

LUT under the said notification and a self-attested copy of the proof of Status should be sufficient.

- j. **Applicability of circulars on Bond/LUTs:** It is learnt that some field officers have inferred that the instructions given by the said circulars are effective in respect of exports made only from the date of its issue despite the fact that it has been categorically **clarified** specifically in the said circular (dated 7th July, 2017) that the instructions shall be applicable for exports on or after 1st July, 2017. It is reiterated that the instructions issued vide said circular and this circular are applicable to any export made on or after the 1st July 2017.

Note:-

Rescinded vide Circular dated 4-10-2017

6

Issue related to classification and GST rate on lottery tickets

Circular No. 06/06/2017-CGST

27th August, 2017

Supply of lottery has been treated as supply of goods under the Central Goods and Services Tax (CGST) Act, 2017.

2. Accordingly, based on the recommendation of the GST Council, the GST rate for supply of lottery has been notified under relevant GST rate notification relating to CGST/IGST/UTGST/SGST. However, entries in the respective notifications mention classification for lottery as "-".
3. In this connection, references have been received, *inter-alia*, stating that due to discrepancy in code allotted, i.e., lottery is defined as goods but code allotted for lottery is under services, the assesseees are not able to upload return or deposit tax in time.
4. The matter has been examined. It should be noted that the process of filing return is linked with rate of tax specified for supply. Further, there is complete clarity about rate of tax on lotteries. As mentioned above, in GST, lottery is goods and the classification indicated in relevant notification for lottery is "-", which means any chapter.
5. That being so, it is **clarified** that the classification for lottery in respective CGST, IGST, UTGST and SGST notifications shall be 'Any Chapter' of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and tax on lottery should be paid accordingly at prescribed rates, 12% or 28%, as the case may be.

7

**System based reconciliation of information furnished in
FORM GSTR-1 and FORM GSTR-2 with FORM GSTR-3B**

Circular No. 7/7/2017-GST

1st September, 2017

Sections 37, 38 and section 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.

2. 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.
3. 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.
4. 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:

5. 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:

6. 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 maybe 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 maybe 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:

7. 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- 3B shall be displayed by the system in column (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:

8. 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:

9. 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:

10. 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:

11. 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.
12. 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:

13. After submission of the information in **FORM GSTR-1** and **FORM GSTR-2**, the process of matching as per section 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.

8

Clarification on issues related to furnishing of Bond/Letter of Undertaking for exports

Circular No. 8/8/2017-GST

4th October, 2017

In view of the difficulties being faced by the exporters in submission of bonds/Letter of Undertaking (LUT for short) for exporting goods or services or both without payment of integrated tax, Notification No. 37/2017 – Central Tax dated 4th October, 2017 has been issued which extends the facility of LUT to all exporters under rule 96A of the Central Goods and Services Tax Rules, 2017 (hereafter referred to as “the CGST Rules”) subject to certain conditions and safeguards. This notification has been issued in supersession of Notification No. 16/2017 – Central Tax dated 7th July, 2017 except as respects things done or omitted to be done before such supersession.

2. In the light of the new notification, three circulars in this matter, namely Circular No. 2/2/2017 – GST dated 5th July, 2017, Circular No. 4/4/2017 – GST dated 7th July, 2017 and Circular No. 5/5/2017 – GST dated 11th August, 2017, which were issued for providing clarity on the procedure to be followed for export under bond/LUT, now require revision and a consolidated circular on this matter is warranted. Accordingly, to ensure uniformity in the procedure in this regard, the Board, in exercise of its powers conferred under section 168 (1) of the Central Goods and Services Tax Act, 2017 clarifies the following issues:

- a) **Eligibility to export under LUT:** The facility of export under LUT has been now extended to all registered persons who intend to supply goods or services for export without payment of integrated tax except those who have been prosecuted for any offence under the CGST Act or the Integrated Goods and Services Tax Act, 2017 or any of the existing laws and the amount of tax evaded in such cases exceeds two hundred and fifty lakh rupees unlike Notification No. 16/2017-Central Tax dated 7th July, 2017 which extended the facility of export under LUT to status holder as specified in paragraph 5 of the Foreign Trade Policy 2015-2020 and to persons receiving a minimum foreign inward remittance of 10% of the export turnover in the preceding financial year which was not less than Rs. one crore.
- b) **Validity of LUT:** The LUT shall be valid for the whole financial year in which it is tendered. However, in case the goods are not exported within the time specified in sub- rule (1) of rule 96A of the CGST Rules and the registered person fails to pay the amount mentioned in the said sub-rule, the facility of export under LUT will be deemed to have been withdrawn. If the amount mentioned in the said sub-rule is paid subsequently, the facility of export