

## MATCHING CONCEPT

**38.1 MATCHING CONCEPT**

After having a detailed discussion on GSTR 1, GSTR 2 and GSTR 3, one comes to know that the availability of credit of input tax in GST regime is not so easy and convenient unlike under the earlier regime. The sole reason is the introduction of the “matching” concept. Now, the question arises, what is this matching all about. The matching concept is the mechanism which has been designed by the Government for allowing the input tax credit to the recipient of the supply only of those supplies which has been shown and reported by the corresponding supplier. Had there be no matching concept, there would be no requirement of GSTR 1 and GSTR 2 and the one and only detailed GSTR 3 would have been introduced.

Before going into the details of the matching provisions, let us have a bird eye view of the provisions incorporated in this regard.

**GST Act, 2017**

Section	Provision
41	Claim of input tax credit and <i>provisional acceptance</i> thereof.
42	Matching, reversal and reclaim of <i>input tax credit</i> .
43	Matching, reversal and reclaim of <i>reduction in output tax liability</i> .

**GST Rules, 2017**

Rule	Description
69	Matching of claim of input tax credit
70	Final acceptance of input tax credit and communication thereof.
71	Communication and rectification of discrepancy in claim of input tax credit and reversal of claim of input tax credit
72	Claim of input tax credit on the same invoice more than once
73	Matching of claim of reduction in the output tax liability

Rule	Description
74	Final acceptance of reduction in output tax liability and communication thereof.
75	Communication and rectification of discrepancy in reduction in output tax liability and reversal of claim of reduction.
76	Claim of reduction in output tax liability more than once
77	Refund of interest paid on reclaim of reversals.
78	Matching of details furnished by the e-Commerce operator with the details furnished by the supplier.
79	Communication and rectification of discrepancy in details furnished by the e-commerce operator and the supplier

### 38.2 MATCHING CONCEPT IN REGARD TO CLAIM OF INPUT TAX CREDIT

For the purpose of understanding this topic, Sections 41 and 42 of the GST Act, 2017 has to be read with Rules 69, 70, 71, 72 and 77 of the GST Rules, 2017.

*Input Tax Credit shall be allowed on provisional basis* - The registered person claiming the credit of input tax shall be entitled to take the credit of eligible input tax which has been self-assessed by the recipient in GSTR 2 after taking into account the inward supplies auto-populated in GSTR 2A. All the input tax credit claimed by the recipient shall be allowed on a *provisional basis*. The said amount of credit allowed on provisional basis will be *credited to the Electronic Credit Ledger* of the recipient including those inward supplies which has not been shown by the corresponding supplier.

*Restricted utilization of provisional Input Tax Credit* - The provisional credit of input tax shall be utilized only for the payment if self-assessed output tax as per GSTR 3.

*Matching of Input Tax Credit* - The details of every inward supply furnished by the “recipient” for a tax period shall be matched:

- (a) *With the corresponding details of outward supply* furnished by the corresponding registered supplier in his valid return for the *same tax period or any preceding tax period*;
- (b) *With the IGST paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and*
- (c) *For duplication of claims of input tax credit.*

*Time of matching* - The claim of input tax credit on inward supplies including imports, provisionally allowed under section 41, shall be matched under section 42 *after the due date for furnishing the return in FORM GSTR-3.*

*Parameters for matching* - Certainly for matching any data there would be certain parameters on the basis of which the matching exercise can be carried out by the government between the inward supplies of the recipient with the corresponding outward supplies of the supplier. For this purpose, the following details relating to the claim of input tax credit on inward supplies including imports, provisionally allowed under section 41, shall be matched under section 42 after the due date for furnishing the return in FORM GSTR-3-

- (a) GSTIN of the *supplier*;
- (b) GSTIN of the *recipient*;
- (c) Invoice or debit note *number*;
- (d) Invoice or debit note *date*; and
- (e) *Tax* amount.

*Auto-Extension in the date of matching* - Where the time limit for furnishing GSTR-1 and GSTR-2 has been extended, the date of matching relating to claim of input tax credit shall also be extended accordingly.

*Power to extend the date of matching* - The *Commissioner* may, on the recommendations of the Council, by *order*, extend the date of matching relating to claim of input tax credit to such date as may be specified therein.

