Circular No. 170/02/2022-GST

F.No. CBIC-20001/2/2022-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
GST Policy Wing

New Delhi, Dated the 6th July, 2022

To,

The Principal Chief Commissioners/Chief Commissioners/Principal Commissioners/ Commissioners of Central Tax (All)
The Principal Directors General/Directors General (All)

Madam/Sir,

Subject: 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.

The process of return filing has been simplified over a period of time. With effect from December 2020, **FORM GSTR-3B** is getting auto-generated on the portal by way of auto-population of input tax credit (ITC) from **FORM GSTR-2B** (auto-generated inward supply statement) and auto-population of liabilities from **FORM GSTR-1** (Outward supply statement), with an editing facility to the registered person. However, it has been observed that there still are some infirmities in information being furnished by the registered person in relation to inter-State supplies effected to unregistered person, registered person paying tax under section 10 of the Central Goods and Services Tax Act, 2017 (composition taxable persons) and UIN holders. Also, there appears to be lack of clarity regarding reporting of information about reversal of Input Tax Credit (hereinafter referred to as the "ITC") as well as ineligible ITC in Table 4 of **FORM GSTR-3B**.

2. It is desirable that correct reporting of information is done by the registered person in **FORM GSTR-3B** and **FORM GSTR-1** so as to ensure correct accountal and accurate settlement of funds between the Central and State Governments. Accordingly, in order to ensure uniformity in return filing, the Board, in exercise of its powers conferred under sub-section (1) of section 168 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the "CGST Act"), hereby clarifies various issues in succeeding paragraphs.

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

3.1 It has been noticed that a number of registered persons are not reporting the correct details of inter-State supplies made to unregistered persons, to registered person paying tax

under section 10 of the CGST Act (composition taxable persons) and to UIN holders, as required to be declared in Table 3.2 of **FORM GSTR-3B,** under the notion that the taxable value of the same along with tax payable has already been reported in Table 3.1 of the said **FORM**. In certain cases, it has also been noticed that the address of unregistered person are captured incorrectly by the supplier, especially those belonging to banking, insurance, finance, stock broking, telecom, digital payment facilitators, OTT platform services providers and E-commerce operators, leading to wrong declaration of Place of Supply (PoS) in both the invoices issued under section 31 of the CGST Act, as well as in Table 3.2 of **FORM GSTR-3B.**

3.2 In this context, it may be noted that 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**.

3.3 Accordingly, it is hereby advised that 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.

3.4 It is further advised that 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 to while reporting the figures in Table 3.2 of **FORM GSTR-3B.**

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

4.1 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**.

4.2 It may be noted that 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**.

4.3 In this context, it is pertinent to mention that the facility of static month-wise auto-drafted statement in **FORM GSTR-2B** for all registered persons has been introduced from August, 2020. The statement provides invoice-wise total details of ITC available to the registered person including the details of the ITC on account of import of goods. Further, details of the said statement are auto-populated in Table 4 of return in **FORM GSTR-3B** which are editable in the hands of registered person. **It may be noted that 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.** It is pertinent to mention that the ineligible ITC, which was earlier not part of calculation of eligible/available ITC, is now part of calculation of eligible/available ITC in view of auto-population of Table 4(A) of **FORM GTSR-3B** from various tables of **FORM GTSR-2B**. Thereafter, 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 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).***
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 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, may be reported by the registered person in Table 4D (2). Such details are available in Table 4 of FORM GSTR-2B.

4.4 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.

5. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

6. Difficulty if any, in the implementation of this Circular may be brought to the notice of the Board. Hindi version will follow.

