



GST Update on ITC

[as per recent amendment]

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In the recent GST council meeting, it has been proposed to restrict Input Tax Credit (ITC) available to dealer **to the extent of return filed by suppliers.**

To implement above proposal of GST Council, Government has published Notification No. 49/2019 – Central Tax dated 09.10.2019 inserting Rule 36(4) to CGST Rules. Further to clarify certain aspects of above referred provision, Government has also issued Circular No. 123/42/2019 – GST dated 11.11.2019. **Now Government is moving towards system when ITC can only be claimed if same is passed on by supplier in its return on month to month basis.**

To sum up, one can claim ITC in a respective month, if same has been uploaded by supplier in its GSTR 1 within due date. If there are some unreconciled invoices of inward supply, then such ITC should not exceed 20% of ITC showing in GSTR 2A of respective month.

❖ **Effect of Newly Inserted Rule 36(4):**

- It is to be applicable for GSTR 3B to be filed for **October 2019 onwards.**
- Its effective date of implementation is 09.10.2019, so any ITC claimed from this date need to in compliance with this rule.
- While filing GSTR 3B of respective month, we need to **compare ITC as per Accounts and as per GSTR 2A.**
- Maximum ITC can be claimed in any month **should not exceed ITC as per GSTR 2A + 20% of such ITC.**
- ITC as per accounts and as per GSTR 2A to be compared on consolidated basis. Credit available is linked to total eligible credit from all suppliers. While comparing consolidated credit, ineligible ITC showing in GSTR 2A need to be ignored.
- **Example:**

Sr. No.	ITC as per GSTR-2A	ITC as per Accounts	Maximum ITC can be claimed	Remarks
1	1,00,000	1,15,000	1,15,000	₹ 1,00,000 + 20% of 1,00,000, maximum up to ITC as per accounts
2	1,00,000	1,25,000	1,20,000	₹ 1,00,000 + 20% of 1,00,000, maximum up to ITC as per accounts
3	1,25,000	1,00,000	1,00,000	₹ 1,25,000 + 20% of 1,00,000, maximum up to ITC as per accounts

- Any balance ITC which is not showing in GSTR 2A as per above rule is to be claimed in subsequent month when such invoices are **uploaded by supplier**.
- There will be some purchases from suppliers who are filing Quarterly GSTR 1 and such ITC will reflect in GSTR 2A only at the end of the quarter. However, there is no specific clarification by Government on this aspect. It is deemed that such supplies will be covered in 20% portion.

For any clarification, feel free to contact us.
