

FAQs on Blocking of GSTR 3B – mismatches in ECRRS & RCM-ITC Ledger

For Part 1 refer - <https://hnallp.com/assets/articles/79e8d-gst-advisory-ecrrs-rcm-its-blocking-of-gstr-3b-part-1.pdf>

The recent GSTN Advisories are inextricably linked with the change in ITC disclosures formats, automated notices in Form DRC-01C, & Circular 170/2022.

GST Circular No. 170/02/2022-GST clarifies the correct manner of reporting Input Tax Credit (ITC) in Form GSTR-3B in Table 4.

GSTR-3B Table	Purpose	Explanation as per Circular 170
Table 4A - ITC Available	Gross reporting of ITC	This table captures the total ITC reflected in GSTR-2B, including both eligible and ineligible ITC.
Table 4B(1) - ITC reversed	Permanent reversals	To report absolute reversals of ITC such as blocked credit under Section 17(5), and reversals under Rules 38, 42, and 43. ITC reversed here cannot be reclaimed.
Table 4B(2) - ITC Reversed	Temporary reversals	ITC reversals which may be reclaimed later, such as reversal for non-payment to supplier within 180 days or other conditional reversals under Section 16.
Table 4C - Net ITC Available	Credit to Electronic Credit Ledger	The net eligible ITC, calculated as Table 4A minus Tables 4B(1) and 4B(2). Only this amount is credited to the Electronic Credit Ledger for utilisation.
Table 4D(1) - ITC reclaim	Reclaim or permanent reversal of ITC reversed in 4B(2)	To reclaim or reverse ITC which was reversed under 4B(2) in previous months.
Table 4D(2) - Ineligible ITC (Time-barred / POS error)	Disclosure of permanently ineligible ITC	Captures ITC that has become ineligible due to the time limit under Section 16(4) or due to place-of-supply errors (intra-State reported as inter-State).

ECRRS Illustration

Particulars	Month 1	Month 2
ECRRS op. bal	0	20
4A (Gross ITC as per GSTR-2B +4D1)	100	80
4B1 (Permanent Reverse)	20	10
4B2 (Temporary Reversal)	20	15
4C (Net ITC claimed)	60	55
4D1 - (ITC reclaimed)	0	10
ECRRS cl. bal	20	25

RCM liability/ITC statement Illustration

Particulars	Month 1	Month 2
RCM op. liab. bal	10	10
3.1.d - liability	50	80
4A2 & 4A3 - ITC	50	90
4B1	30	20
RCM cl. liab. bal	10	0

FAQ 1: Advisory applicability

Query: Is the GSTN advisory effective from the December 2025 return period?

Answer: A warning message is appearing in the Dec-25 return (*Refer the below attachment*). The specific tables in the GSTR 3B get highlighted in red. The system may be expected to block the filing of GSTR-3B filing if conditions are not met going forward.

▲ ITC reclaimed by you in Table 4D(1) is more than the available ITC Reversed including the reported/amended opening balance. Kindly report the correct values for proceeding further. ✕

▲ Input tax Credit taken in table 4(A)(2) and 4(A)(3) exceeds the liabilities declared in table 3.1(d) and closing balance of RCM Liability/ITC Statement which is CGST - Rs.0.00, SGST - Rs.0.00. ✕

FAQ 2: Interest and Late fee

Query: Will interest and late fee be applicable due to delay in filing GSTR 3B on account of such corrections?

Answer: Yes, as per Section 50(1) and Section 47(1) of CGST Act, interest and late fee shall be applicable for delay in filing of return.

FAQ 3: Negative liability impact on subsequent returns & Compliances

Query: Can the taxpayer file GSTR-1 & EWBs if GSTR-3B of previous month was not filed due to negative balances?

Answer: As per Rule 59(6), the registered person shall not be able to furnish GSTR-1 if he has not furnished GSTR-3B of previous month. Hence, only after filing of GSTR-3B (with appropriate rectifications) of previous month the taxpayer will be able to file GSTR-1. Under Rule 138E if GSTR-3B for 2 consecutive periods, the taxpayer cannot generate E-way bill.

FAQ 4: Applicability of blocking of GSTR-3B to an Input Service Distributor (ISD)

Query: Does this Advisory apply to Input Service Distributor?

Answer: No, ITC reclaim ledger and RCM liability statement validations apply to regular taxpayers and, not to the Input Service Distributor who files GSTR-6

FAQ 5: Applicability of blocking of GSTR-3B to a Composite taxpayer

Query: Does this advisory apply to a Composite taxpayer?

