



Office of the Commissioner of State Goods and Services Tax
Department, Government of Kerala, Thiruvananthapuram

No. CT/3626/2020-C1

Dated 16/06/2020

Circular No.6/2020

Sub:- SGSTDK- Submission of correct return under GST - reg.

Ref:- Section 17 of IGST Act 2017 r/w Goods and Services Tax

Settlement of Funds Rules, 2017.

1. Background:

1.1. After the implementation of Goods and Services Tax, the State Tax revenue constitutes the State GST paid (SGST) by the tax payers in Kerala and the fund transfer from Centre on account of the settlement and apportionment of Integrated Tax (IGST).

1.2. The fund transfer from Centre (IGST) on account of settlement and apportionment of IGST is based on the returns filed by the tax payers. Incorrect disclosure of Input Tax Credit (ITC) of IGST on account of interstate inward supplies or import supplies of goods or services will result in short settlement of amount of fund transfer to the State.

2. Fund Transfer and apportionment:

2.1. The modalities for settlement or transfer of funds from centre to state or vice versa on account of cross utilisation of IGST or as the case may be of SGST and apportionment of IGST between centre, states and within states are provided in section 53 of CGST/ SGST Act, section 17

and 18 of IGST Act r/w the Goods and Services Tax Settlement of Funds Rule, 2017. The Goods and Services Tax Network (GSTN) common portal, on the basis of returns filed by the tax payers, periodically transmits the report of such cross utilisation and the IGST funds available for the apportionment, to the competent authority. According to such periodic reports furnished by the GSTN, the competent authority transfers funds towards settlement of IGST collected by the Centre on the basis of the cross utilization of ITC of IGST utilised against CGST/SGST liability and vice versa as well as apportionment in terms of section 17 of IGST Act 2017 r/w Goods and Services Tax Settlement of Funds Rules, 2017.

2.2. The aforesaid Fund Transfer and apportionment is predominantly based on the information of GSTR-3B returns available with the GSTN. The facility to file simple and summary periodical return in form-GSTR3B in lieu of GSTR-3 was made available to the tax payers, and the same is still continued which may continue till a new return system is in place.

Hence, it necessitates the availability of correct data / information of GSTR-3B with the GSTN for proper settlement and apportionment of fund transfer.

Instances have been noticed in which taxpayers have not disclosed the ineligible ITC on account of IGST paid on inward interstate supply and import supplies in their periodic returns filed in form GSTR-3B. It had resulted in short transfer of IGST funds to the State of Kerala.

3. Correct Declaration of ITC in Monthly GSTR 3B:

- a. The provisions related to the GSTR-2 are suspended for the time being. Therefore, the reversal of ITC under Rule 42 & 43 is to be reported in Table 4 of GSTR-3B. Tax payers are required to determine all his eligible ITC, amount of reversal under Rule 42 or as the case may be, Rule 43 and ineligible ITC and have to report the correct figures in appropriate columns of Table 4.
- b. The tax payers shall report entire ITC eligible including reversal but excluding ineligible in table 4(A) of GSTR-3B and then report amount of reversal of ITC out of table 4(A) in table 4(B). It is needless to say that amount of reversal under Rule 42 & 43 shall be reported in Table 4 (B) (1), whereas reversal as per Rule 37 and any other reversal shall be reported in Table 4 (B) (2). Table 4(C) would therefore be 4(A) minus 4(B).

- c. The ineligible credit excluded while reporting ITC in 4(A) must be shown in table 4(D). More specifically, ineligible or blocked credit as per provisions of Section 17 (5) shall be reported in the Table 4 (D) (1) only. Whereas, Table 4 (D) (2) shall include the ineligible / blocked credit as per Section 17 (4) of CGST / SGST Act(s) read with Rule 38 thereto. The other ineligible ITC, like ITC wrongly availed in previous period, etc. shall also be reported in Table 4 (D) (2).
- d. Instead, only net effect shown by tax payers in the return would result in short settlement of IGST. Therefore, reversal of ITC and ineligible ITC has to be reported by tax payers while filing his due return.

4. Correction in returns filed earlier:

All such tax payers who have not furnished details of ineligible ITC or furnished partial details of ineligible ITC or not reported reversal of ITC fully or partially, are hereby required to correct the mistakes in following manner-

- a. Those tax payers who have committed errors of wrongly reporting or not reporting ineligible ITC as well as reversal of ITC in the returns filed for the financial period 2018-19 shall have to report it in the annual return to be filed in form GSTR-9.
- b. The tax payers who have committed errors of wrongly reporting or not reporting ineligible ITC as well as reversal of ITC in the returns filed for the financial period 2019-20 have to report it in return GSTR-3B for the period from April to September 2020.
- c. The tax payers who have committed errors of wrongly reporting or not reporting ineligible ITC as well as reversal of ITC in any returns filed for the return periods from April, 2020 shall report it in subsequent GSTR 3B to be filed by giving net effect in that subsequent return.

Such incorrect information of ITC in periodic returns indicates impropriety in return(s) filed by tax payers. It may result in selection of cases of such tax payers for scrutiny. And, which later on might result into imposition of penalty under the CGST / SGST Act(s).

Hence all tax payers are hereby instructed to follow the guidelines of this circular and file the periodic returns in GSTR-3B henceforth correctly. The tax payers shall also correct the figures reported in the returns filed for earlier period, if any, in the manner prescribed in this Circular.


COMMISSIONER