline the disclosures in GSTR-3B across the nation, some changes in the Form have been introduced w.e.f 5th July 2022 vide NN 14/2022-CT along with clarity provided through Circular No. 170/02/2022-GST dated 6th July 2022.

Past vs Present

Past (up to 30th June 2022) - Data such as import of goods, ISD, ITC w.r.t RCM and all other ITC is being auto-populated from GSTR 2B in GSTR 3B in relevant cells. But practically, disclosures by taxpayers are most commonly shown as - net ITC in table 4.A.5 that includes eligible ITC, ITC against RCM payments, imports, ITC reversals under rule 42, 43, 37, 38, 39. Section 17(5) credit was supposed to be disclosed in Table 4D(1) but this was not being adhered to.

Future (5th July 2022 onwards) - In the proposed amendment the main difference is that total ITC is expected to auto-populate in Table 4.A in the respective tables and various ITC reversal including those on account of Section 17(5) must be disclosed in Table 4.B to arrive at the net ITC. The auto-populated values would remain editable.

This change is mainly being brought in to identify revenue allocation between States.

Revised ITC Table 4 of GSTR 3B for quick reference.

Particulars	IGST	CGST	SGST	CESS
Table 4A – “ITC available, whether in part or in full”	Same as earlier	Same as earlier	Same as earlier	Same as earlier
Table 4B – “ITC reversed”				
Table 4B(1) - As per rules 38 , 42 & 43 of CGST Rules and section 17(5)				
Table 4B(2) – others				

**Changes after amendment marked in blue*

***Deletions made post amendment marked in red*

Particulars	IGST	CGST	SGST	CESS
Table 4C – Net ITC (4A – 4B)				
Table 4D – Ineligible ITC Other details				
Table 4D(1) – As per Section 17(5) ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period				
Table 4D(2) – Others Ineligible ITC under section 16(4) & ITC restricted due to PoS rules				

The amendment and disclosure requirement has been clarified in the circular and have been discussed below, along with authors comments, in the below table

Table 4A - "ITC available, whether in part or in full"

Disclosure	Authors' Comments
<ul style="list-style-type: none">- Both eligible as well as ineligible ITC to be disclosed, which is appearing in the GSTR-2B, are required to be disclosed in Table 4A.- The only exclusion to this would be Ineligible ITC as per GSTR-2B (ITC restricted u/s 16(4) or intra State supplies where recipient is located in a different	<p>Authors Comments: <i>Prior to circular, only the ITC which is eligible was disclosed in Table 4A. Now, entire ITC (eligible or not) needs to be reported.</i></p> <p>For example, following invoices are available in GSTR-2B :</p> <ul style="list-style-type: none">• 1st Invoice: goods received during the month where ITC is available, Rs 50,000/-

Disclosure	Authors' Comments
	<ul style="list-style-type: none">• 2nd Invoice: ITC is eligible but goods are not yet received, Rs 25,000• 3rd invoice: Construction services availed where ITC is ineligible, Rs 40,000• 4th Bill of entry: ITC on import of goods, where ITC is Rs. 1,000 <p>Disclosure prior to circular Include only 1st invoice in “All other ITC”. Total ITC claimed in such case would be Rs 50,000.</p> <p>Disclosure after circular Now first 3 invoices are to be disclosed in “all other ITC”. Total ITC in Table 4A = Rs 1,15,000/- Import of goods to be disclosed separately in 4A(1)</p>

Table 4B – “ITC reversed”

Disclosure	Authors' Comments
<p>The ineligible portion of ITC included in Table 4A is then required to be reversed in Table 4B.</p> <p>This is bifurcated in two parts:</p> <ol style="list-style-type: none">1. Permanent reversals (Table 4B(1))2. Temporary reversals (Table 4B(2))	<p>Authors Comments: As even the ineligible ITC has been included in Table 4A, same needs to be reversed here. Identification of permanent and temporary reversals needs to be done carefully.</p>

Table 4B(1) - As per rules 38, 42 & 43 of CGST Rules and section 17(5)

Disclosure	Authors' Comments
<p>Reversals which are permanent in nature and cannot be reclaimed are to be added</p>	<p>In continuation of example in S No 1, following would be the disclosures</p>

