

SKKA IDT ALERT

22/2022 dt 14th Jul 2022

CHANGES IN FORM GSTR 3B, AS BOUGHT IN BY NOTIFICATION NO. 14/2022-CENTRAL TAX DATED 5TH July 2022.

KEY HIGHLIGHTS

- Addition of new table 3.1.1 in GSTR 3B – for disclosure of Supplies notified u/s 9(5) of CGST Act, 2017 and corresponding provisions in IGST/UTGST/SGST Acts.
- Emphasis has again been given to filling of table 3.2 of GSTR 3B by the taxpayers so that tax is duly appropriated between states, as per the principles of destination-based taxation system.
- Changes has been made in Table 4C of Form GSTR 3B to enable the disclosure of permanent and non-permanent reversals of ITC separately.
- Changes has been made in Table 4D of form GSTR 3B to incorporate a separate disclosure of ITC re-availed Which Was reversed in earlier tax period.

INTRODUCTION

Form GSTR 3B amongst other Forms and Returns under GST, is one of the important Form which enables the taxpayers to disclose its liability to be discharged and ITC to be availed under one window, thereby facilitating the computation and payment of net Tax liability of the taxpayer on the monthly basis. Apart from this Form GSTR 3B has also got several disclosure requirements.

Since such disclosures do not impact the computation of tax liability of the taxpayers, with due time it was observed that the same was either not disclosed, or erroneously disclosed. Thus, with the dual purpose of incorporating the new law in Form GSTR 3B and highlighting the necessity of the disclosure in the said form, Changes has been bought in **form GSTR 3B w.e.f 5th of July 2022 vide Notification 14-2022- CGST along with clarity provided through Circular No. 170/02/2022-GST dated 6th July 2022.**

We at SKKA are highlighting the key Changes proposed by the GST council via the said notification and Circular in this alert.

Addition of Table 3.1.1 – “Details of Supplies notified under section 9(5) of the CGST Act, 2017 and corresponding provisions in IGST/UTGST/SGST Acts”:

A much-required relief to the Electronic Commerce operators (“ECOs”) has been provided by way of amending the Form GSTR-3B to include a specific table 3.1.1 i.e., “Details of Supplies notified under section 9(5) of the CGST Act, 2017 and corresponding provisions in IGST/UTGST/SGST Act”. It is to be Noted that earlier the same supplies were Disclosed by the ECO’s in table 3.1 A of GSTR 3b. whereas, registered taxpayers making Supplies through E commerce operators were required to Disclose the same in Table 3.1 C of

GSTR 3b. to facilitate such changes it has been specifically provided through notification that table 3.1.D will now be read as **“Inward supplies (liable to reverse charge) (other than those covered in 3.1.1)”**, i.e. the said table will not include the value of taxable supplies in which the e- commerce operator is supposed to pay tax on reverse charge basis.

Let us have a comparative Analysis of the changes with the corresponding disclosures in Old GSTR 3B.

