

RECENT GST PORTAL FUNCTIONALITIES



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The saga of Input Tax Credit under GST continues as newer functionalities are introduced on the GSTN. While the two-way matching of input tax credit has long been scrapped, various attempts at implementing abridged versions of two-way matching of input tax credit have been made by the Government. It started with the introduction of Rule 36(4) requiring reconciliation of input tax credit with GSTR-2A with a margin of 20% to monthly reconciliations with static GSTR-2B and amendment to section 16(2).

Additional clarifications and newer functionalities on this aspect have been introduced and are briefly explained hereunder:

A) Revised Reporting Requirement of Input Tax Credit in GSTR-3B -

Currently, section 16(2) read with Rule 36(4) restricts availment of input tax credit to the extent of the input tax credit in respect of invoices or debit notes communicated in Form GSTR-2B.

Vide Circular No.170/02/2022-GST dated 6th July, 2022, the reporting in GSTR-3B was changed to be derived from GSTR-2B as against the earlier reporting which was based on the books of accounts of the registered person. While this clarification dates back in July 2022, it is explained hereunder to bring clarity on the newer functionalities introduced on the GSTN.

Briefly, the current reporting in GSTR-3B looks as follows:

- a. For the current month (say, April 2023)

Sr. No.	Table Ref in GSTR-3B	Description	IGST	CGST	SGST
1	4(A)(5)	Eligible Input Tax Credit as per GSTR-2B for April 2023	10,000	5,000	5,000
2	4(B)(2)	Input Tax Credit not accounted in books (such ITC which is appearing in GSTR-2B but either the invoice or the goods / services are not yet received)	(1,000)	(200)	(200)
3	4(C)	Net ITC Available for April 2023	9,000	4,800	4,800

b. For subsequent month (say, May 2023)

Sr. No.	Table Ref in GSTR-3B	Description	IGST	CGST	SGST
1	4(A)(5)	Eligible Input Tax Credit as per GSTR-2B for May 2023	12,000	4,000	4,000
2	4(A)(5)	Eligible Input Tax Credit as per GSTR-2B April 2023 not availed earlier (out of 4(B)(2) of April 2023)	800	200	200
3	4(B)(2)	Input Tax Credit not accounted in books (such ITC which is appearing in GSTR-2B but either the invoice or the goods / services are not yet received)	(1,200)	(400)	(400)
4	4(C)	Net ITC Available for the current month	11,600	3,800	3,800
5	4(D)(1)	ITC reclaimed which was reversed in previous month	800	200	200

The above is a simpler example of the reporting requirement. One may only imagine the complexities of maintaining such records of reconciliation over multiple months as well as for reversals under Rules 37, 42 and 43.

B) Electronic Credit Reversal and Reclaimed Statement -

In continuation to this reporting, GSTN recently issued an advisory on new functionality of “*Electronic Credit Reversal and Reclaimed Statement*”.

1. Why Electronic Credit Reversal and Reclaimed Statement is introduced?

- To facilitate the taxpayers in correct and accurate reporting of ITC reversal and reclaim thereof and to avoid clerical mistakes.
- To track the ITC that has been reversed in Table 4B(2) and thereafter re-claimed in Table 4D(1) and 4A(5) for each return period, starting from August return period.
- To facilitate that while re-claiming ITC in GSTR-3B, the amount aligns appropriately with the corresponding reversed ITC.
- Aim is to improve the overall consistency and correctness of ITC reversal and re-claims related transactions

2. How does the Reversal and Reclaim Statement work?

- Once opening balance of re-claimable Input tax Credit (*detailed at (C) below*) is reported by taxpayer, the portal will subsequently maintain a record of reversal and re-claimed amounts on a return period basis in statement.
- Validation mechanism is incorporated into the GSTR-3B form. This validation will trigger a warning message if a taxpayer attempts to re-claim ITC in table 4D(1) which is in excess of the available ITC reversal balance in the statement along with ITC reversal made in current return period under Table 4B(2).
- This warning message would facilitate accurate reporting but the taxpayers will still have the option to proceed with filing.

3. Where can the Electronic Credit Reversal and Reclaimed Statement be accessed from?

- Services → Ledger → Electronic Credit Reversal and Re-claimed Statement → Report ITC Reversal Opening Balance

C) Reporting of Opening Balance of Reclaimable ITC as a one-time activity -

An opportunity has been granted to report opening balance of ITC reversed but pending to be reclaimed on the GSTN portal as a one-time activity by 30th November, 2023.

This reporting of opening balance will be open for editing in case of any erroneous reporting done or any change in opening amount due to any other reason from 30th November, 2023 to 31st December, 2023. However, it can be edited for a maximum of 3 times only.

Fresh reporting of any balance shall not be permissible after 30th November, 2023 and the reported opening balance shall be locked for editing after 31st December 2023.