Disclosure	Authors' Comments
<p>in Table 4B(2). These would include –</p> <ul style="list-style-type: none">• Blocked credits (Section 17(5)),• Reversal of ITC not for business purposes, reversal of ITC on account of wholly exempt supplies and reversal of common ITC, to the extent of usage for exempted supplies (reversals under Rule 42 or 43),• reversal of ITC by a banking or a financial institution (reversals u/r 38)	<p>Disclosure prior to circular For invoice no. 3, as these amounts would not have been claimed in Table 4A, no reversal required</p> <p>Disclosure after circular As these are included in Table 4A but are ineligible, ITC on same needs to be reversed in Table 4B(1), being reversal in permanent nature. Hence, Table 4B(1) = Rs 40,000 (3rd invoice where construction services availed, which are blocked u/s 17(5))</p>

Table 4B(2) – others

Disclosure	Authors' Comments
<p>Reversals of temporary nature which can be claimed subject to fulfilment of requisite conditions is required to be disclosed in Table 4B(2). These may include–</p> <ul style="list-style-type: none"> • Non-payment to supplier within 180 days of date of invoice (reversal u/r 37), • Where invoice or debit note is not received by the recipient (non satisfaction of condition u/s 16(2)(a)) – • Where goods or services have not been received by the recipient (non-satisfaction of condition u/s 16(2)(b)), • Where tax has not been paid to the Government (non-satisfaction of condition u/s 16(2)(c)) 	<p>In continuation of example in S No 1, following would be the disclosures .</p> <p><i>Note: relevant vendor invoice would be invoice 2 (ITC is eligible but goods are not yet received, hence cannot be claimed in current month, Rs 25,000)</i></p> <p>Disclosure prior to circular For invoice no. 2, as these amounts would not have been claimed in Table 4A, no reversal required.</p> <p>Disclosure after circular As these are included in Table 4A but are ineligible in the current month (because goods have not been received), ITC on same needs to be reversed in Table 4B(2), being reversal in temporary nature. Hence, Table 4B(2) = Rs 25,000 (2nd invoice where goods are not yet received)</p>

Table 4C – Net ITC (4A – 4B)

Disclosure	Authors' Comments
The Net ITC claimable does not change for any month. Only the base figures mentioned in Table 4A and 4B change.	<p>In continuation of example,</p> <p>Disclosure prior to circular Net ITC claimable prior to circular was Rs 50,000/- (Rs 50,000/- of Table 4A less Rs 0/- of Table 4B).</p> <p>Disclosure after circular Net ITC claimable after the circular continues to be Rs 50,000/- (Rs 1,15,000/- of Table 4A less Rs 65,000/- of Table 4B)</p>

Table 4D – ~~Ineligible ITC~~ Other details

Disclosure	Authors' Comments
<p>Table 4D has been redefined entirely.</p> <p>As the ineligible ITC is already being disclosed in Table 4A (Claim of ITC) and Table 4B (reversal of ITC thereof), there was no need to separately maintain a table where details of ineligible ITC are furnished.</p>	<p>Authors Comments:</p> <p>Ineligible ITC details already included in Table 4A above are not required to be disclosed in Table 4D.</p> <p>Instead of furnishing details of ineligible ITC, other details are to be furnished as seen in S no. 7 and 8 below.</p>

Table 4D(1) – ~~As per Section 17(5)~~ ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period

Disclosure	Authors' Comments
Table 4D(1) – Any ITC which was reversed in Table 4B(2) in earlier months, being in the nature of temporary reversal and is being claimed in the GSTR3B of current month upon fulfilment of conditions is required to be disclosed in Table 4D(1).	<p>Authors Comments: Table 4D(1) has been introduced to keep a track of ITC being reclaimed out of the temporary reversal pool of ITC. This could ensure that difference in ITC as per GSTR-2B viz a viz ITC claimed in GSTR-3B can clearly be identified by the portion of ITC which is claimed in current month, though the same had already been reflected in GSTR-2B in prior month(s).</p> <p>Disclosure after circular In continuation of the above example,</p>

Disclosure	Authors' Comments
	<p>when 2nd invoice (invoice reflected in GSTR-2B but goods physically not received in a month) finally becomes eligible, ITC would be claimed in the following manner –</p> <ul style="list-style-type: none">a. Include this amount in “all other ITC” in the month when goods are received .b. Disclose this amount in Table 4D(1) to make it amply clear that such amount was already reflected in GSTR-2B of previous month(s).