*Treated as matched* - The claim of input tax credit in respect of invoices and debit notes in FORM GSTR- 2 that were accepted by the recipient on the basis of FORM GSTR-2A *without amendment* shall be treated as *matched* if the corresponding supplier has furnished a valid return.

Further, the claim of input tax credit shall be considered as matched where the *amount of input tax credit claimed* is *equal to or less than the output tax paid* on such tax invoice or debit note by the corresponding supplier. It is pertinent to note that if the input tax credit claimed is less than the tax shown on the corresponding outward supplies then in such a case it shall be *treated as matched*.

*Process when the inward supplies gets matched with the corresponding outward supplies* - If the inward supplies pertaining to input tax credit in GSTR 2 gets match with:

- (a) The details of corresponding outward supplies, or
- (b) The IGST paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him

shall be *finally accepted*. The acceptance has a significance that the *provisional credit* of input tax claimed by the recipient gets *finalised*. Post acceptance of such claim of input tax credit pertaining to such inward supplies, the acceptance shall be *communicated* to the *recipient*.

*Communication to the recipient on input tax credit claimed on inward supplies being matching* - The final acceptance of claim of input tax credit in respect of any tax period shall be made available electronically to the registered person making such claim in FORM GST MIS-1 through the common portal as stipulated in Rule 70(1) of the GST Rules, 2017.

*Reasons of mismatch or discrepancy in input tax credit* - There are broadly two sections which stipulates the reasons for such mis-matches namely Section 42(1)(a) & (b), and Section 42(1)(c) of the GST Act, 2017.

*Section 42(1)(a) & (b) of GST Act, 2017* - As per this section, if the input tax credit claimed by the recipient in respect of inward supplies is:

- ◆ In excess of the tax declared by the supplier for the same supply, or
- ◆ The outward supply is *not declared by the supplier* in his valid returns.

*Communication to both the supplier and recipient on input tax credit claimed on inward supplies being un-matched under Section 42(3)* - The discrepancy shall be communicated to both such persons in such manner as may be prescribed. Any discrepancy in the claim of input tax credit in respect of any tax period, specified in Section 42(3) shall be made available electronically through the common portal *on or before the last date of the month in which the matching has been carried out to:*

- ◆ The *recipient* making such claim electronically in FORM *GST MIS-1* and
- ◆ The *supplier* in FORM *GST MIS-2*

*Opportunity to rectify the discrepancies*

- ◆ **Option to the supplier:** A supplier to whom any discrepancy is made available *may* make suitable *rectifications* in the statement of outward supplies *i.e.* GSTR 1 to be furnished *for the month in which the discrepancy is made available*. Rectification by a supplier means *adding or correcting* the details of an outward supply in his valid return so as to *match the details of corresponding inward supply* declared by the recipient.
- ◆ **Option to the recipient:** A recipient to whom any discrepancy is made available *may* make suitable *rectifications* in the statement of inward supplies *i.e.* GSTR 2 to be furnished *for the month in which the discrepancy is made available*. Rectification by the recipient means *deleting or correcting* the details of an inward supply so as to *match the details of corresponding outward supply* declared by the supplier.
- ◆ **If discrepancy not rectified then addition in the output tax liability of the recipient:** The amount in respect of which any discrepancy is communicated under Section 42(3) and is *not rectified by the 'supplier'* in his valid return for the month in which discrepancy is commu-

icated shall be *added to the output tax liability of the 'recipient'* in his return. The input tax credit amount which shall be added in the output tax liability shall be *for the month succeeding the month in which the discrepancy is communicated.*

Further, as per Rule 71(4) of the GST Rules, 2017, where the discrepancy is not rectified by the '*supplier*' or the '*recipient*', an amount to the extent of discrepancy shall be added to the output tax liability of the recipient in his return to be furnished in FORM GSTR-3 for the month succeeding the month in which the discrepancy is made available.

*Reduction in the output tax liability of the recipient in specified situation* - The *recipient* shall be eligible to *reduce*, from his output tax liability, the amount added in the output tax liability, *if the supplier declares the details of the invoice or debit note in his valid return within the time specified in Section 39(9) of the GST Act, 2017.* The time specified under Section 39(9) of the GST Act, 2017 shall not be after the due date for furnishing of return for the month of September or the actual date of furnishing of relevant annual return, whichever is earlier.