Answer: No, Composition taxpayer cannot claim ITC as per section 10(4). Hence ITC reclaim and RCM ITC validation do not apply.

FAQ 6: Is GSTN Advisory enforceable as per GST law?

Please refer GST Advisory ECRRS & RCM-ITC PART 2 (link above). Section 39 read in line with Circular 26/26/2017 allows for rectifications in the GST returns within the time limit. Recent judicial precedent where Rule 39(1)(a) which restricted ISD ITC claimed in the same month was ISD was said to be ultra-vires - *BirlaNu Ltd. v. Union of India & Ors Telangana High Court*.

Hindustan Construction Company Ltd.in Karnataka High Court - The Court observed that the right to correct clerical or arithmetical mistakes flows from the right to conduct business, and that limitations in the GST software cannot curtail that right.

ECRRS FAQs

FAQ 7: Excess ITC Reclaimed in Current Return

Query: The closing balance in the ITC Reclaim Ledger is ₹40,000 and ITC of ₹10,000 has been reversed in Table 4B(2) during the current period, making the total eligible ITC for reclaim ₹50,000. However, the taxpayer has reclaimed ₹55,000 in Table 4D(1), which exceeds the permissible limit.

Answer: The taxpayer must reduce the ITC reclaim in Table 4D(1) to ₹50,000 or less. If the excess reclaim is not corrected, the system will block the filing of GSTR-3B once the validation mechanism is implemented.

FAQ 8: Negative Balance in ITC Reclaim Ledger with No ITC Available

Query: The ITC Reclaim Ledger shows a negative closing balance of ₹20,000, indicating excess ITC was reclaimed in earlier periods, and no ITC is available in the current return period

Answer: The taxpayer must reverse ₹20,000 in Table 4B(2) of the current GSTR-3B. As no ITC is available, this amount will be added as a tax liability and must be paid in cash/credit to enable filing of the return.

FAQ 9: Negative ITC Reclaim Ledger with Partial ITC Available

Query: The ITC Reclaim Ledger reflects a negative balance of ₹30,000, while ITC of ₹18,000 is available in the current return period.

Answer: The taxpayer must reverse ₹18,000 through Table 4B(2) using the available ITC. The remaining balance of ₹12,000 will be added as a tax liability and must be paid in cash/credit.

FAQ 10: ITC reversed under 4B(1) inadvertently

Query: Suppose the eligible ITC was reversed under 4B(1) in GSTR-3B of previous month, instead of temporary reversal under table 4B(2). Can the taxpayer claim the ITC in the current period?

Answer: Disclosing such ITC reclaim in 4D(1), will result in erosion of ECRRS balance or negative balance leading to tax liability. If ITC is claimed without disclosing it in 4D(1) the taxpayer may get a DRC-01C automated notice due to difference in GSTR-2B and GSTR-3B, which may be suitably responded to.

*Note – Automated notice in form DRC-01C will be issued when - **the difference of more than 20% as well as more than INR 25 lakhs** for the purpose of intimation. [50th GST Council; item 3(viii) para 4.35 agreed]. To know more on Automated Notices - https://hnallp.com/assets/articles/c1d83-automated-notices-drc-01b-c_f.pdf*

FAQ 11: Reversal and reclaim of ITC on Import of Goods

Query: In a given tax period, a taxpayer's GSTR-2B reflects ₹50,000 as ITC on Import of Goods. Due to the non-receipt of the Bill of Entry (BoE) for a portion of the consignment, the taxpayer reported the full ₹50,000 in Table 4A(1) and subsequently reversed ₹20,000 under Table 4B(2) of GSTR-3B to maintain a temporary reversal. How can the taxpayer reclaim such ITC?

Answer: The taxpayer should have disclosed the ITC to the extent of actual claim, and the remaining ITC could be claimed in the subsequent periods. At the time of claiming of remaining ITC the taxpayer may get DRC-01C automated notice due to difference in GSTR-2B and GSTR-3B. (Refer FAQ 10)

FAQ 12: Lapsed ITC in ECRRS

Query: What will happen to the ITC lying in ECRRS which is lapsed as per the section 16(4) of CGST Act?

Answer: The ITC which has lapsed in accordance with the time limit of 30th November of subsequent year under section 16(4) of CGST Act which is lying in ECRRS, the same should be re-claimed and permanently reversed in GSTR-3B under 4B(1) in line with the Circular 170, since such ITC is no longer eligible for availment or utilization. *(Although, time limit applicability on ITC re-claim is disputable)*

The taxpayer must also ensure that the balance in the ECRRS does not become negative.