Table 4D(2) – Others Ineligible ITC under section 16(4) & ITC restricted due to PoS rules.

Disclosure	Authors' Comments
Table 4D(2) – Ineligible ITC which is reflected in GSTR-2B i.e., ITC ineligible u/s 16(4) and intra State supplies where recipient is located in State / UT other than that of suppliers.	Authors Comments: Table 4D(2) has been introduced to disclose ineligible ITC which are already being reflected in GSTR-2B as Ineligible ITC. The registered persons would now be required to ensure that these amounts are disclosed in GSTR3B as “ineligible ITC”. Objective behind this could be to ensure proper allocation of funds between Centre and State pertaining to such transactions. Most likely, this column may be auto populated from GSTR-2B Ineligible ITC section.

Following are some checkpoints which may be ensured by the taxpayers to ensure disclosure in line with the Circular –

1. All ITC, whether eligible or ineligible, which is being reflected in current month's GSTR-2B would be shown in Table 4.A in the respective tables.
2. Table 4A would additionally include re-claimed ITC which should match to disclosure in Table 4D(1), balance value would be the auto-populated value. Non-disclosure in table 4D(1) could lead to inquiries from the department as the value disclosed in 4A(5) would be higher than value reflecting in GSTR 2B.
3. ITC which is to be reversed and is permanent in nature i.e., which is not to be reavailed by the registered person would be disclosed in Table 4B(1). Examples have been enumerated in Table above in S no. **2. Internal tracker suggestion** - Books ITC vs GSTR 2B reconciliation to now include even ineligible credits wherein nature of expense along with earlier activity performed against eligible credits.
4. ITC which is to be reversed in the current month but which can be reclaimed later is to be reversed in Table 4B(2). Examples have been enumerated in Table above in S no. **2. Internal tracker suggestion** - GSTR 2B entry month, ITC claim month is suggested to be maintained.

The disclosure methodology has been completely changed, burdening the taxpayer to not only reconcile books with GSTR-2B but also keeping track of permanent and temporary reversals, with the challenge of time gap between reflection of invoices in GSTR-2B viz a viz.

ITC recorded (or not yet recorded) in the books. An attempt to ensure that the allocation between centre and State is done in a proper manner.

Taxpayer to be updated with all types of eligible and ineligible credits impacting their business, which can be understood through **periodic trainings from a GST professional.**

A suggested revision of ITC registers as per books, wherein contents may include the following – *GSTIN of supplier and recipient, Capital Goods/Input/Input Services, HSN, Description of goods/service, Rate, Taxable Value, CGST/SGST/IGST/Cess, Invoice number, IRN & QR generated (Y/N), Eligible/Ineligible credit, Goods/Service Received date, Towards Exempt/Taxable/Common, Date of Payment to Vendor.*

An in-depth study may be warranted on the appropriateness of ‘ITC claim/re-claim’ in GSTR 3B - The GST returns now enables entire credit to be claimed and certain credit to be reversed, and then re-claimed upon eligibility. Which provision in the law enables such procedure? Is the Rule function outside its jurisdiction? Whether this would then lead to litigation where a taxpayer re-claims the credit beyond the stipulated time period? We will have to wait and see.

Business difficulties not taken into account – Certain industries are able to identify eligibility of ITC upon consumption basis as they may be having taxable & exempt supplies. The new make the credit claim under this scenario all the more complicated.

SMEs will face reporting difficulties – Medium and small-scale industries who may not presently have robust automated internal systems for accounting and reconciliation will face issues in appropriate disclosures in GSTR 3B and are expected to attract departmental interventions.

Portal Update - It is to be noted that although the Rules have been amended, no corresponding change has been made on the portal. It would be interesting to see when the portal is updated to incorporate these changes. However, a taxpayer is required to stay alert and accommodate any last-minute incorporation done in the portal and give appropriate effects in GSTR-3B.

The views expressed are strictly personal and meant for educational purposes. We are not soliciting any work.

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