1. What is to be reported under the Opening Balance of Reclaimable ITC as a one-time activity?

- ITC which was already reversed till GSTR 3B of July 2023, but it can be claimed in future, on fulfilment of specified conditions
- ITC that was previously reversed in Table 4B(2) but is *eligible* for re-claim in future and has not yet been re-claimed is to be reported.
- In the example above, the opening balance that needs to be reported as a one-time activity shall be 1,400 IGST, 400 CGST and 400 SGST

2. Where to report the opening balance of Input tax Credit?

- Login → Report ITC Reversal Opening Balance
- *Alternative Path:*

Services → Ledger → Electronic Credit Reversal and Re-claimed Statement → Report ITC Reversal Opening Balance

It may be noted that neither the earlier Circular No.170/02/2022-GST dated 6th July, 2022 nor the GSTN advisory do not have any source in the CGST Act read with Rules prescribed thereunder. This statement not only creates additional one-time additional compliance requirement for the month but also creates certain additional issues such as -

1. What would be the treatment of input tax credit pertaining to financial year 2022-23?
 - As per section 16(4) of CGST Act, 2017, Input Tax credit cannot be taken beyond 30th November of the subsequent financial year.
 - However, interpretation of the term “taken” is not clarified under the law. Therefore, a view persists that once the input tax credit has been availed in the GSTR-3B return albeit reversed under 4(B)(2), it may be re-availed even beyond 30th November as the condition of *taking* the credit prior to 30th November is already fulfilled at the time of initial availment.
 - Accordingly, Input Tax Credit pertaining to F.Y. 2022-23 reversed but not yet reclaimed will also be carried forward as a part of the opening balance to be reported as a one-time activity.
2. What should be the treatment of Other Reversals such as reversal under Rule 37, Rule 42 and Rule 43?
 - Input Tax Credit reversed under Rule 37 of CGST Rules, 2017 on account of non-payment of consideration to supplier within 180 days forms part of temporary ineligible ITC and can be re-availed on actual payment to the supplier.
 - Therefore, such input tax credit which has been reversed on account of non-payment of consideration but pending to be re-availed will also form part of the opening balance of reclaimable ITC.
 - Reversals under Rules 42 and 43 are to be separately reported in the GSTR-3B return and therefore, the question of reporting an opening balance in this respect does not arise.
 - However, if at the time of final calculation of reversal under Rule 42 by 30th September as required by the law, it appears that an additional ITC has been reversed and the same needs to be re-availed, the same shall form part of the entire pool of ITC under “All other ITC” under Table 4(A)(5) as there is no separate reporting provided in the return.
 - In such a case, the ITC availed in that month may exceed the Input Tax Credit as per GSTR-2B for the said month plus the opening balance of ITC pending to be reclaimed. This may trigger a warning as suggested in the advisory.

Thus, it may be necessary to keep a separate repository for each category of reversal as a part of the monthly working for GST returns to demarcate the Input Tax Credit reversed and reclaimed and other reversals / availment.

D) Compliance for DRC-01C (Difference in Input Tax Credit available in GSTR-2B and ITC claimed in GSTR-3B) Rule 88D

The Government vide Notification No. 38/2023 – Central Tax dated 04th Aug, 2023 inserted the Rule 88D in CGST Rule, 2017 for dealing with difference in input tax credit available in GSTR-2B and ITC availed in GSTR-3B. This functionality vis-à-vis this rule has now started operating on the GST portal. The system now compares the ITC available as per GSTR-2B with the ITC claimed as per GSTR-3B for each return period.

- If the claimed ITC exceeds the ITC available as per GSTR-2B by predefined limits, as directed by competent authority, the taxpayer shall receive an intimation in the form of Form DRC-01C.
- Such intimation may be verified at Services → Returns → Return Compliance → ITC Mismatch DRC-01C.

- Upon receiving the intimation, the taxpayers must file a response using Form DRC-01C Part B within a period of 7 days.
- The taxpayers have the option to either provide details of the payment made to settle the difference using Form DRC-03 or provide an explanation for the difference out of the options provided in the form or even choose a combination of both options and file it.
- It is important to note that in case, no response is filed by the taxpayers in Form DRC-01C Part B, such taxpayers will not be able to file their subsequent period GSTR-1. Further, a demand may be initiated under section 73 or 74, as the case may be.

It may be interesting to note that while currently most taxpayers are dealing with notices for mismatch between GSTR-2A and GSTR-3B, going forward this may be a monthly occurrence considering the complexities and volumes involved.

Additionally, section 16(2)(ba) read with section 38 restrict input tax credit reflecting in GSTR-2B but which pertains to an invoice or debit note issued by the supplier who has defaulted on the following grounds, inter alia –

- a) Payment of tax for a certain continuous period to be prescribed
- b) Output tax payable as reported in GSTR-1 exceeds the tax paid in GSTR-3B by a certain limit to be prescribed
- c) Input Tax credit has been availed in excess of the eligible input tax credit as per GSTR-2B by a certain limit to be prescribed

Thus, Input Tax Credit shall be disallowed in the hands of the recipient for the default of the supplier. However, currently no functionality to track the defaulting supplier or identifying the input tax credit pertaining to such defaulting supplier is provided.

It appears that under the GST law, the cart pulls the horse. Clarifications or Rules or GSTN introduce newer mechanisms and procedures not prescribed under the law and subsequently, an amendment giving effect to such changes are made. Simultaneously, certain provisions of the law do not find any implementation on the GSTN or clarification for clearing the ambiguities.

While these new functionalities seek to organise and further streamline the avilment of input tax credit and may be well-intended, the ground realities are sometimes far from it.

