

# TAX FLASH NEWS

10 October 2019

## GST Notification updates – Rules amended to restrict availment of input tax credit (ITC)

As announced in the 37<sup>th</sup> GST council meeting, the Government in order to tackle the menace of fake invoices, has amended certain provisions of input tax credit to regulate the availment of ITC.

The key amendments to the Central Goods and Services Tax Rules, 2017 (CGST Rules) are summarised as under -

### 1. Restriction on availing ITC

CGST Rules, has been amended, to restrict availment of credit, on invoices or debit notes, the details of which has not been uploaded by the supplier in GSTR-1.

In respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in their respective GSTR-1, the ITC to be availed by the recipient shall be restricted to 20 per cent of the eligible credit available in respect of invoices or debit notes, the details of which has been uploaded by the supplier.

The above change is explained with the help of following illustration -

Scenarios	Eligible credit as per books	Eligible credit as per GSTR 2A	Eligible credit not reflected in GSTR-2A	20% of eligible ITC	Amount of credit as per rule 36(4) in respect of invoices/debit notes, the details of which has not been uploaded by the supplier in GSTR-1	Total eligible credit that can be claimed in GSTR 3B
(a)	(b)	(c)	(d)	(e)	(f)	(g)
				20% of (c)	Lower of (d) or (e)	(c) + (f)
1	100	80	20	16	16	96
2	100	60	40	12	12	72
3	100	90	10	18	10	100

[Notification 49/2019-Central Tax dated 9 October 2019]

## 2. Retrospective amendment – filing of Monthly return in GSTR-3B instead of GSTR-3

CGST Rules have been amended to prescribe filing of summary details in form GSTR-3B at par with the filing of monthly return in GSTR-3. Accordingly, where a taxpayer has filed GSTR-3B, there will not be any further requirement to file GSTR-3 return.

**[Notification 49/2019-Central Tax dated 9 October 2019]**

## 3. Due dates notified

Sl. No.	Particulars	Period	Due date
1	Form GSTR-3B	For the month of October 2019 to March 2020	Twentieth day of the succeeding month
2	Form GSTR-1 (registered person having turnover up to INR1.50 cr.)	For the quarter - October 2019 to December 2019	31 January 2020
		For the quarter - January 2020 to March 2020	30 April 2020
3	Form GSTR-1 (registered person having turnover above INR1.50 cr.)	For the month of October 2019 to March 2020	Eleventh day of the succeeding month

**[Notification 44/2019-Central Tax, Notification 45/2019-Central tax and Notification 46/2019-Central tax dated 9 October 2019]**

## Our comments

The amendments made to CGST Rules vide Notification No.49/2019-Central Tax, has far reaching implications for the assesseees, not only for the upcoming return periods, but also for the past periods.

The restriction of 20% for availing credit on invoices, which are not reflected in the GSTR 2A, would certainly have an impact on the working capital of assesseees. While the key objective of this amendment may be to counter the growing trend of fake invoices, however, the brunt of this restriction shall also be felt by honest taxpayers, given the fact that the GST return filing system and the IT framework relating thereto is still evolving both at the Government as well as the assesseees end.

Further, treating GSTR-3B return at par with GST-3 return, clearly, is to overcome the Gujarat High Court judgement in the case of AAP & Company, Chartered Accountants. This would mean that the credit on an invoice/debit notes, for a particular financial year (FY) cannot be taken beyond the due date of filing GSTR 3B return for the month of September following the end of the FY to which such invoice/debit notes pertains or filing of annual return, whichever is earlier.

These amendments do give effect to the matching concept, philosophy, that has always been the backbone of the GST framework. The assesseees may perhaps get accustomed to these restrictions, on a going forward basis. However, the timing of the amendments, just before the due date of filing of GSTR-3B return of September 2019 and making these amendments effective for the earlier periods, may seem to be a real challenge to the assesseees.

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