

Electronic Credit Reversal and Re-claimed Statement

Background

With the change in the reporting of input tax credit ('ITC') in Table 4 of GSTR-3B effective August 2022 last year, the taxpayers are required to maintain a separate track of transactions appearing in GSTR-2B and not in the purchase register ('PR') of a specific tax period. Such transactions, unmatched in GSTR-2B of the current tax period [reported in Table 4A(5) of GSTR-3B], are required to be reversed under Table 4B(2) of GSTR-3B. These credits reported under Table 4B(2) may be reclaimed in the subsequent tax periods in which the transactions match with the PR.

The reclaim of previously reversed credits are required to be reported in Table 4A(5) and Table 4D(1) of GSTR-3B of the subsequent tax period. Reporting in Table 4D(1) in the month of the reclaim is solely for disclosure and tracking purposes. Thus, taxpayers are expected to maintain track of such previously reversed reclaimable credits. Hitherto, taxpayers maintained an offline list of such reclaimable credits.

A year after the change in reporting requirements in Table 4 of GSTR-3B, the Government is now seeking information in respect of quantum of previously reversed credits up to July 31, 2023 for monthly filers and up to June 30, 2023 for quarterly filers, which may be reclaimed in the subsequent tax periods.

Reporting electronic credit reversal and reclaimed statement on GST portal

To this end, the Government has, vide Advisory issued on September 5, 2023, introduced a new functionality "Electronic Credit Reversal and Re-claimed Statement" ('ECRRS') on the GST portal. As per the Advisory, the taxpayer needs to report the opening balance of previously reversed credits which can be reclaimed, as on August 1, 2023 (Monthly filers) /as on July 1, 2023 (Quarterly filers). The GST portal shall monitor the opening balance reported by taxpayers along with the monthly amounts (from the monthly return for August 2023 onwards / quarterly return for July to September 2023 onwards) reported in Table 4B(2) and 4D(1). In cases, where the amount reclaimed in a month exceeds the balance in the ECRRS, the Portal shall display a warning message. However, this will not stop the taxpayer from filing the return in GSTR-3B.

The Advisory continues with the following information:

“However, the taxpayers are advised not to reclaim ITC exceeding the closing balance of ‘Electronic Credit Reversal and Re-claimed Statement’ and may report their pending reversed ITC, if any, as ITC reversal opening balance.”

The salient points regarding reporting the opening balance of ECRRS are listed below:

- i) The facility to report the opening balance in the ECRRS after logging on the GST portal is:
Services → Ledger → Electronic Credit Reversal and Re-claimed Statement → Report ITC Reversal Opening Balance
- ii) The opening balance is to be reported considering the reclaimable ITC reversed till July 2023 (Monthly filers) / June 2023 (Quarterly filers).

- iii) The time limit for reporting the opening balance in the ECRRS is till November 30, 2023.
- iv) The taxpayers shall be provided 3 amendment opportunities to correct their opening balance in case of any mistakes or inaccuracies in reporting in ECRRS by December 31, 2023. However, from November 30, 2023 till December 31, 2023, only amendments will be permitted and the option for fresh reporting will not be available. This amendment facility shall be discontinued after December 31, 2023.

Points for consideration

- 1) Only credits which have been **availed and reversed** in the earlier returns i.e. up to July 2023 (Monthly filers) / June 2023 (Quarterly filers) **and re-claimable** after such tax period will form part of the opening balance. Credits which have not been availed in the first place will not form part of the opening balance.
- 2) Credits in the returns from August 2023 onwards (Monthly Filers) / from July to September 2023 (Quarterly Filers) will have to be reported in Table 4A of GSTR-3B by considering the values as per Form GSTR 2B (as was made applicable from August 2022 onwards) as the starting base from which reversals will be reported in Table 4B of GSTR-3B to arrive at the Net ITC (Table 4C of GSTR-3B). The portal will keep a track of the reclaimable credits from the said period and onwards.
- 3) Taxpayers who did not align with the new reporting requirements implemented in August 2022 will need to adapt the new reporting requirements from the return for August 2023.
- 4) Caution is advised while arriving at the opening balance to be reported in ECRRS. As per legal provisions, the following may be termed as ITC that can be reclaimed:
 - a) ITC appearing in GSTR-2B but not matched with the PR that was availed and reversed in GSTR-3B returns since August 2022.
 - b) ITC reversed on account of non-payment to vendor within 180 days from the date of invoice.
 - c) ITC reversed on account of non-filing of GSTR-3B by the vendor as prescribed under Rule 37A of the Central Goods and Services Tax Rules, 2017.
- 5) While the advisory is silent on the period to be covered while arriving at the opening balance of ITC as on August 1, 2023 (Monthly Filers) or July 1, 2023 (Quarterly Filers), the period may be considered from July 2017 till the said period as there may be unclaimed re-claimable credits on account of vendor non-payment. It will be difficult to re-claim such credits if they do not form part of the opening balance.

A copy of the advisory is attached herewith for ease of reference.



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