

Dr. L.B. Singhal
(Ph.D., MBA, LLB, B.Sc.)
Secretary General, AEPC

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Dear Members,

Sub: **Mandatory furnishing of correct and proper information of inter-State supplies and amount of ineligible/blocked Input Tax Credit and reversal thereof in return in FORM GSTR-3B and statement in FORM GSTR-1 –reg.**

With reference to the subject, GST Policy Wing, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes and Customs vide Circular No 170/02/2022-GST dated 06.07.2022 (copy enclosed) has clarified the various issues as under:

1. Furnishing of information regarding inter-State supplies made to unregistered persons, composition taxable persons and UIN holders:

The information sought in Table 3.2 of **FORM GSTR-3B** is required to be furnished, **place of supply-wise**, even though the details of said supplies are already part of the supplies declared in Table 3.1 of the said FORM. For assisting the registered persons, Table 3.2 of **FORM GSTR-3B** is being auto-populated on the portal based on the details furnished by them in their **FORM GSTR-1**.

2. The registered persons making inter-State supplies –

- (i) To the unregistered persons, shall also report the details of such supplies, **place of supply-wise**, in Table 3.2 of **FORM GSTR-3B** and Table 7B or Table 5 or Table 9/10 of **FORM GSTR-1**, as the case may be;
- (ii) To the registered persons paying tax under section 10 of the SGST/CGST Act (composition taxable persons) and to UIN holders, shall also report the details of such supplies, **place of supply-wise**, in Table 3.2 of **FORM GSTR-3B** and Table 4A or 4C or 9 of **FORM GSTR-1**, as the case may be, as mandated by the law.
- (iii) Shall update their customer database properly with correct State name and ensure that correct PoS is declared in the tax invoice and in Table 3.2 of **FORM GSTR-3B** while filing their return, so that tax reaches the Consumption State as per the principles of destination-based taxation system.
- (iv) Any amendment carried out in Table 9 or Table 10 of **FORM GSTR-1** or any entry in Table 11 of **FORM GSTR-1** relating to such supplies should also be given effect while reporting the figures in Table 3.2 of **FORM GSTR-3B**.

3. Furnishing of information regarding ITC availed, reversal thereof and ineligible ITC in Table 4 of GSTR-3B

- Table 4(A) of the **FORM GSTR-3B** is getting auto-populated from various entries of **FORM GSTR-2B**. However, various reversals of ITC on account of rule 42 and 43 of the CGST Rules or for any other reasons are required to be made by the registered person, on his own ascertainment, in Table 4(B) of the said FORM. It has been observed that different practices are being followed to report ineligible ITC as well as various reversals of ITC in FORM GSTR-3B.
- The amount of Net ITC Available as per Table 4(C) of **FORM GSTR-3B** gets credited into the electronic credit ledger (ECL) of the registered person. **Therefore, it is important that any reversal of ITC or any ITC which is ineligible under any provision of the CGST Act should not be part of Net ITC Available in Table 4(C) and accordingly, should not get credited into the ECL of the registered person.**
- **The entire set of data that is available in FORM GSTR-2B is carried to the table 4 in FORM GSTR-3B, except for the details regarding ITC that is not available to the registered person either on account of limitation of time period as delineated in sub-section (4) of section 16 of the CGST Act or where the recipient of an intra-State supply is located in a different State / UT than that of place of supply**
- The registered person is required to identify ineligible ITC as well as the reversal of ITC to arrive at the Net ITC available, which is to be credited to the ECL. In light of the above, the procedure to be followed by registered person is being detailed hereunder for correct reporting of information in the return:

A. Total ITC (eligible as well as ineligible) is being auto-populated from statement in **FORM GSTR-2B** in different fields of Table 4A of **FORM GSTR-3B (except for the ineligible ITC on account of limitation of time period as delineated in subsection (4) of section 16 of the CGST Act or where the recipient of an intra-State supply is located in a different State / UT than that of place of supply).**

B. Registered person will report reversal of ITC, which are absolute in nature and are not reclaimable, such as on account of rule 38 (reversal of credit by a banking company or a financial institution), rule 42 (reversal on input and input services on account of supply of exempted goods or services), rule 43 (reversal on capital goods on account of supply of exempted goods or services) of the CGST Rules and for reporting ineligible ITC under section 17(5) of the CGST Act in **Table 4 (B) (1).**

C. Registered person will report reversal of ITC, which are not permanent in nature and can be reclaimed in future subject to fulfilment of specific conditions, such as on account of rule 37 of CGST Rules (non-payment of consideration to supplier within 180 days), section 16(2)(b) and section 16(2)(c) of the CGST Act in **Table 4 (B) (2).** Such ITC may be reclaimed in **Table 4(A)(5)** on fulfilment of necessary conditions. Further, all such reclaimed ITC shall also be shown in **Table 4(D)(1).** **Table 4 (B)**

(2) may also be used by registered person for reversal of any ITC availed in Table 4(A) in previous tax periods because of some inadvertent mistake.

D. Therefore, the net ITC Available will be calculated in Table 4 (C) which is as per the formula **(4A - [4B (1) + 4B (2)])** and same will be credited to the ECL of the registered person.

E. As the details of ineligible ITC under section 17(5) are being provided in Table 4(B), no further details of such ineligible ITC will be required to be provided in Table 4(D)(1).

F. ITC not available, on account of limitation of time period as delineated in subsection (4) of section 16 of the CGST Act or where the recipient of an intra-State supply is located in a different State / UT than that of place of supply, may be reported by the registered person in Table 4D (2). Such details are available in Table 4 of FORM GSTR-2B.

Accordingly, it is clarified that the reversal of ITC of ineligible credit under section 17(5) or any other provisions of the CGST Act and rules thereunder is required to be made under Table 4(B) and not under Table 4(D) of FORM GSTR-3B. 4.5 For ease of understanding, the manner of reversals is being elucidated in the illustrations enclosed as Annexure to this Circular.

The Board is also in a process of issuing a Trade Notice with respect to the above clarifications.

This is issued for the information of the trade.

With warm regards,

Yours sincerely,

Dr. L.B. Singhal
Secretary General