

All you should know while filing GSTR - 3B Return

Filing of GSTR-3B return is the first formal communication of business transactions with the government machinery in the GST era. It holds lot of importance especially in the current scenario where many businesses are still struggling with the basics of this new law i.e. obtaining provisional id's, issues in logins, interpretation issues in law, dealing with the procedural aspects and many more... The list can just go on. Amidst all these barriers, the show has to still go on and one has to act upon the mandate of the law and file an error free GSTR 3B return. Since, there is lot of confusion among industry and trade on this filing requirement of form GSTR-3B, therefore this article is written to provide conceptual clarity on filing of this form along with data requirement and calculation mechanics for detailed field wise submission in this form.

Before we understand the form in detail, we would first take a quick look at the legal provision of the law which requires a person to file this form.

As per Rule 61(5) of GST rule, if time limit for furnishing of details in FORM GSTR-1 and FORM GSTR-2 has been extended and the circumstances so warrant, then such person must furnish return in FORM GSTR-3B. Therefore, GSTR 3B is a nothing but a simplified summary return and the purpose of the return is for taxpayers to declare their summary GST liabilities for the tax period and the discharge of these liabilities in a timely manner in a situation where the time-limit for filing GSTR 1, 2, & 3 returns is extended.

Central Government vide Notification No. 21/2017 – Central Tax specified the due date of filing of Form GSTR-3B as under:

- ✓ For the month of July 2017 – To be submitted by Aug 20th, 2017; and
- ✓ For the month of August 2017 – To be submitted by Sept 20th 2017.

Before we take a deeper dive and understand this form minutely in its field wise requirement, we would first take a look at few important points in this regard:

- a) GSTR 3B needs to be separately filed for each GST registration number.
- b) It needs to be filed online only in the common portal i.e. www.gst.gov.in, there is no any offline utility provided which can be filled and uploaded into the system. In the post login mode, one can access it by going to Services > Returns > Returns Dashboard. After

selecting the financial year and tax period, GSTR 3B, (if applicable), in the given period will be displayed.

- c) It is needed to be filed even if it is a nil return.
- d) Once filed, the form shall be final and there is no provision for revision of the return once filed. Any revision has to be done through while filing of GSTR -1, GSTR -2, GSTR -3.
- e) Upon generation of GSTR 3, if actual liabilities are different from those declared in GSTR 3B, the system will update the delta (difference) between GSTR 3B and GSTR 3 automatically. In case of an upward revision of liabilities, one will be liable to pay differential tax along with interest on the (differential) amount.
- f) There is no legal provision in the law through which one can claim the transitional credit in GSTR - 3B return. Therefore, closing balance of transitional credit in returns and in stock must not be considered while filing form GSTR 3B. Although, this issue is under consideration by the government based on various representations made.
- g) Refund cannot be claimed under GST-3B since invoice-wise details in form GSTR 1 must have to be submitted for the matching of invoices and for processing of the refund claim.
- h) All migrated tax payers need to furnish all the information required under REG- 26 so as to file GSTR-3B. Therefore, if the details of enrolment for registration are not fully or properly submitted, then such person may not be able to file the GSTR-3B return.
- i) Composition Dealers are not required to file GSTR-3B. They will be required to file quarterly return only.
- j) If there is any tax payable then payment of such tax is mandatory for filing of form GSTR-3B. In other words, GSTR-3B return cannot be filed without full payment of the tax due.

Having understood the basics and the requirement of the form, we shall now understand the form in detail with field-wise reporting requirement along with how data/ information must be identified, computed and assimilated by the business to ensure error free filing of this form. Below is the format of the form for quick glance.

Field No. 3.1 - Details of Outward Supplies and inward supplies liable to reverse charge

A) Outward taxable supplies (other than zero rated, nil rated and exempted supplies)

Details of all the taxable outward supplies must be entered here. Therefore, details of zero rated supply, nil rated supply and exempted supply must be excluded. By entering the details here we would be able to calculate the total GST payable on outward supplies. Once we arrive at the value of total GST payable on the outward supplies, then the tax element needs to be segregated into CGST, SGST and IGST to ensure payment of correct type of tax. Following are the points that must be noted while calculating the amount of tax value and tax payable on outward supplies:

Value of outward taxable supply must be calculated as under:

Value of all outward taxable supply invoices issued in the month of July 2017

Add: value of taxable debit notes issued in the month of July 2017

Less: value of credit notes issued against above invoice/ debit note

Add: value of advances received for any taxable outward supply for which invoices have not been issued in the month of July 2017

Less: value of advances adjusted against invoices.

