

GST Updates

20% Limitation on ITC

Calculation and Confusions

Punit Prajapati & Co.

Chartered Accountants

B-809, 810, Titanium City Centre, Nr. Sachin Tower,

100 Ft Anandnagar Road, Satellite, Ahmedabad, Gujarat 380015.

Tel. 079-26934101,02, E-Mail : Info@punitprajapati.com , Web : www.punitprajapati.com

20% Restrictions on ITC for not uploading of GSTR 1 by Suppliers

- Total ITC to be availed is now limited to 120% of the ITC uploaded by the suppliers through GSTR 1 and reflected in GSTR 2A of the receiver.
- In terms of Rule 36(4) of CGST Rules, 2017, 20% of uploaded ITC is to be considered and not 20% of total ITC which would otherwise be available to the assessee. Thus, a tax payer would have a margin of 16.67% (20/120) of total ITC for which the supplier has not uploaded the details.
- Example: Suppose total ITC which is otherwise available is Rs.1,00,000 but out of which Rs.20,000 ITC details are not uploaded by the supplier in his GSTR 1. In such a case, total ITC which can be availed by the receiver is as follows.

Sr.	Particular	₹
A	Total Credit (i.e. for which details are uploaded or not uploaded by supplier)	1,00,000
B	Invoice for which details are not uploaded	20,000
C	Invoice for which details are uploaded	80,000
D	20% of Eligible Credit [20% of (C)]	16,000
E	Ineligible ITC due to non uploading of GSTR 1 by supplier (B-D)	4,000
E	Maximum Credit which can be availed (A-E)	96,000

Confusions

- There is doubt that whether such procedure is to be adopted by the assessee himself only or GST Network will auto restrict the ITC. Rule 36(4) to CGST Rules, 2017 is inserted w.e.f. 17/10/2019. However, GST Network do not stipulates such conditions in actual filing of GST 3B till today 17/10/2019.
- GSTR 2A data is not static but it keeps updating every day, every minute. It will be different on each day for example, on 11th, 15th and 20th day from end of each month. It will be different on annual filling and it will be different at time of GST audit or verification by department. Hence, 20% of it will be also be fluctuating constantly.
- Further, there is doubt about time period for such restrictions. If such restriction is to be applied each month with filing of each GSTR 3B, it will create many issues for businessman.
- Many suppliers are required to file GSTR 1 on quarterly basis. In such cases, if such restriction on receiver is on monthly basis, receiver will not be able to avail full ITC for such supplier.
- Further, if such restriction is on monthly basis, there is doubt about opening and closing balance of ITC which is available but not availed during the particular month. For example, a receiver has purchased goods in October 2019 but has not received goods in October, 2019 and hence can not avail ITC during October, 2019. This ITC will be reflected in October, 2019 but ITC can't be taken in October, 2019. Now, suppose, such goods are received in November, 2019, and if there is no other purchase in November, 2019 (or not sufficient purchase), receiver will not be able to avail such ITC in November, 2019 also as it will not be reflected in GSTR 2A of November, 2019.
- **Considering such confusions, we are expecting clarifications from the Government shortly.**

Punit Prajapati & Co.

B-809, 810, Titanium City Centre, Nr. Sachin Tower, 100 Ft Anandnagar Road, Satellite, Ahmedabad, Gujarat 380015.

Tel. 079-26934101,02, E-Mail : Info@punitprajapati.com , Web : www.punitprajapati.com



This materials is for internal and private circulation only. This article includes general information about legal issues and developments in the law of GST in India. Reader is expected to verify before acting upon.

Punit Prajapati & Co.

Chartered Accountants

B-809, 810, Titanium City Centre, Nr. Sachin Tower,
100 Ft Anandnagar Road, Satellite, Ahmedabad, Gujarat 380015.
Tel. 079-26934101,02, E-Mail : Info@punitprajapati.com ,
Web : www.punitprajapati.com