



CMA Kedarnath

Hyderabad



The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Tax Research Department

Behind every successful business decision, there is always a **CMA**

Session on ITC & GSTR-2A & 2B : ACCGST-10



Introduction to Input Tax Credit (ITC)

- ❑ ITC is the most common word with which we associate present day taxation system
- ❑ Lesser the cascading effect of the taxes, better is the taxation system
- ❑ In an ideal taxation system, taxes never form part of cost of product, until the goods or services reach the ultimate consumer
- ❑ This is possible only when credit of any taxes paid in the course of business, by the recipient of goods or services is allowed to him, in the name of “credit”
- ❑ Thus, entire taxes paid by him are set off against his output tax liability and there is no cascading impact of taxes.

Introduction to Input Tax Credit

- ❖ Input Tax Credit is the Tax that a business pays on its
 - ✦ Purchases
 - ✦ Services and
 - ✦ Capital Goods
- ❖ ITC makes flow of credit across an entire supply chain a seamless process
- ❖ The fundamental aspect under GST regime is tax is charged on value addition at each stage of supply
- ❖ The supplier is eligible to claim ITC on its purchases and utilize the same by way of setting off while discharging the Output tax in the course of furtherance of business.
- ❖ With the help of ITC the cost of the goods / or services are available at cheaper and effective price
- ❖ GST Law does **not** require '**one to one**' co-relation between inputs / input services and final products / services
- ❖ Any eligible ITC can be used for payment of tax on any taxable output supply

Introduction to Input Tax Credit

❑ Input Tax Credit:

- ✓ Input tax credit is nothing but “credit of the input taxes”

❑ Input Tax:

- ✓ Tax on Inputs

❑ What are the Inputs for a business

- The inputs for a business can be divided into 3 parts
 - ✓ Input Goods other than capital goods i.e., Raw Materials etc.,
 - ✓ Input Services
 - ✓ Capital Goods

Relevant Definitions:

✦ Input: Sec.2(59)

“Input” means **any** goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business

✦ Input Services: Sec.2(60)

“Input Services” means **any** service used or intended to be used by a supplier in the course or furtherance of business

✦ Capital Goods: Sec.2(19)

“Capital goods” means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

S.16(1): Eligible to claim ITC

- ✚ Registration under GST
- ✚ Goods/Services to be used in the course or furtherance of business

Note:

- ✓ As a thumb rule, a registered person would be eligible to claim credit of Input Tax
- ✓ Un-registered person would not be able to claim Input Tax Credit for the period prior to GST Registration
- *However as per section 18(1)(a) and 18(1)(b) entitle a person to claim credit of tax paid on inputs*
- *which are procured during the period, when such person was unregistered person and*
- *such inputs are held in stock or inputs contained in semi-finished or FG held in stock*

S.16(1): Eligible to claim ITC

- ❖ **S.18(1)(a):** a person applies for registration with in 30 days of from the date on which he becomes liable for registration
- ❖ **S.18(1)(b):** a person applies for Voluntary Registration
- ❖ In any other case, a person would not be able to claim credit of tax paid on inputs which were received during the period when such person was an un-registered person.

S.16(1): Eligible to claim ITC - Q&A

1. Whether a person applying for new registration with in 30 days of becoming liable for registration, would be entitle to claim of credit of tax paid on inputs held in stock and inputs contained in semi-finished goods or FG held in stock as on the date when he becomes liable for registration ?

Ans:

2. Whether a person applying for new registration voluntarily, would be entitle to claim of credit of tax paid on inputs held in stock and inputs contained in semi-finished goods or FG held in stock as on the date of grant of registration ?

Ans: Yes, he is eligible to claim on the same, as on the day immediately preceding the date of grant of registration

3. Whether a person applying for new registration with in 30 days of becoming liable for registration, or applying for new registration voluntarily would be entitle to claim of credit of tax paid on capital goods held on the date registration ?

Ans: No

S.16(1): Eligible to claim ITC - Q&A

4. Whether credit would be allowed to a person if he uses goods or services received by him for personal consumption / non-business purposes ?

Ans:

6. If a person is engaged in supply of taxable as well as exempted goods. Whether he would be entitled to claim ITC of the taxes paid on goods or services?