Before Change	After Change	SKKA Remarks
<p>For: E- commerce Operator:</p> <p>Previously, Circular No. 167/23/2021-GST dated 17.12.2021 was issued to clarify that the ECOs may report such supplies provided through them as outward taxable supplies in table 3.1.A namely, “Outward Taxable supplies (other than zero rated, Nil rated, Exempt)” of GSTR 3B and table 4 or 7 in GSTR 1</p>	<p>For: E- commerce Operator:</p> <p>Now it has been Clarified that the ECO’s will Have to disclose the supplies made by them in a separate table called table 3.1.1(i) of GSTR 3b namely, “taxable Supplies on which electronic commerce pays tax under Subsection (5) of Section 9</p> <p>[to be furnished by Electronic Commerce Operators]”</p>	<p><i>With this, the haphazard way industry was forced to disclose the supplies covered under Section 9(5) of the CGST Act in GSTR 3B comes to an end and the disclosure to be made by the ECOs and corresponding suppliers have been streamlined to put an end to all the confusion and misreporting being done due to lack of appropriate fields.</i></p> <p><i>However, GSTR 1 disclosure-For suppliers through ECO remains unclear. Ideally, suggest disclosing under exempt supply (table 8) in GSTR 1, and manually edit details in GSTR 3B from table 3.1.c to 3.1.1(ii). Clarification from department may be expected.</i></p>
<p>For: Person making supplies through E-commerce Operator:</p> <p>Circular No. 167/23/2021-GST dated 17.12.2021 instructed them to disclose such supplies in Table 8 (exempt, nil and non-GST supplies) in GSTR-1 and correspondingly disclose the same in Table 3.1(c) of GSTR-3B namely, “Other outward supplies (nil rated, exempted)”</p>	<p>For: Person making supplies through E- commerce Operator:</p> <p>Now it has been Clarified that the such persons will have to disclose the supplies made by them in a separate table called table 3.1.1(ii) of GSTR 3b namely, “taxable supplies Made by a registered persons through an e Commerce operator, on which an e- Commerce operator is required to Pay tax under sub section (5) of Section 9.</p> <p>[to be furnished by Registered persons making Supplies through Electronic Commerce Operators]”</p>	

Following is the proposed Format of table 3.1.1

3.1.1 Details of supplies notified under sub-section (5) of Section 9 of the Central Goods and Services Tax Act, 2017 and corresponding provisions in Integrated Goods and Services Tax Act/Union territories Goods and Services Tax Act/State Goods and Services Tax Act

Nature of Supplies	Total Taxable Value	Integrated Tax	Central tax	StateTax	Cess
1	2	3	4	5	6
(i) Taxable supplies on which electronic commerce operator pays tax under sub-section (5) of section 9 [to be furnished by the electronic commerce operator]	<Value>	<Value>	<Value>	<Value>	<Value>
(ii) Taxable supplies made by the registered person through electronic commerce operator, on which electronic commerce operator is required to pay tax under sub-section (5) of section 9 [to be furnished by the registered person making supplies through electronic commerce operator]	<Value>				

Reporting figures in Table 3.2 – “Of the supplies shown in 3.1(a) and 3.1.1(i) above, details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders”

Emphasis has again been made on disclosure of proper figures in Table 3.2 of GSTR-3B i.e., inter State supplies made to unregistered persons, composition taxable persons and UIN holders to ensure correct accounting and accurate settlement of funds between the State and the central government. Clarity has again been given that irrespective of the disclosure of such supplies in Table 3.1, they are again to be reported in Table 3.2 as this is the basis of settlement of funds between Center and State.

It is further clarified that details of the said table will be auto populated from Form GSTR 1 duly filed. The taxpayer is required to only validate the same so as to ensure that the true and correct disclosure of all such supplies after incorporating changes/ amendments of any such supplies made in any prior period is duly reported in Form GSTR 3b.

SKKA Remarks:

From the taxpayer perspective, there is little or no difference if the information in Table 3.2 is not furnished. Tax payable is linked to Table 3.1 with Table 3.2 merely being disclosure of additional information. Further, supplies to unregistered persons are already being disclosed in GSTR-1 in B2C supplies table and is being auto populated in GSTR-3B from this table. But the same will have a huge impact in streamlining the process of appropriation of tax between the states, following the principle of destination-based taxation system.