FAQ 13: Negative Balance Arising from ITC Reversal on Department's Demand

Query: The department demanded reversal of past period unclaimed ITC, the taxpayer without proper verification reversed the ITC resulting in negative ECRRS balance. What should be done in this situation?

Answer: The negative balance in ECRRS could block the filing of return. To enable filing the taxpayer will have to reverse the ITC in 4B(2) to the extent of the negative balance and set off with electronic credit ledger or discharge the liability in cash. Alternatively, based on past computations may understand reasons for negative value and consider adjustments in 4.A.5 & 4.B.2 to such extent. Taxpayer may get DRC-01C automated notice due to difference in GSTR-2B and GSTR-3B.

Note – Automated notice in form DRC-01C – refer FAQ 10.

FAQ 14: ITC reclaimed Twice

Query: The taxpayer has disclosed ITC of ₹ 5,000 twice while disclosing it in 4D(1) as re-claimed ITC, which has resulted in incorrect closing balance in ECRRS.

Answer: The taxpayer can rectify the duplicate ITC reclaim disclosure in the subsequent GSTR-3B by disclosing ₹5,000 in Table 4B(2) or modifying the present 4D(1) [positive value only]. This adjustment ensures that the ECRRS closing balance aligns with the taxpayer's reconciliations and that the returns are accurately filed.

Note - Modifications of subsequent month returns are allowed within time limits of 30th November of next financial year in line with Circular 26/26/2017-GST.

FAQ 15: Adjustment of Excess ITC Reclaimed through Form DRC-03

Query: Can excess ITC that has been wrongly or in excess reclaimed be adjusted or paid back through Form GST DRC-03?

Answer: Where the error is identified within the time limit to make corrections, they may be routed through GSTR-3B. Payment through DRC-03 will not enable filing of return in case of negative balances or any mismatch.

Note - Where ITC was reversed through DRC-03 and the balance remains in the ECRRS ledger, there is no facility presently which could rectify the ECRRS balance beyond the GSTR 3B returns.

FAQ 16: ITC re-claim missed inadvertently

Query: Suppose the taxpayer has reported ₹30,000 in 4D(1) but has missed to claim the same in 4A(5).

Answer: The taxpayer can reclaim the ITC in subsequent month in 4A(5) without disclosing it in 4D(1). The correction may be made in line with *Circular 26/26/2017-GST*.

FAQ 17: Impact of IMS on ECRRS

Query: Whether the ITC kept as 'pending' in the IMS dashboard is required to be reversed under Table 4B(2) of GSTR-3B?

Answer: The ITC which is kept as pending in the IMS dashboard should not be reversed under Table 4B(2) of GSTR-3B. Such pending ITC is neither ineligible nor reversed and does not reflect in GSTR-2B, it remains unclaimed and can be availed in a subsequent return once it is accepted.

FAQ 18: Reporting of CESS ITC reversal

Query: The taxpayer had reversed IGST under 4B(2), however the corresponding CESS was not reversed. If the taxpayer is now required to reverse such ITC under 4B(1), how should this reversal be appropriately disclosed in the return?

Answer: The CESS which was not temporarily reversed earlier, may be directly disclosed under 4A(5), while the IGST additionally may be routed through 4D(1). The taxpayer may get a DRC-01C automated notice due to difference in GSTR-2B and GSTR-3B, which may be suitably responded to.

Note – Automated notice in form DRC-01C – refer FAQ 10.

FAQ 19: Negative balance due to Credit note reversal

Query: The ECRRS reflects a negative balance on account of credit notes reversed in earlier tax periods. How should such credit notes be reported to enable filing of the return?

Answer: The credit notes should be added to 4A(5) and should be subsequently shown in 4B(2) to enable filing of return. In case of issuance of DRC-01C notice, the registered person may respond by appropriately explaining the circumstances.

Additionally, the taxpayer may furnish a suitable clarification while taking action against the credit notes in the IMS module in GST portal. [applicable from 1st October 2025]

RCM-ITC FAQs

FAQ 20: Excess RCM ITC Claimed in Current Return

Query: The closing balance in the RCM Liability/ITC Statement is ₹25,000 and RCM liability of ₹15,000 has been paid in Table 3.1(d) during the current period, allowing a maximum RCM ITC of ₹40,000. However, the taxpayer has claimed ₹45,000 as RCM ITC in Table 4A(2) and/or 4A(3).