Ans:

S.16(2): Basic Conditions for availing ITC

The registered person will be entitled to ITC on a supply

if **ALL** the following **4** conditions are fulfilled

- ✦ Possession of Tax Invoice or Debit note
- ✦ Receipt of the goods and / or Services
- ✦ Tax leviable on supply actually paid to **Government**
- ✦ Furnished the return u/s 39 to claim ITC (by Filing GSTR-1 by Supplier / GSTR-3B by Recipient)

Conditions for Availing ITC

I. Possession of Tax Paying Document [Section 16(2)(a) read with rule 36]

Documentary requirements and conditions for claiming ITC Rule: 36

- ✓ An invoice
- ✓ Debit note
- ✓ Bill of entry for the assessment of IGST on imports;
- ✓ Input Service Distributor invoice or ISD Credit Note

Q&A:

Can ITC claimed based on the BOE / Shipping Bill issued by the customs authority ?

S.31 Tax Invoice: To qualify a document as **Tax Invoice**, as per Rule 46 of CGST Rules, 2017 Invoice should contain:

- Name, address and GSTIN of the supplier
- A consecutive serial number not exceeding 16 characters, unique for a financial year
- Date of Invoice issue
- Name, address and GSTIN, if registered of the recipient
- Name and address of the recipient and the address of delivery
- The name of the State and its code
- HSN code for Goods & SAC for Services
- Description of goods or services
- Quantity in case of goods and unit
- Total value of supply of goods or services or both
- Taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- Rate of tax
- Amount of tax charged in respect of taxable goods or services
- Place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- Address of delivery where the same is different from the place of supply;
- Whether the tax is payable on reverse charge basis; and
- Signature or digital signature of the supplier or his authorised representative:

Tax Invoice:

- ❖ Apart from the above in the case of the export of goods or services, the invoice shall carry an endorsement –

“SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX”

(or)

“SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”,

- as the case may be.

❖ S.34 Concept of Debit Note:

The debit note is similar to the tax invoice and it contains all the details similar to the tax invoice but the heading replaces with “Debit Note” instead of tax invoice.

Conditions for Availing ITC

II. Receipt of the goods and / or Services [Section 16(2)(b)]:

- ITC is eligible to claim once the goods or services are received by the recipient
- **Issue:** When the goods are placed order during the end of the month

IV. Recipient has furnished the return u/s 39 [Section 16(2)(d)]:

- ITC can be availed only by Filing GSTR-3B monthly return and no other mechanism is available to the recipient of the goods or services.

Conditions for Availing ITC

III. Tax leviable on supply actually paid to Government

- ❖ Tax should actually have been paid, by cash or through utilization of ITC, on the goods and / or services for which ITC is being taken.
- ❖ Provisional ITC can be taken initially, prior to matching in the common portal, and used for payment of self-assessed tax on outward supply

Conditions for Availing ITC - Provisional ITC:

✓ From 09th Oct 2019 to 31st Dec 2019:

Invoices not uploaded by supplier then recipient shall not claim in excess of **20%** of Eligible credit reflected in GSTR-2A [vide Notification no. 49/2019 - CT dt. 09.10.2019]

✓ From 01st Jan 2020 to 31st Dec 2020:

Invoices not uploaded by supplier then recipient shall not claim in excess of **10%** of Eligible credit reflected in GSTR-2A [vide Notification no. 75/2019 - CT dt.26.12.2019]

✓ From 01st Jan 2021 onwards:

Invoices not uploaded by supplier then recipient shall not claim in excess of **5%** of Eligible credit reflected in GSTR-2A

✓ From 01st Jan 2022 onwards:

ITC claims will be allowed **only** if it appears in GSTR-2B – it means ITC claim restricted to the extent auto populated in 2B/3B

Let's have Q&A

- ❖ Mr. X is a registered dealer writes a letter to the department officer stating that he missed claim the ITC for the month of March-2022, to the tune of Rs 10,00,000, based on this situation, answer the below questions:
- I. Can the officer has the power to grant ITC and allow the same to Mr. X ?
 - II. How to claim and what is the mechanism to claim the ITC ?
 - III. What is the last date / due date to claim the missed ITC for the FY 2021-22 ?
 - IV. Mr. X is filing GSTR-9 for the FY 2021-22 during the month of Aug-2022 say 15th Aug 2022, can he eligible to claim the missed ITC in the GSTR-9 ?
 - V. If you consider the Question No. IV, then what is the last date /due date for claiming of ITC ?
 - VI. What is the mechanism to reverse the excess ITC claimed in the GSTR-3B return ?
 - VII. Can we, reverse the excess ITC pertaining to FY 2021-22 in the GSTR-9 or any other mechanism available to do the same ?