The claim of input tax credit in respect of any tax period which had been communicated as *mismatched but is found to be matched after rectification by the supplier or recipient* shall be *finally accepted* and made available electronically to the *recipient* in FORM *GSTMIS-1* through the common portal.

However, if the amount is reduced from the output tax liability *in contravention of the provisions of Section 42(7)* shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in Section 50(3) of the GST Act, 2017.

*Section 42(1)(c) of GST Act, 2017* - As per this section, if the recipient has claimed the input tax credit on the same invoice more than once *i.e. duplication of claims of input tax credit*, then it shall be one of the reasons for mis-matches.

*Communication to the recipient in case of duplication of claims of input tax credit* - It shall be communicated to the *recipient* in FORM *GST MIS-1* electronically through the common portal.

*Addition in the output tax liability* - The amount claimed as input tax credit that is found to be in *excess on account of duplication of claims* shall be *added to the output tax liability* of the recipient in his return for the month in which the duplication is communicated.

*Payment of Interest by the recipient in case of addition of amount claimed as Input Tax Credit in the Output Tax Liability* - A recipient in whose output tax liability any amount has been added under Section 42(5) or 42(6), shall be liable to pay interest at the rate specified under Section 50(1) on the

amount so added from the date of availing of credit till the corresponding additions are made under the said sub-sections.

*Refund of Interest in case of reduction in the Output Tax Liability:* The interest to be refunded shall be claimed by the registered person in his return in FORM GSTR-3 and shall be credited to his electronic cash ledger in FORM GST PMT-05 and the amount credited shall be available for payment of any future liability towards interest or the taxable person may claim refund of the amount under section 54.

Further, the amount of interest to be credited in any case shall not exceed the amount of interest paid by the supplier.

### **38.3 MATCHING CONCEPT IN REGARD TO REDUCTION IN OUTPUT TAX LIABILITY**

For the purpose of understanding this topic, Section 43 of the GST Act, 2017 has to be read with Rules 73, 74, 75, 76 and 77 of the GST Rules, 2017.

*Reduction in Output Tax Liability by way of Credit Note :* Section 2(37) defines “credit note” as a document issued by a registered person under Section 34(1) of the GST Act, 2017. The situations in which the credit note can be raised by the taxpayer are mentioned below:

- ◆ Where a tax invoice has been issued for supply of any goods &/or services and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or
- ◆ Where the goods supplied are returned by the recipient, or
- ◆ Where goods &/or services supplied are found to be deficient.

The registered person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed. In this case, unlike debit note, it is upon the discretion of the supplier whether he wants to raise credit note or not, as because issuance of credit note simultaneously reduces the tax liability.

Any registered person who issues a credit note in relation to a supply of goods &/or services shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier. The tax liability shall be adjusted in such manner as may be prescribed.

However, it must be pertinent to note that there shall be no reduction in output tax liability of the supplier if the incidence of tax and interest on such supply has been passed on to any other person.

*Matching of claim of reduction in the Output Tax Liability* - So the details of the credit note furnished in the GSTR 1 shall be matched as per Section 43(1) read with Rule 73.

- (a) with the corresponding reduction in the claim for input tax credit by the recipient in his valid return for the same tax period or any subsequent tax period; and
- (b) for duplication of claims for reduction in output tax liability.

*Time of matching* - The claim of reduction in output tax liability shall be matched under Section 43 after the due date for furnishing the return in FORM GSTR-3.

*Parameters for matching* - Certainly for matching any data there would be certain parameters on the basis of which the matching exercise can be carried out by the government is as mentioned below

- (a) GSTIN of the supplier;
- (b) GSTIN of the recipient;
- (c) Credit Note number;
- (d) Credit Note date; and
- (e) Tax amount.

*Auto-Extension in the date of matching* - Where the time limit for furnishing GSTR-1 and GSTR-2 has been extended, the date of matching relating to claim of reduction in the output tax liability shall be extended accordingly.

*Power to extend the date of matching* - The Commissioner may, on the recommendations of the Council, by order, extend the date of matching relating to claim of reduction in the output tax liability to such date as may be specified therein.