Details of advances as well as adjustment of same against invoices must not to be shown separately. If the advance is already invoiced, then the same needs to be shown only once under value of invoices. Further, any amendment in any details to be adjusted and not shown separately.

In case of services, if advance is received before July 17 but invoice is issued in the month of July 17, then the transaction shall be liable for service tax to the extent of advances received before July 17 and detail of such invoice to the extent of liability under service tax law should not be included here.

Details of invoices raised for stock transfer of goods or cross billing for services to the another registered person of the same entity must be entered here. In other words, it shall contain the details of internal as well as external invoicing.

If both taxable and exempted goods or services are covered in the same invoice then only details of the taxable portion of such invoice must be entered here. The exempted portion must be separated and entered below in field (c) even though the same are covered under same invoice number.

As the heading clearly states only details of the outward supplies must be entered here. Therefore, if any tax is payable under reverse charge such as services from advocates or purchases from unregistered person etc. then same needs to be entered in field (d) below.

There would be no bifurcation for intra state supplies, inter-state supplies, B2B supplies and B2C Supplies. All the taxable supplies would be considered in this column itself.

However, for the purpose of payment of taxes, the above outward taxable supplies must be bifurcated into CGST and SGST and IGST as tax payment needs to be made accordingly.

B) Outward taxable supplies (zero rated):

“zero rated supply” means any of the following supplies of goods or services or both, namely:—

- (a) export of goods or services or both; or
- (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

Where any goods or services or both are exported or if the same are supplied to any special economic zone/ developer then details of the same needs to be entered here.

‘Zero rated supply’ can either be made upon payment of tax by availing full credit or the same can also be made without payment of tax by filing bond or LUT. Both the categories of zero rated supplies must be mentioned here only. Calculation of tax payable on Zero rated supplies must be done in the same manner as provided in (A) above. Tax columns would be filled when the assessee is opted to pay GST for making exports/SEZ supplies.

A supply which is both Nil rated and also Zero rated, then details of such supplies must be mentioned in the category of zero rated supply. For ex: Export of books would be a zero rated and also nil rated supply. Details of this supply must be entered in zero rated supply as in such a case assessee would still be able to claim the refund of the input taxes credit. Putting the details in Nil rated supply may lead to unnecessary consequences from the department and denial of credit thereon.

C) Other outward supplies (Nil rated, exempted):

Nil rated supplies are the ones where although the supply is taxable but the rate of tax has been kept as Nil whereas exempted supplies are the ones that are exempted by way of an exemption notification issued under section 11 of the CGST act. While filling GSTR 3B return, although, the corresponding column requires the details of 'total taxable supplies', however, one can still put the invoice value of such exempt, nil rated supplies and the tax column can be left blank since no tax is payable on such supplies. For example: Interest earned in bank accounts is an exempt supply and details of such receipts must be entered here.

D) Inward supplies (liable to reverse charge):

There are three types of supplies where liability to pay tax is shifted from the supplier to other person as under:

- 1) Purchases from unregistered persons:** Both intra-state and inter-state purchases;
- 2) Notified reverse charge supplies:** For example: Goods Transport Agency services, Legal services from advocates etc. even certain goods are notified.
- 3) Shifting of charge:** For example: In case of services of hotel, inn, accommodation, passenger transport by cab etc are supplied through an electronic commerce operator, then such electronic commerce operator shall be liable for GST.

Liability of GST payable under reverse charge must be calculated as under:

Identify the purchases made from unregistered persons to determine the reverse charge liability

- a) Segregating the above purchases into inter-state and intra state supplies;
- b) Remove the intra-state purchases of a state where there is no registration obtained;
- c) Remove the intra-state or inter-state purchases which are not exempted or are nil rated for ex: Purchase of milk, books etc.;
- d) Remove the intra-state or inter-state purchases which are not leviable to GST For ex: Petrol, diesel, electricity etc.;
- e) Remove the intra-state or inter-state purchases which are purchased from a person who is not in any business i.e. not being a supplier.
- f) Segregate the intra state purchases portion on day wise;
- g) Remove the ones below Rs.5,000/- per day;
- h) Identifying Place of supply in case of inter-state purchases from unregistered persons;
- i) Identifying the classification code for such supplies
- j) Apply the appropriate rate of tax and compute GST payable on purchases from unregistered persons;

- k) Identify supplies notified to be taxable under reverse charge. For ex: advocates, GTA, sponsorships;
- l) Identifying the classification code for such supplies;
- m) Apply the appropriate rate of tax and compute GST payable on notified supplies under reverse charge;
- n) In case of e-commerce operator the above calculation needs to be done for shifting of charge also.
- o) Raise a consolidated monthly invoice mentioning all the taxable supplies subject to reverse charge as per the mandatory requirement of a tax invoice.

