

GST Portal Changes – Electronic Credit Reversal and Re-claimed Statement

CA Shilpi Jain

CA Akshay Hiregange

Oct '23

GST is well known for its frequent amendments, leaving the businessman always guessing what has changed and what implications it has for his business. These amendments are relating, not only to the legal text of the act or the rules or the notifications, but are changes happening in the GST portal¹ as well, which is the window provided for making compliances w.r.t. GST.

Last few months of a calendar year is generally the busiest season of compliance in India. During this time businesses are focused on filing income tax returns and reports, finishing compliances related to transfer pricing, then moving towards annual return and reconciliation statement compliances under GST and not forgetting the additional focus required this year in replying the various notices issued under GST from various Authorities, along with any other internal business requirements like quarterly MIS, half yearly book closures, monthly return filing, monthly TDS payments, financial reporting for the calendar year, and the list goes on.

Amidst all of this, the GST portal is requiring the taxpayers to fill in the **Electronic Credit Reversal and Re-claimed Statement**. In this article we will be focusing on understanding this statement and how one can go about filling the same.

Q1. Where to find this statement?

This can be accessed at the GST portal in the path mentioned below:

Login >> Report ITC Reversal Opening Balance.

or

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

Q2. Why to fill this statement i.e. what is the purpose?

During the month of July 2022, the CBIC had come up with a notification² and a circular³ requiring taxpayers to make certain additional disclosures in form GSTR 3B, more specifically with respect to reporting of input tax credits (ITC) availed and reversed. This requirement was to disclose the ITC as appearing in Form GSTR 2B and then **disclosing explicitly the reversals** that are made from this ITC to arrive at the net eligible credit.

This was required to be done in the backdrop that non-disclosure of the credit reversals by most of the taxpayers affected the States' GST revenues.

However, prior to Jul '22 most of the taxpayers proceeded to claim the net ITC eligible without disclosing explicitly the reversals, specially for the blocked credit, other ineligible credit, etc.

¹ <https://www.gst.gov.in/>

² Notification No. 14/2022 – Central Tax dated 05th July, 2022

³ Circular No. 170/02/2022-GST, dated 6th July, 2022

As per this new disclosure requirement a taxpayer is required to show the credit reversals under 2 bifurcations in Form GSTR 3B - temporary reversals (table 4B(2)) and permanent reversals (table 4B(1)).

Generally, credit reversals could be for any of the following reasons:

- a. Blocked ITC under the GST law, like ITC on food, beverages, health insurance, goods given away as gift, etc., or
- b. Non-receipt of goods, or
- c. Non-payment to the supplier within 180 days, etc.
- d. Cases where ITC appearing in GSTR 2B but vendor has not filed GSTR 3B of that period by September of the following FY, etc.

ITC which the taxpayer wishes to or would be eligible to **re-claim in future** should be disclosed as a **temporary reversal** (table 4B(2)) in Form GSTR 3B. In future when the conditions for re-claiming the temporarily reversed credit are satisfied, the taxpayer is allowed to reclaim this credit in GSTR 3B filed.

This ITC when re-claimed in future in GSTR 3B (in table 4A(5)) is also required to be disclosed separately in the said return (table 4D(1)).

Say, a taxpayer had **not availed ITC** w.r.t. to an invoice dated Jun '22 which appeared in GSTR 2B of that month since the goods were not yet received. The taxpayer can re-claim the said credit up to 30th Nov '23, provided the goods and the invoice are received. This credit when re-claimed, will have to be disclosed in GSTR-3B in table 4D(1) also.

Thus, even though the ITC w.r.t. the said invoice was not disclosed as a reversal explicitly in the GSTR-3B in Jun '22, subsequent re-claim can be done when all the requisite conditions are satisfied.

Like these, there could be many more ITC pertaining to the past period which a taxpayer may be availing now. Presently the department is not able to verify how much is the amount of such credit and what is the authenticity of such credit availed and disclosed in table 4D(1) in form GSTR 3B.

