



## INPUT TAX CREDIT AVAILED SHALL NOT EXCEED 20% OF ELIGIBLE CREDIT U/S 37 (1): CBIC

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**W**e would like to draw your attention towards a very significant amendment notified by CBIC through **Notification no. 49/2019** -Central Tax in CGST Rules'17, which would be applicable from October'19 GSTR - 3B Returns:

The following sub-rule has been inserted in Rule No 36 of CGST Rules 2017:

Quote in Notification

*“Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of section 37, shall not exceed 20 per cent of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37.”*

Unquote

GST Council has amended the provisions of Input Tax Credit (ITC) –

- While filing Form GSTR-3B return, it would be necessary for a tax payer to reconcile the ITC appearing in the Books of Account (BOA) with the ITC appearing in the Form GSTR-2A. Form GSTR-2A is an auto – populated return and it auto captures the values of the goods and/ or services uploaded by the Supplier while filing his Form GSTR-1.
- **Instances where ITC as per BOA and Form GSTR-2A is mismatching**, then in such case, recipient would be allowed to avail ITC, *only to the extent of 20% of eligible ITC.*
- Eligible ITC means ITC is reconciled with Form GSTR- 2A net of ineligible credit u/s 17(5).

An illustration is provided herewith for ease of understanding-

Particulars	ITC Claim as per current practice	Change in ITC claim after New Notification
<b>Eligible ITC as per BOA</b>	50,000	50,000
<b>Eligible ITC reflected in GSTR 2A</b>	30,000	30,000
<b>Maximum ITC to be availed in GSTR-3B</b>	50,000	36,000
<b>Remarks</b>	<ul style="list-style-type: none"> <li>• Entire Rs.50,000 based on Purchase register can be Claimed</li> <li>• Later, at a subsequent month detailed reconciliation could be carried to adjust this provisional claim against information as per GSTR-2A</li> </ul>	<ul style="list-style-type: none"> <li>• Rs. 30,000:- Actual ITC based on information available in GSTR-2A</li> <li>• Rs. 6,000 - Provisional ITC based upon the 20% rule, i.e. 20% of Rs. 30,000</li> </ul>

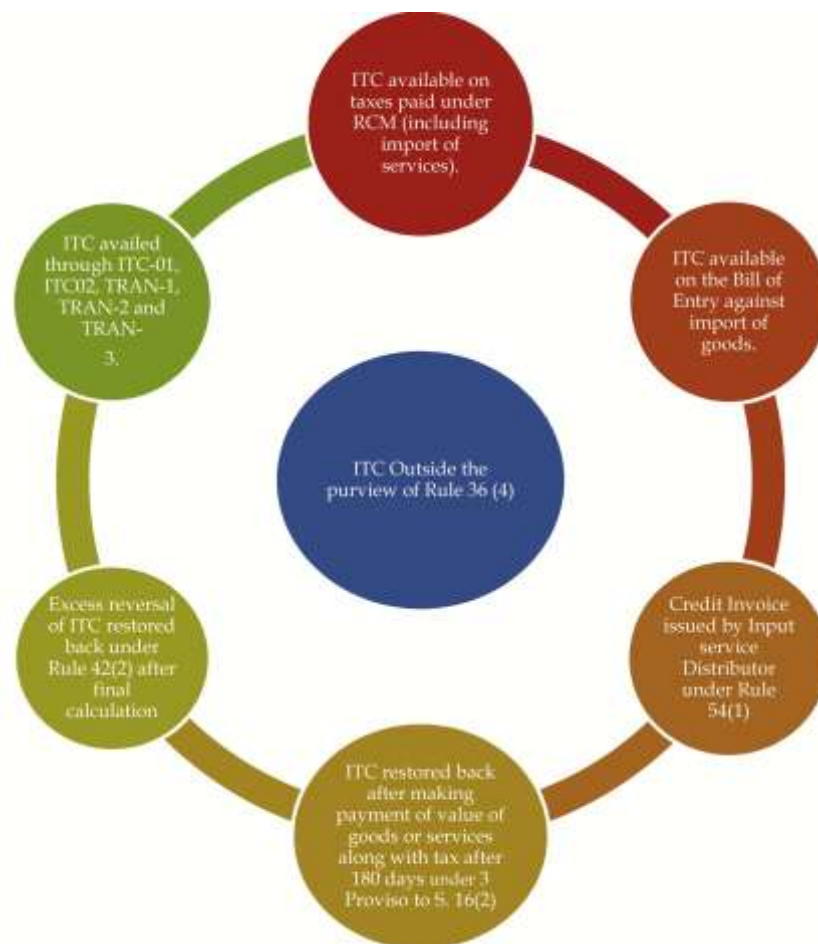
## About Balance Unreconciled Eligible ITC

### Steps while filing GSTR 3B:-

1. Balance unreconciled ITC (which is more than 20%) **should be shown in "All Other ITC"** in the return and then same should be shown in the reversal section so net impact will be zero.
2. When it gets reconciled with GSTR-2A the same amount can be reclaimed as there is no time limit for reclaiming the ITC.

If we do not follow the above procedure then taxpayer unable to avail the unreconciled ITC as there is a time limit of under sec 16 for availing ITC till the filing of GSTR-3B of Sept month of subsequent year. Once such ITC is reconciled, recipient would be eligible to re-claim ITC to the extent of balance portion.

### ITC outside the purview of Rule 36(4)



### Important points needs to be considered for implementation

- ✓ *Standby of ITC for 3 months in case of return filed quarterly by small taxpayers*

ITC is availed through GSTR 3B which is a monthly return while invoices may be uploaded by suppliers quarterly where turnover is lesser than 1.5 crores. By implication the recipient shall have to wait for another 3 months to take credit if it exceeds 20% cap.

- ✓ *Reflected ITC in GSTR 2A for calculation should be netoff of the following:*

- ITC against inward supplies for non-business use.

- ITC against inward supplies exclusively for exempt supplies or nil rated supplies.
- ITC ineligible u/s 17(5)

**Suggested Course of action:**

Due to noncompliance of vendor, ITC is restricted to recipient, thus It would be **advisable that errant vendors should be traced and indemnity should be obtained** from such suppliers. Further, during regular intervals, **reconciliation of ITC between Purchase Register and Form GSTR – 2A** should be carried out and mismatch should be highlighted to management.

**Conclusion:**

Placing 20% limit shall invite more chaos and complications. Further compliance burden and shall bring more uncertainty in the payment of taxes.