Once the above calculation is performed, total taxable value and tax on inward supplies liable under reverse charge must be disclosed in Form GSTR 3B.

Note: Merely because a person is not charging any GST on the bill need not be assumed that the said person is an unregistered person in the GST. For example: food bills from restaurants. There is a possibility that such restaurant is registered under the composition scheme of the act. Therefore, while identifying vendors under reverse charge a precaution to that extent must be taken.

In earlier tax regime, service tax was payable under reverse charge only when payment was made to the vendor. In case of GST, tax under reverse charge needs to be paid at earliest of the following dates:

- ✓ Receipt of goods/ from vendor;
- ✓ Payment entry in books of accounts or debit in bank; or
- ✓ Date immediately following 30 days (60 days in case of services) from the date of issue of invoice by the vendor.

Therefore, if any of the above event has taken place, then assessee needs to pay GST under reverse charge. For ex: If a payment is made to an advocate in the month of July 2017, then reverse charge would apply and one needs to identify and disclose these details in Form GSTR-3B and accordingly tax needs to be calculated.

Further, in case of certain services that were liable for tax under reverse charge under the earlier service tax law regime like security, GTA, sponsorships etc. one has to determine the

taxation of such spill over transactions as per the table below. Only the transactions that are liable for tax under GST needs to be considered and same need not be considered only based on invoicing date.

Scenario	Service provided	Invoice raised by service provider	Payment made to service provider	Tax to be paid
1	In Jun '17	In Jun '17	In Jun '17	Service tax
2	In Jun '17	In Jun '17	In Jul '17	Service tax
3	In Jun '17	In Jul '17	In Jun '17	Service tax
4	In Jun '17	In Jul '17	In Jul '17	GST

In case of these supplies, the person paying tax needs to classify the same properly under correct HSN code and identify the correct rate of tax for the respective goods/ services and proper tax needs to be calculated.

E) Non-GST outward supplies:

Certain supplies are treated as non-GST supplies meaning thereby they are neither exempt or nil rated or zero rated. Various supplies that would get covered here are as under:

- ✓ Sale of flats after issuance of the completion certificate;
- ✓ Sale of land;
- ✓ Provision of electricity;
- ✓ Sale of Petrol and petroleum products;
- ✓ Sale of alcoholic liquor for human consumption;
- ✓ Dealings in securities and transactions in money;
- ✓ Actionable claims, other than lottery, betting and gambling.

In case any of the above category of supplies are made then details of the same must be reflected in this field.

Field No. 3.2: Details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders

Details of following supplies must be disclosed in this field:

- ✓ Inter-state supplies made to unregistered persons;
- ✓ Inter-state supplies made to composition taxable person;
- ✓ Inter-state supplies made to UIN holder.

It is important to note that details in this field are required to be filled only in case of inter-state supplies. Therefore, if any supplies are made to an unregistered person etc. within the same state then such details of such supplies must not be disclosed here.

Therefore, in case of all inter-state supplies, one has to do the following activities to identify the above:

- ✓ Identify place of supply. If location of supplier and the place of supply are in two different states;
- ✓ Obtain registration no. to verify if the recipient is registered under GST;
- ✓ If yes, check if the person is registered under the composition scheme;
- ✓ Check if he is a Unique identity number holder being an embassy, UN body etc.;

Alternatively, a declaration could be obtained from customers whether they are registered under GST, if yes then whether under regular or composition scheme.

Once identified, details of these inter-state supplies must be reported in field 3.2. Although, details of these supplies must have already been covered and disclosed in field no. 3.1 above, but the same are also required to be reported here. However, this would not mean payment of tax twice on these supplies. Missing out few cases in this table would not be an offence as it is merely a disclosure part and no transactions being escaped from tax net.

Field No. 4: Details of eligible Input Tax Credit

Amount of inward supply not to be furnished. Only the amount of tax paid on inward supplies, whether creditable or not, is required to be furnished here. These should be net off credit and debit notes.

Firstly, details of all inward supplies in the month of July 2017 on which vendors have charged GST must be identified.

Add: Tax payable under reverse charge for which credit is provisionally available in the month of July 2017 itself.

Add: Supplies on which credit is distributed by other unit by way of ISD;

Less: Above input tax credit must be proportionately reversed to the extent used for exempt supplies, non-business purpose etc as per the formula prescribed in rule 42, 43 of GST rules;

Less: In case of capital goods **commonly used** for both taxable as well as exempted supply, credit needs to be segregated in 60 months and only the credit attributable to the month of July 2017 must be taken and balance must be carried forward to be availed in subsequent months;

Less: Inward supplies of which credit is blocked u/s 17(5) or any other section.