This is the reason why this statement is being introduced in the portal, which will enable the department to get a flag in case the taxpayer tries to avail ITC disclosed in table 4D(1), in excess of ITC reversed in the past GSTR 3B.

Q3. Is it mandatory to fill this statement?

Presently there is no provision under the GST law i.e. the Act or Rules or notification requiring to submit this information. Technically this is not mandatory to be filled.

However, in case this statement is not filled, the portal could consider that there is no ITC which has been reversed in the past which the taxpayer wishes to re-claim in future. In such a scenario, if subsequently the taxpayer claims any ITC relating to the past tax periods, the portal could consider it as an exception and flag it in the system, which could lead to issuance of form ASMT-10 or any other communication from the department, requiring response from taxpayer.

Q4. What figures are to be filled in this statement?

The objective of filling this statement is that any re-claim of ITC in future GSTR 3B by disclosing in table 4D(1) should not exceed the amount disclosed in this statement.

Hence, any credit

- a. Which was appearing in Form GSTR 2B,
- b. **But** not availed by the taxpayer in his corresponding GSTR 3B,
- c. **And** which can become eligible in future and thereby there is a possibility of availing such ITC in future GSTR 3B, **should be disclosed in this statement.**

Examples of this could be:

- a. Eligible ITC relating to invoices where goods have not been received i.e. say invoice of vendor dated 28th Jun whereas goods received on 2nd Oct,
- b. Eligible ITC relating to invoice of previous financial year i.e. FY 22-23 which had appeared in GSTR 2B but not availed due to any reason, which can be availed in GSTR 3B filed up to 30th Nov '23,
- c. Eligible ITC relating to invoices in respect of which payment to vendor has not been made within 180 days and thereby credit required to be reversed,
- d. Doubtful credits which were availed earlier and reversed (under protest), example credit on inputs and input services used in construction of any immovable property which is leased (decision pending before SC in the case of M/s. Safari Retreats P. Ltd.),
- e. Any other past ITC which was reversed under protest and the taxpayer has a chance to claim it in future (example: rule 42 or 43 reversal done under protest), etc.
- f. IGST charged in Bill of entry in case of import of goods which were missed to be availed earlier.

It is suggested to sum up all these ITC and disclose in the statement. Break-up of this amount should be kept in working files, in case required to substantiate in future.

Q5. If there is some ITC of FY22-23 which can be re-availed in future but has not been explicitly reversed in earlier GSTR-3B, can this also be reported in the statement?

Yes, the aspects to note while reporting the opening balance of ITC in this statement is that,

- a. It should be an ITC which has appeared in GSTR-2B already, and
- b. There is a slightest possibility to claim it in future.

For example, if for the month of Jun '22 for a taxpayer

- a. ITC in GSTR 2B = Rs. 50 lakhs
- b. ITC not eligible from above, due to no receipt of goods = Rs. 10 lakhs
- c. ITC claimed in GSTR 3B = Rs. 40 lakhs, and
- d. Taxpayer has not shown Rs. 10 lakhs as reversal but he has taken net eligible ITC as Rs. 40 lakhs directly,

In such scenario also, where ITC reversal of Rs. 10 lakhs was not explicitly disclosed in GSTR 3B, it should still be part of the opening balance in the statement since it is claimable as eligible ITC in future.

Q6. Credit reversed up to which period should be considered for reporting in the statement?

In case of:

- a. **Monthly filers** – ITC reversed up to **Jul '23 GSTR-3B** should be cumulated and reported, and
- b. **Quarterly filers** - ITC reversed up to **Apr - Jun '23 GSTR-3B** should be cumulated and reported.

As mentioned in above query, it should also include an eligible credit which has not been availed and thereby not explicitly disclosed as reversal in the GSTR 3B.

Q7. What happens if I disclose a very huge amount in this statement without having any back up?

Ideally there should not be any issue with this since the ITC disclosed in this statement will not reflect in the Electronic credit ledger in the portal. Also, it is not compulsory that all the opening balance which is disclosed in this statement should be re-claimed in any of the future returns.

Option of amendment up to 31st December is also available.