Table 4A – “ITC available, whether in part or in full”

After the introduction of GSTR-2B and auto population of figures in GSTR-3B, there has been greater accountability on the taxpayer to ensure that ITC has been claimed only for those invoices which are furnished by suppliers in their GSTR-1. However, there were additional associated challenges faced by the trade, such as time gap in claiming ITC (goods in transit, goods in quality control, delays in accounting etc.) resulting in spike or reduction in claim of ITC compared to the amounts available in GSTR-2B, especially when comparison were made for individual months. Also, lack of complete clarification of disclosures to be made led to varied disclosure practices being followed across India, defeating the purpose of streamlining GST

To streamline the disclosures in GSTR-3B across the nation, some changes in the Form have been introduced w.e.f 5th July 2022 vide NN 14/2022-CT along with clarity provided through Circular No. 170/02/2022-GST dated 6th July 2022

Let us take a brief Overview of the changes made in Table 4 of for GSTR 3B in A Past V/s Present Analysis: -

Table 4A(5)- All Other ITC

Before Change	After Change
Prior to the circular only ITC Which Was eligible was disclosed in table 4A (5) of GSTR 3B by the taxpayers after deducting any ineligible ITC be it due to Subsection (5) of Section 17 of due to any other reason.	<p>Now, table 4A (5)- All Other ITC will be auto populated form GSTR 2B and will include all ITC , eligible or ineligible, except</p> <ul style="list-style-type: none"> • ineligible ITC Due to difference in Place of Supply • ITC that is not available to the registered person either on account of limitation of time. <p>As the same will have to be separately reversed in pard 4B of GSTR 3b.</p> <p>Additionally, table 4A will also include re-claimed which was reversed in any prior period.</p>

Table 4B – “ITC Reversed”

Before Change	After Change
<p>Prior to the circular table 4B was divided into two parts:</p> <ul style="list-style-type: none"> Part(1)- “as per rule 42 and 43 of CGST rules”- where the taxpayers were supposed to disclose the reversals done in a tax period of common input and input services to the extent used for making Exempt supplies, and ITC used for non-Business purposes Part(2)-“Others”-here the tax payer was supposed to disclose any other reversals other than the one done in part (1) of table 4 as above 	<p>Now table 4B will have the following subparts:</p> <ul style="list-style-type: none"> Part (1)- “As per rules 38, 42 & 43 of CGST Rules and section 17(5)” – Now the taxpayer will have to disclose all the “Permanent Reversals” i.e. reversals whose ITC will not be reclaimed in the next tax period, in this part. These would Include reversal of- <ul style="list-style-type: none"> (i) Blocked Credit u/s 17(5) (ii) Common input and input services to the extent used for making Exempt supplies, and ITC used for non-Business purposes and making Exempt Supplies (iii) Reversals of ITC by banking companies and other NBFC’s as per Rule 38 of CGST Rules. Part (2)- “Others” – it is thus clarified that this part of the table will be used by the taxpayers to disclose any reversals which are non-permanent in nature, which would specifically include reversal of- <ul style="list-style-type: none"> (i) u/r 37 i.e. Non-payment to supplier within 180 days of date of invoice (ii) U/16(2)(a)-Where invoice or debit note is not received by the recipient. (iii) U/16(2)(b)- Where goods or services have not been received by the recipient. (iv) U/16(2)(c)- Where tax has not been paid to the Government

Table 4D – “Other details”

Before Change	After Change
<p>Prior to the circular table 4D- “Ineligible ITC” consisted of two Disclosures which had no impact on the computation of liability:</p> <ul style="list-style-type: none"> Part (1)- “As per section 17(5)”-here all the Ineligible ITC as blocked u/s 17(5) was disclosed. Part (2)- “Others”-this part had a wide scope as here the taxpayer was supposed to disclose any other Ineligible ITC under any other provisions other than U/s 17 (5). 	<p>Now table 4D will have Altogether different disclosures, namely:</p> <ul style="list-style-type: none"> Part (1)- “ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period”- Any ITC which was reversed in Table 4B (2) in earlier months, being temporary in nature reversal and is being claimed in the GSTR-3B of current month upon fulfilment of conditions are required to be disclosed here. Part (2)- “Ineligible ITC under section 16(4) & ITC restricted due to PoS rules” -Ineligible ITC which is reflected in GSTR-2B i.e., ITC ineligible u/s 16(4) and intra State supplies where recipient is located in State / UT other than that of suppliers will now be disclosed here.