Time Limit for availing ITC S.16(4): Old Provision

ITC on invoices pertaining to a financial year or debit notes relating to invoices pertaining to a financial year can be availed any time till the

a) Due date of filing of the return for the month of September of the succeeding FY

Or

b) The date of filing of the relevant annual return,

- It may be noted that the return for the month of September is to be filed by the 10th October
- Annual return of a F.Y is to be filed by 31st December of the succeeding FY
- The time limit u/s 16(4) does not apply to claim for re-availing of credit that had been reversed earlier.

S.16(4): Extended Time Limit till 30th Nov of NFY >>>>> LA

S. N	Particulars	Section	Old Time Limit	New Time Limit
1	ITC availment	Section 16(4)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
2	Reporting of credit notes	Section 34(2)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
3	Amendment in GSTR 1	First proviso of Section 37(3)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
4	Amendment in GSTR 3B	Proviso of Section 39(9)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year

Sequential Filing of GSTR-1 and GSTR-3B :

This restriction is already in place on GST portal, now legalized under the GST Act

- ❖ GSTR 1 cannot be furnished if GSTR 1 for earlier period is not furnished {Section 37(4)}
- ❖ GSTR 1 cannot be furnished if GSTR – 3B for earlier period is not furnished
- ❖ GSTR-1 mandatory before filing of return in Form GSTR-3B. {Section 39(10)}.
- ❖ Way Bill can't be generated if GSTR-3B return pending for last 2 months
- ❖ If Way Bill Portal Blocked then file GSTR-3B returns up to date and “**Un-Block E-Way Bill**” by Self
- ❖ Way Bill can be cancelled within 24 hours of the Generation

Lets have Q&A

1. M/s Reliance Industries Ltd purchased Audi Car for Rs 1 Cr and Tax paid on such car is Rs 28,00,000 for official use of its director Mr. Mukesh Ambani
2. ITC on cars purchased by a car dealer for sale to customers
3. ITC on cars purchased by a company engaged in renting out cars for transportation of passengers
4. Mr. K is a Cost Accountant and registered dealer in GST, purchase KIA Sonet Car, can he eligible to claim ITC on car ?
5. ITC on cars purchased by a car driving school
6. M/s ABC Ltd purchased Swaraz Mazda Mini Bus where the seating capacity is 18 members including driver for transportation of its employees from their residence to office and back
7. ITC on trucks purchased by a company for transportation of its finished goods
8. ITC on aircraft purchased by a manufacturing company for official use of its CEO
9. ITC on aircraft purchased by an Aviation School providing training on flying aircrafts
10. ITC on general insurance taken on a car used by employees of a manufacturing company for official

Lets have Q&A

1. ITC on general insurance taken on a car used by employees of a manufacturing company for official purpose
2. ABC Ltd orders snacks for the employees who works in evening shift, can ITC eligible to claim on such food items ?
3. M/s. XYZ Ltd purchases Vessels for imparting the navigation on vessels to the prospective staff, can they eligible to claim ITC
4. Mr. X undergoes plastic surgery for his face to look more beautiful, can he eligible to claim ITC on payment made to specialist on surgery ?
5. Mr. K is CA incurred repairs and maintenance on motor car for Rs 50,000 and paid GST 18% i.e., Rs 9,000 can he eligible to claim ITC on such charges ?
6. M/s. Handpicked stores is a Composition dealer engaged in the business of supply of gift articles and fashion design items, during the month of May-2022 they purchased 10 Lakhs stock for GST paid @ 12% what is eligible ITC?
7. Mr. Y purchased one laptop and uses for his personal purpose, can he eligible to claim ITC ?
8. ABC Ltd launched new product called as product X, for a quantity of 1,000 articles, in order to grab the market they started giving free samples to the public to the tune of 100 articles. In order to manufacturer they incurred Inputs and Input services and paid taxes on that is Rs 1,00,000

Lets have Q&A

1. ITC on maintenance & repair services availed by a company for a truck used for transporting of Goods?
2. AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the sub-contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. Can ITC eligible to AB & Co.,?
3. ITC on outdoor catering services availed by a company, for its Annual day event organized for its employees and family members?
4. ITC on outdoor catering service availed by a company to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is ?
5. M/s Jay Ltd. being a manufacturer purchased machinery worth Rs 10,00,000 on which GST Rs 1,80,000 is paid. What are the options manufacturer ?
6. Repairs and maintenance expenses incurred for motor car by a elite motor driving school, can they claim ITC on such repairs?
7. Do we need to disclose Blocked credit / Ineligible ITC in GSTR-3B return & how ?
8. How to show reversal of ITC in GSTR-3B (or) how to disclose credit notes in GSTR-3B Return ?