*Treated as matched* - The claim of reduction in output tax liability due to issuance of credit notes in FORM GSTR-1 that were accepted by the corresponding recipient in FORM GSTR-2 without amendment shall be treated as matched if the said recipient has furnished a valid return.

Further, the claim of reduction in the output tax liability shall be considered as matched where the amount of output tax liability after taking into account the reduction claimed is equal to or more than the claim of input tax credit after taking into account the reduction admitted and discharged on such credit note by the corresponding recipient in his valid return.

*Process when the inward supplies gets matched with the corresponding outward supplies* - If the claim for reduction in output tax liability by the supplier gets match with the corresponding reduction in the claim for input tax credit by the recipient shall be finally accepted. Post acceptance of such claim, the acceptance shall be communicated to the supplier.

*Communication to the supplier on claim being accepted* - The final acceptance of claim of reduction in output tax liability in respect of any tax period shall be made available electronically to the person making such claim in FORM GST MIS-1 through the common portal.

*Reasons of mismatch or discrepancy* - There are broadly two sections which stipulates the reasons for such mis-matches namely Section 43(1)(a) and Section 43(1)(b) of the GST Act, 2017.

*Section 43(1)(a) of GST Act, 2017* - Where the reduction of output tax liability in respect of outward supplies *exceeds* the *corresponding reduction in the claim for input tax credit or the corresponding credit note is not declared by the recipient in his valid returns*, the discrepancy shall be communicated to *both* such persons in such manner as may be prescribed.

*Communication to both the supplier and recipient* - The discrepancy shall be communicated to both such persons in such manner as may be prescribed. Any discrepancy in claim of reduction in output tax liability shall be made available through the common portal on or before the last date of the month in which the matching has been carried out to:

- ◆ The *supplier* making such claim electronically in FORM GST MIS- 1 and
- ◆ The *recipient* electronically in FORM GST MIS- 2

*Opportunity to rectify the discrepancies*

- ◆ **Option to the supplier:** A supplier to whom any discrepancy is made available *may* make suitable *rectifications* in the statement of outward supplies *i.e.* GSTR 1 to be furnished *for the month in which the discrepancy is made available*. Rectification by a supplier means *deleting or correcting* the details of an outward supply in his valid return so as to *match the details of corresponding inward supply* declared by the recipient.
- ◆ **Option to the recipient:** A recipient to whom any discrepancy is made available *may* make suitable *rectifications* in the statement of inward supplies *i.e.* GSTR 2 to be furnished *for the month in which the discrepancy is made available*. Rectification by the recipient means *adding or correcting* the details of an inward supply so as to *match the details of corresponding outward supply* declared by the supplier.
- ◆ **If discrepancy not rectified then addition in the output tax liability of the recipient:** The amount in respect of which any discrepancy is communicated under Section 43(3) and is *not rectified by the 'recipient'* in his valid return for the month in which discrepancy is communicated shall be *added to the output tax liability of the 'supplier'* in his return. The amount which shall be added in the output



tax liability shall be *for the month succeeding the month in which the discrepancy is communicated.*

Further, where the discrepancy is not rectified by the 'supplier' or the 'recipient', an amount to the extent of discrepancy shall be added to the output tax liability of the supplier in his return to be furnished in FORM GSTR-3 for the month succeeding the month in which the discrepancy is made available.

*Reduction in the output tax liability of the supplier in specified situation*

- The *supplier* shall be eligible to *reduce*, from his output tax liability, the amount added in the out tax liability, *if the recipient declares the details of the credit note in his valid return within the time specified in Section 39(9) of the GST Act, 2017.* The time specified under Section 39(9) of the GST Act, 2017 shall not be after the due date for furnishing of return for the month of September or the actual date of furnishing of relevant annual return, whichever is earlier.

The claim of reduction in output tax liability in respect of any tax period which had been communicated as *mis-matched but is found to be matched after rectification by the supplier or recipient* shall be *finally accepted* and made available electronically to the *supplier* in FORM GST MIS-1 through the common portal.

However, if the amount is reduced from the output tax liability *in contravention of the provisions of Section 43(7)* shall be added to the output tax liability of the supplier in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in Section 50(3) of the GST Act, 2017.