Q8. If any ITC disclosed in the statement as opening balance and subsequently claimed in GSTR 3B, does it mean that the department will not question the validity of the credit re-claimed?

No. The department has all the right to check the validity of the ITC when claimed in the future returns even if it has been disclosed in this statement. Any re-claim of ITC, the taxpayer will have to substantiate its eligibility as per the provisions of the law.

Q9. Is there a due date to fill this statement?

Yes. It has to be filled by 30th Nov '23.

Q10. Can it be amended?

Yes. Amendment can be done up to 31st Dec '23. So one can fill the statement on 1st Nov '23 and amend it even before 1st Dec '23. However, amendment can be only done 3 times.

Q 11. What happens in case the statement is not filled?

In case not filled, it will be regarded that there is no opening balance of ITC for reclaim. Also, since no figure was reported up to 30 Nov '23, no facility of amendment will be provided to these taxpayers.

Hence, it is suggested that at least some figure is filled in this statement by 30th Nov '23 (even if inaccurate) so that the taxpayer will have a chance to subsequently check the figure and amend up to 31 Dec '23, if required.

Q 12. If I am filling the statement in Nov '23, should I consider the reversals of ITC done up to the Oct '23 GSTR-3B?

No. As mentioned in Q6 above, monthly filers are required to report reversals up to Jul '23 and quarterly filers to report reversals up to Apr-Jun '23. This should be only those ITC which have a chance of being re-claimed as ITC in the GSTR 3B filed after these periods. The date of filling the statement is not relevant to decide which ITC is to be disclosed as opening balance in the statement.

Q 13. I have already filed GSTR 3B of Sep '23 in which I have re-claimed ITC amounting to Rs. 10 lakhs pertaining to an invoice which had appeared in GSTR 2B of Jul'23. Should this be reported in opening balance of this statement which I will fill on 30th Nov '23?

Yes. For monthly filers, all eligible ITC which was not claimed in GSTR 3B up to Jul '23 should be reported in this statement. Thereby, even though the said ITC was already claimed before filling the statement, it will form part of opening balance since it pertains to a period up to Jul '23.

Q 14. Do we have to consider the ITC reversals from FY 2017-18, or only ITC reversed in FY 23-24 has to be considered for the purposes of filling this statement?

Eligible ITC reversed in any past period can be considered in this statement provided it is claimable in the GSTR-3B from Aug '23 (for monthly filers) or Jul - Sep '23 GSTR 3B (quarterly filers). So any credit pertaining to earlier financial years for which the time limit to claim the credit has lapsed, should not form part of this statement.

Q 15. I had reversed ITC in FY 20-21. Can I consider this ITC also as part of opening balance?

It can be disclosed in the statement provided it is eligible to be claimed in future. For example, if the reversal was done due to non-payment to vendor within 180 days, then this ITC is claimable in future and thereby should be reported in the statement.

However, if it is an ITC which cannot be re-claimed since it is ineligible or for any other reason, it should NOT form part of this statement.

Q 16. I had availed a credit in Apr '23 and subsequently permanently reversed it by disclosing it in table 4B(2) in Jun '23 GSTR 3B. Would this form part of the opening balance in the statement?

Since this is a credit which is not eligible and had been reversed in table 4B(2) in GSTR 3B of a month prior to Aug '23, this will not form part of the statement.

Q 17. Every year this statement has to be filled by the taxpayer?

Seems unlikely. Once filled, the portal will then accumulate ITC which has been reported in table 4B(2) by the taxpayer in the subsequent GSTR 3Bs.

Though, this looks like a simple statement to be filled, there may be many more questions that may arise while practically trying to fill it. The above are only a few queries which we have tried to address. We have though tried to put the principle across to help taxpayers to fill this statement, which is, any credit which has the slightest chance of being re-claimed from the Aug '23 GSTR 3B (for monthly filers) and Jul to Sep '23 GSTR 3B (for quarterly filers), should form part of the reclaim statement.

The views expressed are strictly personal and cannot be regarded as an opinion. For any queries or feedback please write to shilpijain@hnaindia.com or akshay@hnaindia.com