

RE-DESIGNING OF GSTR3B

Abstract

The redesigned GSTR-3B facilitates continuous auditing of a larger number of assessee, enhancing compliance and oversight. It enables auditors to promptly report the quantum of unutilized Input Tax Credit (ITC), thereby aiding in timely and systematic planning of departmental audits on a registrant-wise basis. Additionally, the streamlined reporting structure may simplify the refund process under the inverted duty structure, minimizing associated risks and improving efficiency.

Introduction

Under the Goods and Services Tax (GST) Act, 2017, Section 16 specifies the normal conditions for availing Input Tax Credit (ITC). A registered person can claim ITC upon receipt of a valid tax invoice or debit note issued by the supplier and after receiving the goods or services either directly or through an authorized agent. The supplier must have duly paid the corresponding tax to the government, and the inputs or input services must be used in the furtherance of business. Regular filing of GSTR-3B and GSTR-1 returns, along with payment to the supplier within 180 days, are essential prerequisites. In cases where goods are supplied in installments, ITC becomes available only upon receipt of the final installment. However, certain restrictions apply — ITC on motor vehicles is not allowed unless the buyer and seller belong to the same line of business; similarly, ITC on cement and reinforcement steel is restricted to those engaged in construction activities. Moreover, ITC on food, beverages, health services, and insurance cannot be claimed unless they are used for making outward taxable supplies of the same nature or are



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provided to employees as a statutory employment benefit. It is also noteworthy that GST on medical insurance has been withdrawn with effect from 22nd September 2025.

Issues encountered

The present procedure puts burden both on registrants and auditors .

Deposit of Tax either by cash or set off in tax payment form GSTR 3B is not declarable but identifiable by departmental auditor as per Act. Hence the buyer is not in a position to know whether his suppliers make the deposit of tax. The buyers normally takes credit on receipt of goods or services and it qualifies u/s 16 of the GST Act 2017.

Departmental auditor requires to analyze whether vendor has been paid with tax. While MSME Act allows only 45 days to pay so inclusion of this provision is not justifiable.

It will take more time by departmental auditor to check points namely **180 days to its supplier** and **deposit of tax by seller** with govt.

Proposal or suggestion to redesign GSTR 3B

In order to make the filing easy particularly GSTR 3B with essential data for audit purpose following suggestions are given

1. Instead of verifying that the supplier actually

made or deposited the tax to govt. account it is proposed to place responsibility on buyer to its vendor.

The existing data of ITC automatically captured from GSTR2B are on consolidated basis not on invoice wise or state code. The auditor can not verify that these ITC which flows from GSTR2B are actually based on payment. Hence a separate expandable column may be inserted in GSTR 3B where all the Tax invoices as per GSTR1 are captured with the introduction of automation code in its program. This will reveal that the assessee has been purchased so much of inputs as filed by vendor based on individual tax invoice and individual state code with GSTN. So departmental auditor can verify the inputs procured by assessee in a particular tax period which also can verify from GSTR 1 filed by vendor. So instead of capturing data in GSTR 2B it is advisable to capture the data with the help of automation directly in GSTR 3B. These data will be captured as per GSTN no and individual tax invoice wise. However, the departmental must have access to the filed return both for buyer and seller to verify the transactions

Now as per this proposal ITC on these inputs will flow to the column of credit of ITC in GSTR3B provided these are paid by the buyer. Hence a separate column may again introduced to declare by the buyer that he has paid to the vendor vide bank reference. So **the departmental auditor** may check from bank transaction that the same inputs has been paid. The unpaid invoices will be carried forward to next tax period till it is paid by the buyer. It is implied that only accepted invoices will be paid so no question of identifying that invoices has been accepted or not. In fact it has nothing to do with acceptance of invoices for the govt. **Govt. auditor** will check whether the credit of ITC is followed by payment to vendors. If the buyer can automate the data for payments

to vendor from its ERP with GSTR3B, it will further be authenticated data capturing from books to GSTR3B and there by ease of filing.

The above process can help in reconciliation between books and portal month wise with out waiting of yearly closing.

2. The existing provision of 180 days time to make payment on which ITC taken and utilized requires more time to reconcile. In fact Govt. should not allow any trader to take ITC without making paid the particular tax invoices. The Govt. can track the unpaid tax invoices of goods and services and its relevant taxes though the goods or services has been supplied.
3. Rejection or returned goods, there may be separate windows in same GSTR 3B to recognize with optional

As per this proposal continuation GSTR2A or 2B and invoice management system may be discontinued for real time tracking in portal itself. The financial auditor can easily track the GST sales declared in statement of profit and loss account. The income tax authority can accept this figure as revenue from regular business.

From this system Govt. may identify the quantum of GST collection in a particular tax month along with quantum of unutilized ITC if any.

So finally data from GSTR1 can directly captured in GSTR 3B in same manner the GSTR1 filed and submitted with payment of invoices and eligibility of ITC. Hence GSTR3 B should re-designed for control and audit purpose.

It is a common acceptance in industry that GSTR 2B should utilized for taking ITC. But GSTR 2B can not authenticate the payment position of inputs though in Act vide section 16 ITC finally will be allowed provided it is paid by either vendor or with in 180 days by buyer. Finally it can be said without confusion that allowance of ITC must be followed by payment of such along with GST. **Lastly it should the prime objective of any professional to help Govt. in collecting revenue from taxation system.**

At a glance comparison between existing and proposed design of GSTR 3B.

Existing SOP	
1	Filing of GSTR 1
2	Data flows from GSTR 1 to invoice management system
3	Acceptance or rejection or pending of invoices in IMS
4	Data captured in GSTR2B in GST portal
5	Based on GSTR2B ITC flows to GSTR3B on consolidated basis
6	Utilization of ITC by assessee based on allowability
7	Tax deposited with Govt. by the supplier.
Short comings	
1	Department cannot distinguish between ITC as per section 16 or 17 unless conduct audit by departmental officers
2	Department cannot identify the payment position of input purchased for the furtherance of business so that ITC can be allowed
3	Registrant cannot identify the ITC in GSTR 3B flows from GSTR 2B invoice wise unless reconciled with books

Proposed SOP	
1	Data directly flows from GSTR 1 to GSTR 3B invoice wise state code wise supply without involvement of the platform IMS and GSTR 2B
2	Registerant can verify the invoice wise and code wise ITC thus reconciliation becomes easy
3	A separate window will reveal the payment position of inputs invoice wise with payment reference
4	Details of HSN or SAC code can easily identifiable as appeared in tax invoice by departmental officers / auditors regarding allowability of ITC
5	Details of payment via UTR can help auditor to verify the payment of inputs.
6	Payment evidence can help the auditor to allow ITC
7	Departmental auditors can easily verify the accumulated ITC for reporting to higher authority which ultimately help the department to calculate refund of GST due to inverted structure.
8	No question of acceptance since the payment made for inputs
9	GSTR 3B will captured invoice wise ITC due to automation in the system.
10	Credit note issue may be avoided based on payment position particularly in case of rate reduction or quantity discount schme as per contract or agreement or rejection and proportionate ITC automated in GSTR 3B
11	Auditor wil not require to verify the payment with 180 days clause.

Reference:

1. *GST portal vide GSTR1 and 3B*