*Section 43(1)(b) of GST Act, 2017* - As per this section, if the recipient has claimed the reduction in output tax liability on the same credit note more than once *i.e. duplication of claims for reduction in output tax liability*, then it shall be one of the reasons for mis-matches.

*Communication to the supplier* - It shall be communicated to the *supplier* in FORM GST MIS-1 electronically through the common portal.

*Addition in the output tax liability* - The amount claimed as reduction in output tax liability that is found to be *on account of duplication of claims* shall be *added to the output tax liability* of the supplier in his return for the month in which the duplication is communicated.

*Payment of Interest by the supplier* - A supplier in whose output tax liability any amount has been added under Section 43(5) or Section 43(6), shall be liable to pay interest at the rate specified under Section 50(1) in respect of the amount so added from the date of such claim for reduction in the output tax liability till the corresponding additions are made under the said sub-sections.

*Refund of Interest in case of reduction in the Output Tax Liability:* The interest to be refunded shall be claimed by the registered person in his return in FORM GSTR-3 and shall be credited to his electronic cash ledger in FORM GST PMT-05 and the amount credited shall be available for payment of any future liability towards interest or the taxable person may claim refund of the amount under section 54.

Further, the amount of interest to be credited in any case shall not exceed the amount of interest paid by the supplier.

### **38.4 MATCHING OF DETAILS FURNISHED BY THE E-COMMERCE OPERATOR WITH THE DETAILS FURNISHED BY THE SUPPLIER**

The following details relating to the supplies made through an e-Commerce operator, as declared in FORM GSTR-8, shall be matched with the corresponding details declared by the supplier in FORM GSTR-1,

- (a) State of place of supply; and
- (b) net taxable value

*Communication and rectification of discrepancy in details furnished by the e-commerce operator and the supplier* - Any discrepancy in the details furnished by the operator and those declared by the supplier shall be made available to the supplier electronically in FORM GST MIS-3 and to the e-commerce operator electronically in FORM GST MIS-4 on the common portal on or before the last date of the month in which the matching has been carried out.

A supplier or an operator to whom any discrepancy is made available may make suitable rectifications in the statement of outward supplies to be furnished for the month in which the discrepancy is made available.

Where the discrepancy is not rectified, an amount to the extent of discrepancy shall be added to the output tax liability of the supplier in his return in FORM GSTR-3 for the month succeeding the month in which the details of discrepancy are made available and such addition to the output tax liability and interest payable thereon shall be made available to the supplier electronically on the common portal in FORM GST MIS-3.

### **38.5 SYSTEM BASED RECONCILIATION OF INFORMATION FURNISHED IN FORM GSTR-1 AND FORM GSTR-2 WITH FORM GSTR-3B AS PER CIRCULAR NO. 7/7/2017-GST DATED 1ST SEPTEMBER, 2017**

*Introduction* - Sections 37, 38 and 39 of the CGST Act, 2017 (hereinafter referred to as 'the Act') read with rules 59, 60 and 61 of the CGST Rules, 2017 (hereinafter referred to as 'the Rules') require every registered person to furnish details of outward supplies made in a month in FORM GSTR-1,

details of inward supplies received in a month in FORM GSTR-2 and a return in FORM GSTR-3 by the 10th, 15th and 20th of the next month respectively. Keeping in view that taxpayers may face certain issues in the initial days after the introduction of GST, the GST Council extended the date for filing of FORM GSTR-1 and FORM GSTR-2 for the months of July and August, 2017 and approved the filing of a simplified return in FORM GSTR-3B for these two months\* by the notified due dates after making the due payment of tax.

\*The same has been extended for further four month upto December, 2017 *vide* Press Release dated 9th September, 2017 - Recommendations made by the GST Council in the 21st meeting at Hyderabad.

Registered persons opting to utilize transitional credit available under section 140 of the Act read with the rules made there under for discharging the tax liability for the month of July, 2017 were required to file FORM GST TRAN -1\*\* on or before 28th August, 2017. This transitional credit was to be credited to the electronic credit ledger and be available for discharging the tax liability.

\*\* As per Press Release dated 9th September, 2017 - Recommendations made by the GST Council in the 21st meeting at Hyderabad FORM GST TRAN-1 can be revised once. Further, the due date for submission of FORM GST TRAN-1 has been extended by one month *i.e.* 31st October, 2017.