The final eligible credit must be bifurcated in CGST, SGST and IGST and same must be availed accordingly. It is important to note that compensation cess charged if any, shall also be available as credit subject to set off against only output compensation cess if any.

Currently, Transition forms are not enabled in the electronic GST portal and therefore a person may not be able to transfer and avail the credit in closing balance in returns or stocks of earlier tax laws such as central excise, VAT, service tax etc. However, a relief in this regard is expected and government may enable availing of the closing credits of old taxes even though the transition forms are not filed. However, no such notification is issued in this regard as on 16.08.2017.

Field No. 5: Details of exempt, nil-rated and non-GST inward supplies

Apart from the details of inward supplies on which credit is taken, details of inward supplies on which no GST is charged by vendors must also be submitted. Such supplies can be categorized as under:

Exempt/ Nil rated inward supplies: In case of supplies on which vendor has not charged any GST as the said supply is exempt or is nil rated. For example purchase of books, milk etc.

Non-GST outward supplies: Certain supplies are treated as non-GST supplies meaning thereby they are neither exempt or nil rated or zero rated.

This is the most toughest aspect in the entire preparation process of Form GSTR 3B since even the smallest of the inward supply details needs to be submitted by virtue of this requirement. For ex: Electricity, fuel expenses, purchase of groceries/ utilities from a small kirana store etc needs to be identified and disclosed. Further, these inward supplies must be bifurcated into inter-state supplies and intra-state supplies and reported accordingly.

Field No 6: Payment of Tax

In GST, each registered person is a distinct person and therefore utilization of credits between two distinct persons shall not be allowed. Same is also not available if a person has taken two separate vertical-wise registrations in the same state. Following important points must be taken care while determining the amount of tax that needs to be paid.

- a) The amount available in the electronic credit ledger i.e. input tax credit may be used for making any payment towards output tax. Therefore, input tax credit cannot be used for payment of GST under reverse charge and therefore tax liability under reverse charge needs to be fully paid in cash (NEFT/Online banking modes).
- b) Input tax credit of IGST shall first be utilised towards payment of IGST and the amount remaining, if any, may be utilised towards the payment of CGST and SGST, or as the case may be, UTGST, in that order;
- c) Input tax credit of CGST shall first be utilised towards payment of CGST and the amount remaining, if any, may be utilised towards the payment of IGST;
- d) Input tax credit of SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards payment of IGST;
- e) Input tax credit of UTGST shall first be utilised towards payment of UTGST and the amount remaining, if any, may be utilised towards payment of IGST;
- f) CGST shall not be utilised towards payment of SGST or UTGST; and
- g) SGST or UTGST shall not be utilised towards payment of CGST.
- h) Interest, penalty, fee or any other amount payable under this Act or the rules made thereunder shall be paid in cash and not by utilizing Input tax credit.
- i) Input cess can be used only against payment of output cess and the same cannot be used for paying tax or interest or penalties etc.

Interest and Late Fee:

The due date for payment of tax for the month of July 2017 is by August 20, 2017. Therefore, if the tax is not paid within the due date prescribed, then interest needs to be paid calculated @ 18% per annum proportionately based on number of the days for which delay has been made.

Since, the time-limit for filing of form GSTR-1, 2 and 3 has been extended by way of a notification, therefore ideally there should not be any late filing fee payable for delay in filing of form GSTR-3B since GSTR 3B is nothing but a return filed in lieu of GSTR-3. As the time limit for filing of GSTR-3 is extended, therefore there should not be any question of paying late filing fee. However, clarity in this regard is expected. It has been told that the late fee if any is auto computed in form 3B. If so happens, form 3B cannot be filed unless the late fee appearing the payable sheet is discharged.

TDS and TCS Credit:

The provisions relating to TDS and TCS has not made effective and hence no details would appear under the above head.

Conclusion:

Businesses must ensure thorough verification of the transactions and its applicability to GST before making the payment of tax and filing of GSTR 3B return as any incorrect payment of taxes have larger consequences in the GST regime. Since, the law is nascent and the interpretations are developing, therefore principles would take its own time to get settled. Until then one has to be more vigilant and take due care to avoid erroneous application of the law and disputes arising thereon.

- CA Ravi Kumar Somani
- CA Nagendra Hegde

(Article written on 16th August 2017. For any feedback or queries write to ravikumar@hiregange.com or nagendra@hiregange.com)