(Sanjay Mangal)
Principal Commissioner (GST)

Circular No. 170/02/2022-GST

Annexure

Illustration:

1. A Registered person M/s ABC is a manufacturer (supplier) of goods. He supplies both taxable as well as exempted goods. In a specific month, say April, 2022, he has received input and input services as detailed in Table 1 below. The details of auto-population of Input Tax Credit on all Inward Supplies in various rows of Table 4 (A) of FORM GSTR-3B are shown in column (7) of the Table 1 below:

Table 1

S. No.	Details	IGST	CGST	SGST	Total	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	ITC on Import of goods	1,00,000	-	-	**1,00,000**	**Auto-populated in Table 4(A)(1)**
2	ITC on Import of Services	50,000	-	-	**50,000**	
3	ITC on Inward Supplies under RCM	-	25,000	25,000	**50,000**	**Auto-populated in Table 4(A)(3)**
4	ITC on Inward Supplies from ISD	50,000	-	-	**50,000**	**Auto-populated in Table 4(A)(4)**
5	ITC on other inward supplies	2,00,000	1,50,000	1,50,000	**5,00,000**	**Auto-populated in Table 4(A)(5)**
6	**Total**	4,00,000	1,75,000	1,75,000	**7,50,000**	

Other relevant facts:

Note 1: Of the other inward supplies mentioned in row (5), M/s ABC has received goods on which ITC is barred under section 17(5) of the CGST Act having integrated tax of Rs. 50,000/-

Note 2: In terms of rule 42 and 43 of the CGST Rules, M/s ABC is required to reverse ITC of Rs. 75,500/- integrated tax, Rs. 52,000/- central tax and Rs. 52,000/- state tax.

Note 3: M/s ABC had not received the supply during April, 2022 in respect of an invoice for an inwards supply auto-populated in row (5) having integrated tax of Rs. 10,000/-.
Note 4: M/s ABC has reversed ITC of Rs. 500/- central tax and Rs. 500/- state tax on account of Rule 37 i.e. where consideration was not paid to the supplier within 180 days.
Note 5: An amount of ITC of Rs 10,000/ central Tax and Rs 10,000/- state tax, ineligible on account of limitation of time period as delineated in sub-section (4) of section 16 of the CGST Act, has not been auto-populated in Table 4(A) of FORM GSTR-3B from GSTR-2B.

2. Based on the facts mentioned in Table 1 above, M/s ABC is required to avail ITC after making necessary reversals in Table 4 of FORM GSTR-3B as detailed in Table 2 below:

Table 2

4. Eligible ITC				
Details	**IGST**	**CGST**	**SGST/ UTGST**	**Explanation**
1	**2**	**3**	**4**	
(A) ITC Available (whether in full or part)	----	----	----	
1. Import of Goods	1,00,000	----	----	
2. Import of Services	50,000	----	----	
3. Inward Supplies liable to Reverse Charge (other than 1 & 2 above)	----	25,000	25,000	
4. Inward Supplies from ISD	50,000	----	----	
5. All other ITC	2,00,000	1,50,000	1,50,000	
(B) ITC Reversed / Reduced	----	----	----	

1. Reversal of ITC as per rule 42 and 43 of CGST Rules	125,500	52,000	52,000	**1. Refer para 4.3 (B) of circular** **2**. Reversal of Rs. 75,500/- integrated tax, Rs. 52,000/- central tax and Rs. 52,000/- state tax under rule 42 and 43 *[Note 2]* **3**. Ineligible ITC of Integrated tax of Rs. 50,000/- under section 17(5) *[Note 1]*
2. Others	10,000	500	500	**1. Refer para 4.3 (C) of circular** **2.** Reversal of integrated tax of Rs. 10,000/-, where supply is not received [*Note 3]* **3.** Reversal of ITC of Rs 500/- central tax and Rs 500/- state tax on account of Rule 37 [*Note 4]*
(C) Net ITC Available (A)-(B)	2,64,500	122500	122500	C=A1+A2+A3+A4+A5-B1-B2
(D) Ineligible ITC				
1. As per section 17(5)	-	-	-	**1. Refer para 4.3 (E) of circular** **2.** Reversals under section 17(5) are **not required** to be shown in this row. The same are to be shown under 4(B)(1)
2. Others		10,000	10,000	1. Refer para 4.3(F) of circular 2. Ineligible ITC on account of limitation of time period as delineated in sub-section (4) of section 16 of the CGST Act, which has not been auto-populated in Table 4(A) of GSTR-3B