As per the provisions of sub-rule (5) of rule 61 of the Rules, the return in FORM GSTR-3B was required to be furnished when the due dates for filing of FORM GSTR-1 and FORM GSTR-2 have been extended. After the return in FORM GSTR-3B has been furnished, the process of reconciliation between the information furnished in FORM GSTR- 3B with that furnished in FORM GSTR-1 and FORM GSTR-2 would be carried out in accordance with the provisions of sub-rule (6) of rule 61 of the Rules.

The detailed procedure for reconciliation of information furnished in FORM GSTR-3 and FORM GSTR-3B is detailed in succeeding paras.

*Furnishing of information in FORM GSTR- 1 & FORM GSTR-2* - It may be noted that after the registered person has filed his return in FORM GSTR- 3B and the statement of outward supplies in FORM GSTR-1, the inward supplies shall be auto drafted for all registered persons (corresponding recipients of supply) and made available to them in FORM GSTR-2A as per sub-rule (3) of rule 59 of the Rules. FORM GSTR-2A is the exact replica of FORM GSTR-2 containing only those details that are auto-populated from the details furnished in FORM GSTR-1 by the corresponding suppliers. Based on the details communicated in FORM GSTR-2A, the registered person shall prepare the statement of inward supplies in FORM GSTR-2 by:-

- (a) adding, deleting or modifying the invoice level details communicated in FORM GSTR-2A;

- (b) adding information pertaining to details that are required to be furnished in GSTR-2 but are not part of FORM GSTR-2A like details of imports, details of supplies attracting reverse charge that have been received by registered person;
- (c) providing details of supplies received from composition suppliers and exempt, nil rated & non-GST inward supplies;
- (d) providing details of advances paid on inward supplies attracting reverse charge, if any, along with adjustments;
- (e) providing details of reversal of ITC as per the provisions of rules 37, 39, 42 and 43 of the Rules, if any; and
- (f) providing HSN wise summary details of inward supplies.

*Correction of erroneous details furnished in FORM GSTR-3B* - In case the registered person intends to amend any details furnished in FORM GSTR-3B, it may be done in the FORM GSTR-1 or FORM GSTR-2, as the case may be. For example, while preparing and furnishing the details in FORM GSTR-1, if the outward supplies have been under reported or excess reported in FORM GSTR-3B, the same may be correctly reported in the FORM GSTR-1. Similarly, if the details of inward supplies or the eligible ITC have been reported less or more than what they should have been, the same may be reported correctly in the FORM GSTR-2. This will get reflected in the revised output tax liability or eligible ITC, as the case may be, of the registered person. The details furnished in FORM GSTR-1 and FORM GSTR-2 will be auto-populated and reflected in the return in FORM GSTR-3 for that particular month.

*Action on the system-based reconciliation* - After the registered person has furnished the statement of inward supplies in FORM GSTR-2 by the extended date, the common portal shall auto-draft Part A of the return in FORM GSTR-3 for the said month based on the information furnished in FORM GSTR-1 and FORM GSTR-2. Based on the revised figures of output tax liability and eligible input tax credit, Table 12 of Part B of FORM GSTR-3 shall be made available. The common portal would populate the correct figures of tax payable in column (2) of Table 12 of FORM GSTR-3, based on the information furnished in FORM GSTR-1 and FORM GSTR-2. *The tax paid through the electronic cash ledger and electronic credit ledger in the return in FORM GSTR-3 shall be displayed by the system in columns (3) to (7) of the Table 12 of Part B of FORM GSTR-3.*

Where there is no difference between the details of output tax liability and eligible input tax credit furnished in FORM GSTR-3B and the details furnished in FORM GSTR-1 and FORM GSTR-2, the amount of tax payable and tax paid shall be the same in FORM GSTR-3B and FORM GSTR-3. The person can sign and submit FORM GSTR-3 without any additional payment of tax.

