

M2K Alert

Important GST Updates in GST Portal – October 2024

The Goods and Services Tax Network (GSTN) have recently issued various advisories introducing an RCM Liability / ITC statement, reporting of opening balance of RCM ITC statement, re-opening of reporting ITC reversal opening balance and the Invoice Management System (IMS). Key updates from the advisories are summarized below:

1. **Introduction of RCM Liability / ITC statement:**

1.1 Background -> The intent of the statement is to help taxpayers accurately report Input tax credit availed on Reverse Charge Mechanism (RCM) transactions. The statement will improve the accuracy and transparency of RCM reporting by matching the RCM liability shown in Table 3.1(d) of GSTR 3B with the corresponding Input Tax Credit (ITC) claimed in Table 4A (2) and 4A (3) for the same return period.

1.2 Applicability of RCM Liability / ITC statement -> Statement will start capturing information from GSTR 3B filed for the period August 2024 onwards for monthly filers.

Taxpayers are advised to report the liability paid in Table 3.1 (d) of GSTR 3B and claim the full amount in Table 4A (2) and 4A (3) of GSTR 3B. If there is any ineligible Input Tax Credit (ITC), it should be reversed in Table 4B (1).

1.3 Reporting of Opening balance -> As part of reconciliation, the balance of ITC available on Reverse charge transactions but not yet availed in GSTR 3B needs to be reported as opening balance. The reporting shall be as follows:

S.no	Step	Action
1	If the liability paid in Table 3.1(d) is higher than the ITC claimed in Table 4A (2) and 4A (3)	Report the unclaimed ITC to the extent of eligible as a positive value in the opening balance.
2	If the ITC claimed in Table 4A (2) and 4A (3) is higher than the liability paid in Table 3.1(d)	Report the excess ITC as a negative value in the opening balance, subject to the adjustment if any.

The taxpayers should reconcile the RCM Liability / ITC till July 2024 to report the opening balance.

Deadline to declare Opening balance -> 31st October 2024.

Amendments in opening balance shall be made till -> 30th November 2024

Navigation to disclose opening balance -> Login >> Services >> Ledger >> RCM Liability/ITC Statement >> Report RCM ITC Opening Balance.

2. Invoice management system (IMS):

- 2.1 Background ->** A new communication process is being introduced on the portal to help taxpayers easily handle invoice corrections with their suppliers. This feature allows recipients to accept, reject, or keep an invoice pending for future action.
- 2.2 Applicability of Invoice management system ->** 1st October 2024
- 2.3 Compliance burden ->** This functionality is a facilitation for the taxpayers and will not add any compliance burden on the taxpayers.
- 2.4 Flow of IMS ->**
- 2.4.1 Once the supplier saves an invoice in GSTR 1 / IFF, the invoice will appear on the recipient's IMS dashboard. If a saved record is edited or deleted before filing of GSTR 1 by the supplier, the amended record will replace the document in IMS and deleted record will be removed from IMS. In case supplier has amended any invoice filed in GSTR-1 through GSTR-1A then same will also flow to IMS. However, ITC corresponding to the same will flow in GSTR-2B of the recipient generated for the subsequent month only.
- Brief explanation of IFF:** The Invoice Furnishing Facility (IFF) is an optional feature available to taxpayers under the QRMP (Quarterly Return Filing and Monthly Payment of Taxes). It allows businesses to furnish B2B sales invoices monthly, even though they file GSTR-1 quarterly. This helps recipient to claim Input Tax Credit (ITC) monthly.
- Brief explanation of GSTR 1A:** Form GSTR-1A is an optional facility. This form is made available from August 2024 through which taxpayers can add or amend particulars of supply of the current tax period which is missed or wrongly reported in GSTR 1. This form will be available on the portal every month from the actual date of filing of GSTR-1 till the actual filing of corresponding Form GSTR-3B of the same tax period.
- 2.4.2 The recipient can choose to accept, reject, or keep the invoice pending for future action.
- 2.4.3 Accepted invoices will be included in the 'ITC Available' section of the recipient's GSTR 2B, and the corresponding GST will automatically populate in GSTR 3B as eligible ITC. Rejected invoices will appear in the 'ITC Rejected' section of GSTR 2B and will not populate in GSTR 3B.
- 2.4.4 The invoices which would be kept pending can be availed by taxpayers at any future point of time but not later than the limits prescribed by Section 16(4) of the CGST Act, 2017.
- 2.4.5 If no action is taken by the recipient, the invoices will be deemed accepted and will move to GSTR 2B of such tax period as accepted.
- 2.4.6 Suppliers can view the actions taken by their recipients on invoices in IMS. If the recipient rejects any invoices, the supplier needs to amend the invoices, and the amended record will be made available in IMS.