GSTR-2A & 2B

GSTR-2A vs GSTR-2B		
Particulars	GSTR-2A	GSTR-2B
Nature of Statement	It is dynamic in nature. It may vary day to day, when the supplier uploads the document	It remains constant in nature. GSTR 2B cannot change, based on suppliers' future
Data @taxologyin	In GSTR 2A, the data keeps on changing	While in GSTR 2B, data remains constant & there are no changes in the data
Eligible/ In-Eligible ITC	It doesn't provide bifurcation of eligible ITC and ineligible ITC	It bifurcates the eligible and ineligible input tax credit.
Information Source	Form GSTR-1, Form GSTR-5, Form GSTR-6, Form GSTR-7, Form GSTR-8	Form GSTR-1, Form GSTR-5, Form GSTR-6
Basis for reflection of details @taxologyin	When Supplier files return of any previous period, then ITC will be reflected in the GSTR – 2A of the previous period for which it is filed. Eg: GSTR 1 of April filed in July , ITC will be reflected in GSTR – 2A of April.	When Supplier files return, of any previous period then ITC will be reflected in the GSTR – 2B of the current period in which it is filed. Eg: GSTR-1 of April filed in July , ITC will be reflected in GSTR – 2B of July



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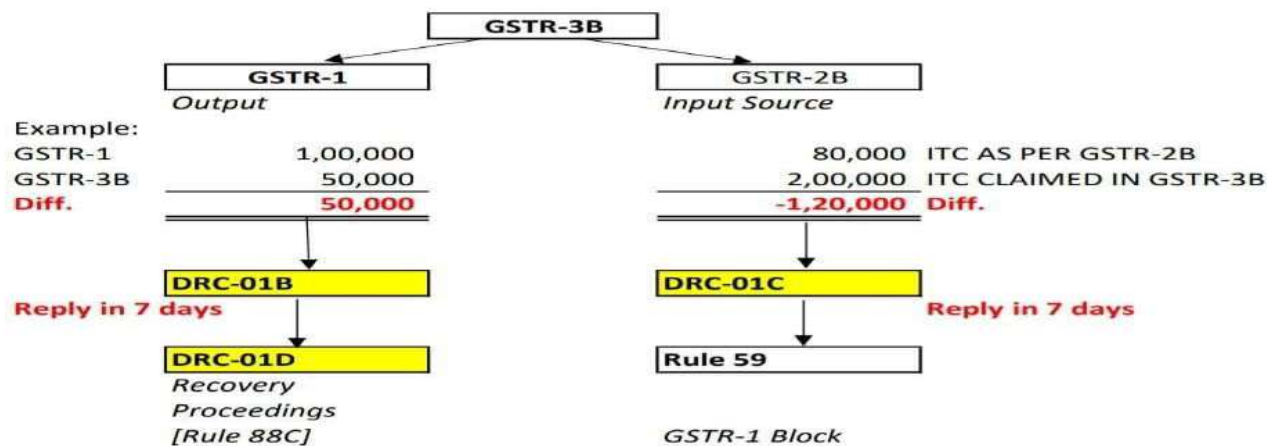
GSTR-2A & 2B

KEY DIFFERENCES BETWEEN GSTR 2A & GSTR 2B

SR. NO.	PARTICULARS	GSTR 2A	GSTR 2B
1.	Nature	Dynamic – Details uploaded in GSTR 1 by vendor updated on real time basis without a cut-off date.	Static – Details uploaded by vendors after the cut-off date considered in the subsequent period.
2.	Sources of Data	GSTR 1, GSTR 5, GSTR 6, GSTR 7, GSTR 8, ICEGATE system – BoE details recently updated.	GSTR 1, GSTR 5, GSTR 6, ICEGATE system – will not provide TDS & TCS deduction details.
3.	Useful	Simple return for viewing purpose only; entire tax credit available at one place.	Very useful in ITC reconciliations (especially Rule 36(4)), and to identify compliant/non-compliant vendors. ITC segregated based on available or not available.
4.	Reversal Details	Does not contain these details	Contains details of ITC required to be reversed in specified cases like wrong POS etc.

