

DECODING GSTR 3B

Background:

Goods and Services Tax (GST) is a consumption-based tax on goods and services. The GST is paid by consumers, but remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government. Typically, businesses have to file two returns viz. **GSTR 1** (reporting details of all outward supplies of goods and services made), and **GSTR 3B** (furnishing summarised details of all outward supplies made, Input Tax Credit (ITC) claimed, tax liability ascertained and taxes paid)

Introduction:

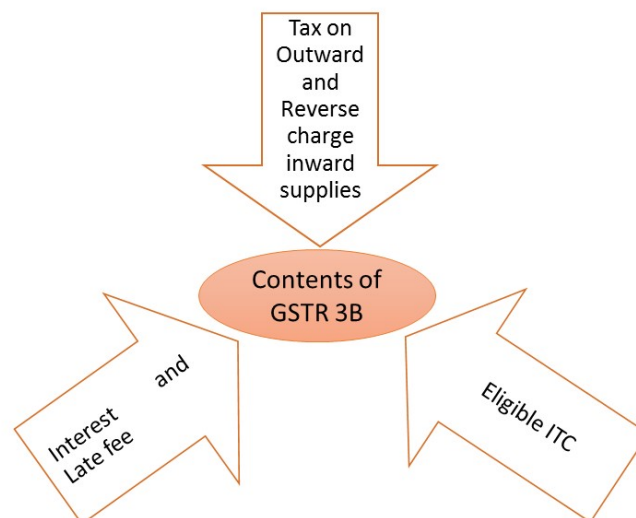
The GSTR-3B is a consolidated summary return of inward supplies liable to reverse charge and outward supplies, input tax credit claimed, tax liability ascertained and taxes paid.

This is a self-declaration return and the taxpayer is not required to provide invoice level information in this form.

Return Filing:

Filing of Returns within stipulated dates is fundamental for a taxpayer to circumvent from any interest and penalty. GSTR 3B has to be filed by every business on or before 20th day of the succeeding month.

Contents of GSTR 3B:



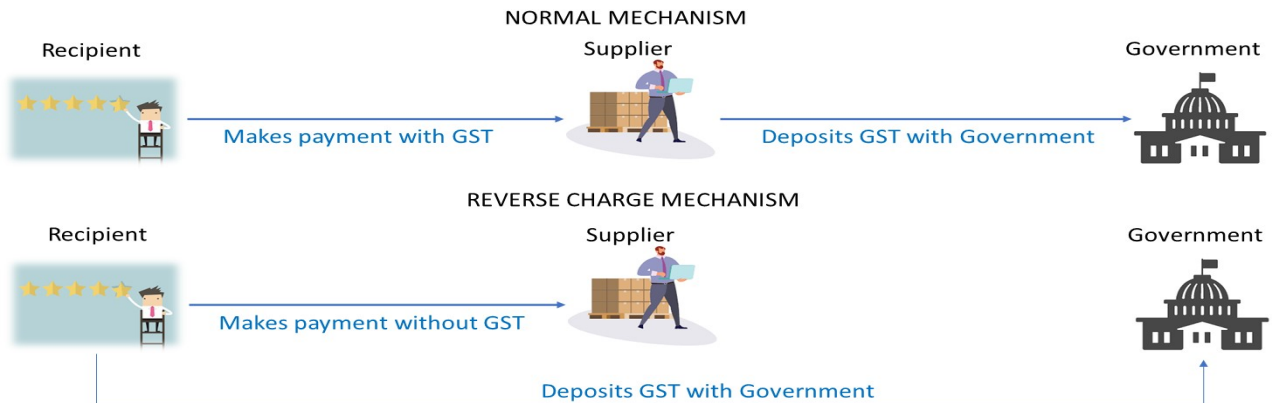
1. Tax on Outward and Reverse charge inward supplies:

This table provides the summary of details of outward supplies made by the entity and inward supplies liable to reverse charge along with corresponding tax liability for the same. The detailed break-up of this table is as follows:

| Particulars | Brief Description |
|---|--|
| <i>Outward taxable supplies (other than zero rated, nil-rated and exempted)</i> | Doesn't include supplies which are zero-rated, or have a nil rate of tax or are exempt from GST. Includes only on which GST has been charged |
| <i>Outward taxable supplies (zero-rated)</i> | Only those supplies on which the GST rate is zero. Zero-rated supplies are exports or supplies made to SEZ |
| <i>Inward supplies (liable to reverse charge)</i> | Supplies which are liable to reverse charge are reported here |
| <i>Non-GST outward supplies</i> | Any supplies made which are out of the purview of the GST |

Note

- The turnover of the entity shall be computed by aggregating the outward supplies including the zero-rated supplies, exempt supplies, nil-rated supply, exempt supply and Non-GST supply.
- The inward supply liable to reverse charge reported in the above table shall not be considered for the purpose of computing the turnover of the entity.
- However, this would only give an estimate of the turnover of the entity as the outward supply could be inclusive of internal stock transfers (when a business entity is registered with more than one registration and the stock transfer between these two registrations to be reported in GSTR 3B), disposal of capital assets etc. which would not form part of turnover of the entity.
- Reverse Charge Mechanism (RCM) means the liability to pay tax is on the recipient of supply of goods or services instead of supplier of such goods or services in respect of notified categories of supply and specified categories of goods or services or both by an unregistered supplier to specified class of registered persons.