- 2.4.7 Recipients can continue to accept, reject, or keep invoices pending even after GSTR 2B has been generated i.e., 14TH of every month, until the date of filing of GSTR 3B. However, the recipient should mandatorily recompute GSTR 2B before filing GSTR 3B to ensure accuracy.
- 2.4.8 Excel download facility is available to download the IMS data.

Supplies not reflected in IMS -> The Following supplies will not go to IMS and will be directly auto populated in the GSTR 2B:

- i. Inward RCM supplies where supplier has reported in the Table 4B of IFF / GSTR 1.
- ii. Supplies where ITC is not eligible due to section 16(4) of CGST Act or on account of POS rule.

'Pending' action not allowed -> Pending action shall not be allowed in following scenarios:

- i. Original Credit note
- ii. Upward amendment of the credit notes irrespective of the action taken by recipient on the original credit note
- iii. Downward amendment of the credit-note if original credit note was rejected by recipient.
- iv. Downward amendment of Invoice/ Debit notes where original Invoice/ Debit note was accepted by recipient and respective GSTR 3B has also been filed.

Navigation to Invoice management system -> Login >> Services >> Returns >> Invoice management system.

3. Re-opening of Reporting of ITC Reversal Opening Balance:

3.1 Background -> To facilitate the taxpayers in correct and accurate reporting of ITC reversal and reclaim, a new ledger namely Electronic Credit Reversal and Re-claimed Statement was introduced on the GST portal vide Notification No. 14/2022-Central Tax, dated 5th July 2022 (read with Circular 170/02/2022-GST, dated 6th July 2022) from August 2023 return period for monthly taxpayers.

In view of this, most of the taxpayers have failed to disclose the opening balance in their ITC reclaim statements, leading to discrepancies in their GST filings. To address the issue, a final opportunity is being provided to taxpayers to report their cumulative ITC reversal as an opening balance in the Electronic Credit Reversal and Re-claimed Statement.

3.2 Extension of due date for reporting opening balance -> 15th September 2024 to 31st October 2024.

3.3 Amendments in opening Balance shall be made till -> 30th November 2024

3.4 Reporting of opening balance-> Taxpayers is required to report their opening balance considering the ITC reversal done till the return period of **July 2023** only as after this period balance is already captured in ledger.

Note -> The absence of proper reporting of the opening balance in the ITC reclaim statement may lead to the issuance of notices from the tax authorities. Therefore, it is advised to make use of this extended period to ensure that all relevant information is reported accurately.

Navigation to disclose opening balance -> Login >> Services >> Ledger >> Electronic credit reversal & reclaim Statement >> Report ITC reversal opening Balance.

4. Time limit to avail Input tax credit pertaining to FY 23-24:

As per Section 16(4) of the CGST Act, the deadline for availing input tax credit (ITC) including RCM related transactions for the Financial Year 2023-24 is either **30th November 2024** or the date of filing the annual return for FY 2023-24, whichever is earlier.

In light of this, taxpayers must review their input tax credit records and take appropriate actions to claim eligible ITC, as any unclaimed credit will lapse and must be expensed in the books. Specifically, the following should be verified:

- ITC recorded in the books but not reflected in GSTR 2B.
- ITC reflected in GSTR 2B but not reported in GSTR 3B.

Failure to address these discrepancies could result in the loss of eligible ITC.

Action to be taken->

i. Invoice Review and Accounting Corrections

Review the invoice copies related to input tax credit (ITC). In case of any discrepancies or accounting errors, make the necessary corrections in the books of accounts and claim the ITC in the return for the subsequent month.

ii. Vendors follow up for mismatch cases

If a vendor has filed an incorrect invoice or not reported an invoice, follow up with the vendor to ensure the necessary amendments are made in their returns. If the vendor fails to make the correction, debit the vendor's ledger accordingly, rather than expensing the unclaimed ITC.

iii. ITC Discrepancy between Books and GSTR 2B

If the ITC recorded in the books is lower than the amount reflected in GSTR 2B, claim ITC only up to the amount recorded in the books unless the vendor makes the necessary amendments.

iv. ITC for bank Charges, airline, and similar transactions

For ITC related to transactions such as bank charges or airline services reflected in GSTR 2B, the corresponding entries can be accounted for as per GSTR 2B, and the recipient may avail the credit accordingly subject to the condition specified in Section 17(5).

v. Ineligible ITC not reported

Input tax credit reflected in GSTR 2B but deemed ineligible under Section 17(5) should be reported directly in Table 4B (1) of GSTR 3B rather than being accumulated in the temporary reversal and reclaim statement.

vi. RCM Reconciliation

RCM (Reverse Charge Mechanism) transactions reflected in GSTR 2B must be reconciled with the RCM liability paid in GSTR 3B. Any missed transactions should be verified and settled promptly to ensure compliance with GST regulations.

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