Taxes Paid GSTR-1 Vs 3B as well as ITC Claimed GSTR-3B vs GSTR-2B

Notification No:38/2023 - Central Tax dt. 04.08.2023



- 1 **DRC-01B** Intimation for mismatch in GSTR-1 & GSTR-3B
- 2 **DRC-01C**
 - Part A Intimation of Difference in input tax credit available in auto generated statement containing the details of input tax credit & that availed in return
 - Part B Reply by Taxpayer in respect of the intimation of difference in input tax credit {2 options either pay tax or give justification for difference}
- 3 **DRC-01D** Intimation for amount recoverable under section 79

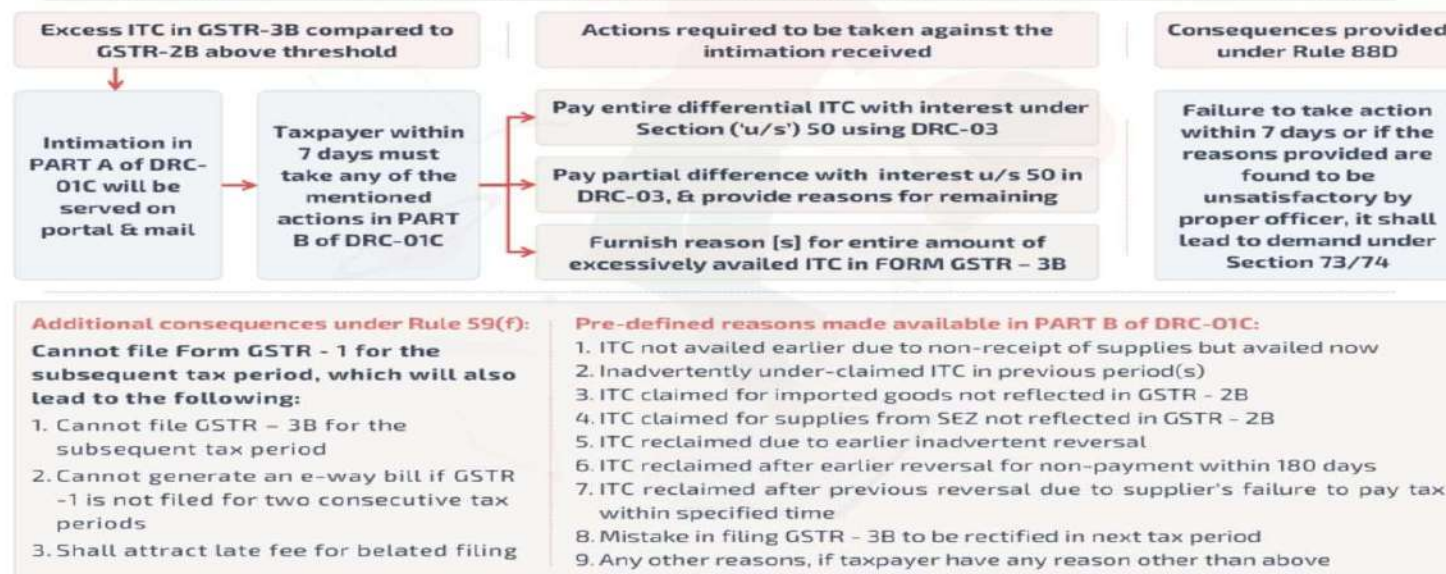
Taxes Paid GSTR-1 Vs 3B as well as ITC Claimed GSTR-3B vs GSTR-2B

UNDERSTANDING RULE 88D - IMMEDIATE MEASURES FOR 2B VS 3B MISMATCHES



BACKGROUND:

- With the intention to reduce **ITC mis-matches & misuse of ITC facility**, the GST Council in its 50th meeting had recommended to introduce a mechanism for system-based intimation to the taxpayers in respect of excess availment of ITC in Form GSTR – 3B vis a vis that made available in Form GSTR-2B above certain threshold, along with a procedure of auto-compliance on the part of the taxpayers to explain the reasons for the said difference or take remedial actions in respect of such difference.
- In this regard, the CBIC, has issued **Notification No. 38/2023** – Central Tax, dated 04 August 2023 to notify **Rule 88D** to CGST Rules, 2017. In this regard, we have tried to explain the Rule 88D in **SHORT, SIMPLE & EASY TO UNDERSTAND MANNER**.





*{Arise, awake and stop not until the goal is reached}
- Swami Vivekananda*

Thank You



By

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