

# Guide to Electronic Credit Reversal and Re-claimed Statement (ECRRS)

## Introduction

The Government has notified certain changes in Table 4 of Form GSTR-3B to enable taxpayers to report correct information regarding ITC availed, ITC reversal, ITC re-claimed, and ineligible ITC through Notification No. 14/2022 – CT. Circular 170/2022-CGST also was issued to clarify disclosure practices that can be followed.

The intention of the change was to enable easier bifurcation of revenue between various State Governments.

The intention behind this change was to identify the total ITC available to a taxpayer and to ensure he has allocated it completely under the following heads:

- ITC fully eligible – displayed in Table 4(A).
- ITC fully ineligible – displayed in Table 4(B)1.

Due to various possibilities, certain credit is maintained as temporarily reversed under table 4(B)2. It may be re-claimed as eligible ITC or re-claimed and reversed as ineligible ITC.

Accordingly, the reclaimable ITC earlier reversed in Table 4(B)2 may be subsequently claimed in Table 4(A)5 on fulfillment of necessary conditions. Such reclaimed ITC in Table 4(A)5 also needs to be reported in Table 4D(1). Where fully or partially ineligible – along with the above disclosures, additionally, it must be reported in Table 4(B)1.

Thereafter government introduced **Electronic Credit Reversal and Re-claimed Statements** through an advisory in the GST portal dated 31-08-2023 to facilitate the taxpayers in correct and accurate reporting of ITC reversal and reclaim thereof and to avoid clerical mistakes. This statement will help the government and taxpayers in tracking their ITC that has been reversed in Table 4B(2) and thereafter re-claimed and disclosed in Table 4D(1).

**Due date** - Earlier, 30<sup>th</sup> November was the due date to file the statement in the GST portal. Later through advisory in the GST portal dated 29-12-2023 government has provided an extension for the same till 31<sup>st</sup> Jan 2024 and to amend the same (max 3 times) till 29<sup>th</sup> Feb 2024.

Here the taxpayer must disclose their opening balance of ITC reversal under table 4B(2) as on 31st July 2023 i.e. after the July month GSTR-3B return and before the August month GSTR-3B return.

This is a one-time activity expected from the taxpayers. The authors are of the view that, wherever the ECRRS statement becomes negative, the system may be automated to send out a notice to the taxpayer to either discharge the difference or provide reasons with proof for the variance.

This Statement has no reference in the GST law, and notices raised based on this Statement could be questioned and the legal implementation of such procedure is questionable.

In this article, the authors provide the procedure on how one can calculate and update the details on the GST portal and discuss various difficult situations that may arise on our solutions to the same.

Note - Filing the ECRRS statement will not add to the electronic credit ledger.

**ECRRS Statement Calculation as of 31-07-2023:**

Particulars	Ref.	Amount
ITC as per GSTR-2B from Apr-23 to July-23 (partial data of 2B download*)	A	XXX
Less: Credit note considered in GSTR 3B from Apr-23 to Jul-23	B	XX
Less: ITC as reported in table 4C of GSTR-3B from Apr-23 to July-23 (Invoices pertain to FY 2023-24 only)	C	XX
Less: Ineligible ITC reversal under 4B(1) of GSTR-3B from Apr-23 to July-23 (Invoices pertains to FY 2023-24 only)	D	XX
Add: ITC pertaining to FY 2022-23 but reclaimed under table 4A(5) and 4D(1) of GSTR-3B from Aug-23 to Oct-23 return	E	XX
Add: ITC claimed and reversed under protest before Apr-23	F	XX
Add: ITC reclaimed under table 4A(5) and 4D(1) of GSTR-3B from Aug-23 to Dec-23 return which is reversed prior to Apr 23 due to Rule 37 and Rule 37A reversals, Import of goods	G	XX
<b>Opening balance of ITC reversal under table 4B(2) as of 31-07-2023</b>		<b>XXX</b>

*Note – In the author's view, ITC on import of goods although appearing in GSTR 2B need not be considered for the purpose of reconciliation as specified under Section 16(2)(aa) due to the fact that the provision uses the words 'Invoice and Debit Note' only and does not include 'Bill of Entry'.*

#### Explanation of ECRRS Computation

**Ref. A – From the GSTR 2B portal download** - Invoices appearing in the “B2B” sheet and Debit Notes appearing in the “B2B-CDNR” sheet of GSTR-2B for the period Apr-23 to July 23 must be considered. Other details such as Credit notes, ISD invoices, Import of goods, etc. Further taxpayers also must ensure that invoices and debit notes pertaining to FY 2023-2024 only should be considered. Invoices and debit notes relating to FY 2022-23 must not be considered here.

**Ref. B –** Credit notes considered in GSTR-3B for the period from Apr 23 to Jul 23 are to be considered for the calculation of the ECRRS. (Irrespective of details disclosed in GSTR 2B w.r.t credit notes).

**Ref. C –** ITC which appears in Table 4(C) of GSTR-3B from April 23 to July 23 to be taken into consideration for the calculation of the ECRRS. Taxpayers must ensure that ITC claimed in tables 4(A) (1)-(4) w.r.t the import service, import of goods, Reverse charge, and ISD should be deducted from the 4(C) figures before considering it for calculation. Further taxpayers also must ensure that ITC pertaining to FY 2023-2024 only should form part of the 4(C) figures. ITC relating to FY 2022-23 must not be considered here.