Answer: The taxpayer must restrict the RCM ITC claim to ₹40,000 or less. If the excess claim is not reduced, GSTR-3B filing will not be allowed.

FAQ 21: Negative Balance in RCM Liability/ITC Statement

Query: The RCM Liability/ITC Statement shows a negative closing balance of ₹10,000 due to excess RCM ITC claimed in earlier periods/short RCM liability paid in past periods.

Answer: The taxpayer may either pay additional RCM liability of ₹10,000 in Table 3.1(d) or reduce the RCM ITC claimed in Table 4A(2) or Table 4A(3) by ₹10,000. Once either correction is made along with requisite payment of tax, filing of GSTR-3B will be permitted.

FAQ 22: Partial Adjustment of Negative RCM Balance

Query: The RCM Ledger has a negative balance of ₹12,000 (excess ITC claimed), while only ₹7,000 of RCM ITC is available for adjustment in the current period.

Answer: The taxpayer must reduce the RCM ITC claim by ₹12,000 in Table 4A(2) or 4A(3) which would reduce the ITC claim for the month/lead to additional tax liability where net ITC is negative.

Note – T4A(2) & T4A(3) of Form GSTR 3B, negative values are allowed.

FAQ 23: RCM discharged in previous months

Query: If RCM was discharged in the previous months can the taxpayer claim it in the current month?

Answer: The RCM liability paid will reflect in the opening balance of RCM liability statement and the taxpayer can claim it under 4A(2) or 4A(3) in the current month.

FAQ 24: RCM paid through DRC-03

Query: Can the taxpayer claim ITC on RCM paid through DRC-03?

Answer: Assuming that the ITC is eligible, the taxpayer can claim ITC, however since the same does not reflect in RCM liability statement nor does it display in 3.1(d) of current month GSTR 3B. The portal will block the filing of GSTR-3B.

Taxpayer may consider disclosing such ITC under 4A(5) 'all other ITC' with corresponding grievance raised and communication with GST dept. Possibility of automated notice under DRC-01C may be expected. *[this solution is disputable and can be challenged]*

FAQ 25: Disclosure of RCM ineligible ITC

Query: The RCM liability of ₹40,000 for the current month, of which ₹2,000 is ineligible. How should this liability be disclosed in GSTR-3B?

Answer: The taxpayer shall disclose the ₹40,000 In table 4A(2) or 4A(3) and reverse the ineligible portion under 4B(1). Alternatively, the taxpayer can disclose ₹38,000 in 4A(2) or 4A(3), the remaining portion of ₹2,000 ineligible ITC would remain in the RCM liability ledger.

FAQ 26: Negative RCM liability balance along with nil GSTR-3B

Query: In the current tax period, the taxpayer is required to file a Nil GSTR-3B. However, there is a negative balance in RCM liability statement carried forward from the previous period.

Answer: The taxpayer will not be able to file a Nil GSTR-3B due to the negative balance in the RCM liability statement. In order to enable filing of the return in the GST portal, the taxpayer is required to report an RCM liability of ₹5,000 under Table 3.1(d) of GSTR-3B and pay the liability in cash.

FAQ 27: Reclaiming of ITC on RCM

Query: The taxpayer wants to claim ITC on RCM after two months; hence he reverses the ITC under 4B(2). Should the taxpayer report such ITC in 4A(2)/4A(3) or 4A(5) while reclaiming?

Answer: if the taxpayer reports such ITC under 4A(2)/4A(3) the RCM Liability statement will result in negative balance blocking the filing of GSTR-3B, if he discloses such ITC under 4A(5) the system will enable filing of return. Going forward if the taxpayer wants to follow such practice of claiming ITC on RCM in subsequent months, it is suggested not to disclose ITC unless it is being claimed. When the credit is claimed, the full eligible ITC should be disclosed in Table 4A(2)/4A(3).

Conclusion: The changes in the GST portal aim to enforce compliance by bringing in various restrictions linked to checks and balances. It is a given that going forward a taxpayer must have clear reconciliations with books of accounts, GSTR 2B, etc. and implement a maker-checker model to ensure smooth and accurate filing of returns.

It is pertinent to note that changes made in GSTR 3B returns on account of rectifications / corrections are not clearly clarified in law. It is suggested to maintain invoice level information and details of adjustments made which could be clarified during dept. audit/notices & demands.

Various solutions have been provided considering risks involved, professional assistance is recommended to ensure 360° compliance.

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