SKKA Remarks:

- ✚ A major change brought in in table 4A and 4B is the disclosure of Ineligible ITC as u/s 17(5) of CGST Act. Earlier the same was disclosed in table 4D “Ineligible ITC” of GSTR 3B which had no impact on the computation of tax liability in part C of table 4. This made the taxpayer casual about the disclosure of Ineligible ITC. Now, the taxpayer will have to disclose all the ITC (whether Eligible or Ineligible) in part A of table 4. From which the Ineligible portion will be separately disclosed in part 4B of the table making it mandatory for them to account for the blocked credits u/s 17(5) in their returns.
- ✚ Again, a complete of ITC Availed in GSTR 2B whether eligible / ineligible will auto populate in table 4A of GSTR 3B. Additionally, it would include any ITC reclaimed from the one reversed in part 4B (2) ie. Reversals which are non-permanent in nature, in any previous months. And such reclaimed ITC will again be disclosed in Part 4D (1) in the same return. This is again a much-needed change which will solve the dual purpose of proper accountability of ITC availed by an assessee, for the revenue and seamless flow of credit for the assessee.
- ✚ The name and purpose of table 4D of GSTR 3b has also been changed from “Ineligible ITC” to “Other details”, the sole purpose of the same can be inferred to be the reconciliation of the ITC as per books with the ITC As per GSTR 2B.
- ✚ It is worth mentioning that though the above-mentioned changes in table 4 of GSTR 3b will establish a dual tracking system for the revenue as well as the taxpayer but at the same time, it will add an extra burden on the taxpayer, as now they will have to keep a track of permanent and temporary reversals also. **Medium and small-scale industries who may not presently have robust automated internal systems for accounting and reconciliation will face issues in appropriate disclosures in GSTR 3B and are expected to attract departmental interventions.** It is to be noted that although the Rules have been amended, no corresponding change has been made on the portal. It would be interesting to see when the portal is updated to incorporate these changes.

The following is the proposed format of table 4 of GSTR 3b:

Details	Integrated Tax	Central Tax	State/ UT Tax	Cess
1	2	3	4	5
(A) ITC Available (whether in full or part)				
(1) Import of goods	<Value>			
(2) Import of services	<Value>			
(3) Inward supplies liable to reverse charge (other than 1 & 2 above)	<Value>	<Value>	<Value>	<Value>
(4) Inward supplies from ISD	<Value>	<Value>	<Value>	<Value>
(5) All other ITC	<Value>	<Value>	<Value>	<Value>
(B) ITC Reversed				
(1) As per rules 42 & 43 of CGST Rules As per rules 38, 42 and 43 of CGST Rules and sub-section (5) of section 17	<Value>	<Value>	<Value>	<Value>
(2) Others	<Value>	<Value>	<Value>	<Value>

(C) Net ITC Available (A) –(B)	<Value>	<Value>	<Value>	<Value>
(D) Ineligible ITC Other Details				
(1) As per section 17(5) ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period	<Value>	<Value>	<Value>	<Value>
(2) Others Ineligible ITC under section 16(4) and ITC restricted due to Place of Supply provisions	<Value>	<Value>	<Value>	<Value>

Authored By Ms. Barsha Agarwal with inputs from Adv (CA) Ankit Kanodia

CONNECT WITH US

39A, Jorapukur Square Lane(Behind Girish Park),

Room # 202, Kolkata- 700006, WB, INDIA

T | 033-7960-9924

E | info@skkassociates.com

W | www.skkassociates.com

Advocate Ankit Kanodia

LLM, LLB, FCA, CS, B.Com(H), CIDT- ICAI

Indirect Tax Litigation & Consultancy

39A, Jorapukur Square Lane(Behind Girish Park),

Room # 205, Kolkata- 700006, WB, INDIA.

T | 098315 43580

E | ankit@advocateak.com

W | www.advocateak.com