**Ref. D –** Ineligible ITC(blocked under section 17(5), rule 42, and rule 43, etc.) that has been claimed in 4(A)5 and permanently reversed under table 4B(1) from Apr 23 to July 23 must be considered for the ECRRS. Such ITC must also be reflected in GSTR 2B Apr 23 to July 23.

**Ref. E** – ITC which was reflected in GSTR-2B of FY 2022-23 but not availed due to non-compliance with Section 16(4) and reversed in 4(B)2 in FY 22-23, but re-claimed under table 4(A)5 and disclosed in Table 4(D)1 from Aug-23 to Oct-23 GSTR-3B have to be taken into consideration for the calculation of ECRRS.

**Ref. F** – Disputable ITC/Under protest ITC(E.g. ITC which is disputed under the case law of M/s Safari Retreats Pvt Ltd[2029(25) G.S.T.L. 341(High Court-Orissa)]) which was claimed and reversed in previous GSTR 3Bs up to March 2023 must be considered for the above table.

**Ref. G** – ITC which was reversed before Apr 23 due to rule 37 (i.e. ITC in respect of creditors pending more than 180 days), rule 37 A (i.e. ITC claimed where the supplier has not discharged the taxes), import of goods must consider for the calculation of ECRRS in the above table.

#### **Navigation on GST portal:**

Login >> Report ITC Reversal Opening Balance.

or

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

#### **Situations & Solutions**

Below are the few situations where additional steps must be considered before the reporting of the opening balance of reversal to the ECRRS

##### **#1- Situation**

Details - Where the ITC has been reversed under table 4B(2) in FY 2022-23 but the same is identified as ineligible ITC later between Aug-23 to Oct-23 GST returns, how must we disclose this in ECRRS?

Solution - For such cases, the taxpayer has to add such ITCs to the opening balance of reversal assuming that the values were already reflected in GSTR 2B of FY 2022-23. Similarly added in the above ECRRS Statement Calculation table

Also, such values must be reclaimed under 4A(5) and 4D(1) and reversed under table 4B(1) in the upcoming GSTR-3B.

##### **#2- Situation**

Details - ITC appearing in GSTR-2B for the months of Apr-23 to Jul-23 but not availed due to non-satisfaction of conditions mentioned under section 16(2) of CGST act [invoice availability, receipt of goods, etc.], was claimed in 4(A)5 but not reversed under table 4B(2) in resp. months. Thereafter the same has been reversed under Table 4(B)2 between Aug 23 to Dec 23 in GSTR-3B.

Solution – For such cases, as the ECRRS statement auto-populates the data from table 4(B)2 August 2023 onwards, there is no requirement to display such values in the ECRRS statement. In upcoming GSTR 3B, the ITC can be reclaimed and disclosed under 4(D)1.

### **#3- Situation**

Details – Recently the GST Department has instructed a few of the taxpayers to add the ITC to their ECRRS in the portal which is appearing in their GSTR-2A/2B but had not availed in the GSTR-3B from the inception of the GST law, and the same has to be reclaimed under 4A(5) and permanently reversed under table 4B(1) in the upcoming GSTR-3B.

Solution:

#### **Option 1 –**

Get the letter in writing from the department saying that un-availed ITC from the inception has to be added to the opening balance of ECRRS. Calculate the same [GSTR 2A/2B (less) GSTR 3B for FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23] and add it to the ECRRS statement. Subsequently, reclaim it under 4A(5) reverse it under table 4B(1), and ensure the disclosure in 4(D)1 in GSTR-3B.

Where such intimation has not been received, the authors opine that there is no requirement to perform such reversals Suo-moto as ITC re-claimed for past periods could be disputed.

Note – ITC re-claimed for periods up to FY 2022-23, could be disputed as ineligible as per the timeline provided under Section 16(4) during departmental audits.

#### **Option 2 (recommended) –**

When the department does question the ineligible/unclaimed ITC to be added under permanent reversals in the upcoming GSTR 3B, it can be directly added in 4(A)5 and reversed under 4(B)1. No disclosure under ECRRS not 4(D)1 is required here.

There is a possibility that Form DRC-01C is received from the department due to GSTR-2B and 3B mismatch for that period then the same can be replied to by giving the above-specified reasons and attaching the letter in writing that is received from the department.

### **#Situation-04**

Details – ITC relating to FY 2022-23, which was reflected in GSTR 2B of FY 22-23, but not disclosed as the temporary reversal in FY 22-23, instead claimed for the first time under 4(A)5 in the tax period Aug-23 to Oct-23 by disclosing it under Table 4(A)5 and has no disclosure in Table 4(D)1.

Solution – For such cases, we need not make any adjustments in ECRRS as there were no temporary reversals earlier. This applies to taxpayers who did not follow the revised GSTR 3B disclosure format implemented from July 2022 onwards.

## **Conclusion**

The above calculation of ITC reversal is just recommendary in nature. However, the taxpayers have to calculate the same taking utmost care, because if in the future wherever the ECRRS statement becomes negative, the system may be automated to send out a notice to the taxpayer to either discharge the difference or provide reasons with proof for the variance. Although ECRRS is nowhere mentioned in the GST law therefore the notice for the same issued by the department is questionable.

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