Goods and Services notified under RCM:

a. **Supplies of goods** taxable under RCM includes

Cashew nuts (not shelled/ peeled)

Supply of silk yarn

Supply of old and used goods

Supply of waste and scrap

Supply of raw cotton

b. **Supplies of services** taxable under RCM includes

1. Supply of services by a Goods Transport Agency (GTA) (any person who provides service in relation to transport of goods by road and issues consignment note) in respect of transportation of goods by road to any person registered under the GST Act, any body corporate, any partnership firm
2. Services supplied by an individual advocate by way of legal advices, directly or indirectly
3. Services supplied by an insurance agent
4. Services supplied by a director of a company/ body corporate to the said company/ body corporate

Illustrations:

1. M/s. XYZ engaged an advocate (notified category of supply of service) to provide legal services. In this situation, M/s. XYZ being a business entity and receives services from an individual advocate which is a notified category of supply of service, RCM shall be applicable.
2. Mr. T, insurance agent in LIC. For the services rendered by Mr. T to LIC, the insurance business is required to pay GST.
3. Mr. V, receives sitting fees for the position held as director in M/s VK Ltd. Such sitting fees attracts RCM.

2. Eligible ITC

ITC in relation to registered person means the tax charged on purchase of supply of goods or services. This part is divided into four sections namely:

- a. ITC Available (whether in full or part)
- b. ITC Reversed
- c. Net ITC Available
- d. Ineligible ITC

a. ITC Available (either in full or part)

Under this part of the table, the following details can be seen:

- Import of goods
- Import of services
- Inward supplies on reverse charge (other than on import of goods and services reported above)
- Inward supplies from Input Service Distributor (ISD)
- All other ITC

b. ITC Reversed

- **As per rules 42 & 43 of CGST Rule-**
- These rules require that input credit must be reversed for goods and services, where they have been used partly for business and partly for other purposes, to the extent not used for business.

Illustration:

M/s. ABC Ltd which has a mobile showroom and on occasion of its 25th anniversary, the company distributed its mobile phone to its key managerial person. The extent to which the company supplied the mobile to key managerial person should be reversed as the same is not used for business purpose.

- Similarly, input credit reversal is also required where supplies include taxable, exempt and nil-rated supplies.
- In the same manner, input credit related to capital goods used for business and other purposes, for taxable, exempt, nil- rated supplies must also be reversed to the extent not used for business

- **Others** – Any other ITC which has been reversed other than those covered within the ambit of rule 42 and rule 43 shall be reported here.

c. Net ITC Available

It is automatically calculated by the GST portal based on the input provided in ITC Available and ITC Reversed. Net ITC available is arrived by reducing the ITC Reversed from ITC available

d. Ineligible ITC

- **As per Section 17(5)** –

The Section 17(5) specifies the list of transaction on which ITC cannot be availed. This includes:

- If motor vehicles and other conveyances used apart from when they are used for transporting goods, transporting the passengers

Illustration:

M/s. ABC buys a car for its business. ITC on the same cannot be availed

- The goods or services or both purchased in categories of food and beverages, beauty treatment, cosmetic and plastic surgery, health services, outdoor catering - except when where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same - are not eligible. And, so is the case with membership of a club, health and fitness centre.

All the ITC which are covered within the above list shall be reported in this table.

Illustration:

- M/s. Super Enterprises hosts a party for its employees. M/s. Super Enterprises will not be able to claim ITC on the food & beverages served
- Mr. A, a managing director, has taken membership of a club and the company pays the membership fees. ITC will not be available to the company or Mr. A
- Mr. Z, an employee of a hotel, consumes food and takes beauty treatment in the hotel. The hotel cannot claim ITC on such food served and beauty treatment provided to him.

- **Others-** Any other ITC which is ineligible apart from above stated item

3. Interest and Late fee

Failure to file GSTR-3B within the due date or failure to pay the output tax liability in full would attract late fees and interest respectively.

Applicable interest and penalty are as follows:

| Particulars | Description |
|-------------|--|
| Interest | 18% p.a. as interest |
| Penalty | Rs. 50 per day and Rs. 20 per day in case of Nil Return (arises when there were no invoices issued during a month) |

4. Payment of Tax

This table reflects the mode through which the output tax liability is paid. Generally output tax liability can be paid through ITC available in electronic credit ledger (The electronic credit ledger reflects the amount of Input Tax Credit available to the taxpayer) and cash available in electronic cash ledger (contains deposits that a taxpayer has made and any GST payments made through cash). Further this table also reflects the interest, late fees and penalty paid by the registered person.

Conclusion:

GSTR-3B is very crucial for any financial institution to extend credit facility to the borrowers. Understanding and scrutiny of the said form will help them to arrive at the eligibility and disbursement of credit within the stipulated time frame.