*Additional payment of taxes* - Where the tax payable by a registered person as per FORM GSTR-3 is more than what has been paid as per FORM GSTR-3B, the common portal would show another instance of Table 12 for making additional payment of taxes, in accordance with the mandate of clause (b) of sub-rule (6) of rule 61. As the tax payable in column (2) of Table 12 of FORM GSTR-3 is more than what was shown in FORM GSTR-3B, the additional amount of tax payable can be paid by debiting the electronic cash or credit ledger as per the provisions contained in section 49 of the Act *along with applicable interest on delayed payment of tax* starting from 26th day of August, 2017 till the date of debit in the electronic cash or credit ledger. If the eligible ITC claimed by the person in FORM GSTR-2 is less than the ITC claimed and utilised by the registered person in FORM GSTR-3B, the same would be added to his output tax liability and shall have to be paid by him along with interest by debiting the electronic cash or credit ledger as per the provisions contained in section 49 of the Act before submitting the return in FORM GSTR-3 to complete the process.

It may be noted that where the transitional credit as declared in FORM GST TRAN-1 is credited to the electronic credit ledger, the same can be utilised for the payment of the said additional tax liability.

*Additional claim of eligible ITC* - Where the eligible ITC claimed by the taxpayer in FORM GSTR-3B is less than the ITC eligible as per the details furnished in FORM GSTR-2, the additional amount of ITC shall be credited to the electronic credit ledger of the registered person when he submits the return in FORM GSTR-3 (in accordance with clause (c) of sub-rule (6) of rule 61).

However, simultaneously, if there is an increase in the output tax liability, the registered person can utilise this additional amount of ITC eligible as per the details furnished in FORM GSTR-2 along with the balance in the electronic cash ledger, if required, for the payment of the increased output tax liability and submit his return in FORM GSTR-3.

*Reduction in output tax liability* - Where the output tax liability of the registered person as per the details furnished in FORM GSTR-1 and FORM GSTR-2 is less than the output tax liability as per the details furnished in the FORM GSTR-3B and the same is not offset by a corresponding reduction in the input tax credit to which he is entitled, the *excess shall be carried forward to the next month's return to be offset against the output liability of the next month* by the taxpayer when he signs and submits the return in FORM GSTR-3. However, simultaneously, if there is a decrease in the eligible input tax credit, the same will be adjusted against the above mentioned reduction in output tax liability and the balance, if any, of the reduction in output tax liability shall be carried forward to the next month's return to be offset against the output liability of the next month.

*Submission of GSTR-3B without payment of taxes* - Where, for some reasons, the registered person has only submitted the return in FORM GSTR-3B and has *not made the payment of taxes* by debiting the same from his electronic cash or credit ledger, *the return shall still be subjected to the reconciliation process as detailed above.* Such registered person should furnish the details in FORM GSTR-1, FORM GSTR-2 and sign and submit the return in FORM GSTR-3 along with the payment of the due taxes as per the provisions of section 49 of the Act. However, since the payment was not made on or before the due date, the registered person shall be liable for payment of interest on delayed payment of tax starting from 26th day of August, 2017 till the date of debit in the electronic cash and/or credit ledger but will not be liable to pay any late fee provided the requisite return in FORM GSTR-3B was submitted on or before the due date.

Where the registered person has not submitted the return in FORM GSTR-3B, he is required to furnish the details in FORM GSTR-1 and FORM GSTR-2 and sign and submit the return in FORM GSTR-3 along with the payment of the due taxes as per the provisions of section 49 of the Act. However, since the payment was not made on or before the due date, the registered person shall be liable for payment of interest on delayed payment of tax starting from 26th day of August, 2017 till the date of debit in the electronic cash and / or credit ledger. *No late fee, however, would be levied for late filing of return in terms of section 47 of the Act, in accordance with the recommendation of the GST Council, as notified vide Notification No. 28/2017-Central tax dated 01.09.2017.*

*Processing of information furnished* - After submission of the information in FORM GSTR-1 and FORM GSTR-2, the process of matching as per sections 41, 42 and 43 of the Act read with rules 69 to 76 of the Rules shall be carried out as if these details were submitted in the regular course. Any amendment in the details furnished in FORM GSTR-1 and GSTR-2 shall be done following the procedure laid down under sub-section (3) of section 37 and sub-section (5) of section 38 of the Act respectively. The return shall be considered to be a valid return when the tax payable as per FORM GSTR-3 has been paid in full after which the return shall be taken up for matching.