

RESTRICTION ON AVAILMENT OF ITC IN GST

CBIC has brought certain changes in the policy of availment of ITC vide Notification No. 49/2019 – Central Tax dated 9th October 2019.

CBIC has amended the rule no.36 of CGST Rule, 2017 by inserting new sub rule 4 which is reproduced as below-

“3. In the said rules, in rule 36, after sub-rule (3), the following sub-rule shall be inserted, namely:-

“(4) 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.”

Explanation of the above sub rule 4

From October -2019 and onwards with respect to unmatched tax invoices, tax payers shall be eligible to claim ITC only 20% of the Tax invoices which are being reflected in GSTR-2A on the date of filing of GSTR-3B.

Unmatched Tax Invoices means those invoices which are not available in GSTR-2A.

Example:-

The Purchase register of Sagar Telecom Private Limited situated in West Bengal shows following purchases from local GST registered vendors in the month of October-2019:-

Name of Vendors	Taxable Value	CGST @ 6%	SGST @ 6%	Remarks
A.K Enterprise	30,000.00	1,800.00	1,800.00	Reflected in GSTR-2A
Angel Traders	20,000.00	1200.00	1200.00	Reflected in GSTR-2A
Y.M Pvt. Limited	45,000.00	2,700.00	2,700.00	Not reflected in GSTR-2A as due date of Furnishing GSTR-1 is 31.01.2020 (Quarterly GSTR 1)
Total	95,000.00	5,700.00	5,700.00	

Therefore his eligible ITC in the month of October will be as below:-

CGST= Rs. 3,600.00 [Rs 1,800.00 + Rs. 1,200.00 + 600.00 (20% of Rs.3,000.00)]

SGST= Rs. 3,600.00 [Rs 1,800.00 + Rs. 1,200.00 + 600.00 (20% of Rs.3,000.00)]

Note: Balance ITC of Rs. 2,100.00 (2,700-600) CGST and SGST each will be available in the month when this invoice will be reflected in GSTR-2A

Additional Compliance burden on Tax payers:-

1. Reconcile Purchase ledger with GSTR-2A in every month to calculate eligible amount of ITC.
2. Regular follow-up and reminder to suppliers to file GSTR-1 so that full ITC can be availed.
3. Un-necessary blockage of ITC where GSTR-1 filing due date of supplier is on quarterly basis.

Applicable Date

This amendment is applicable from October-2019

