Journal Entries for Input Tax Credit Adjustment as per Rule 36(4) of CGST Rules

We had already discussed about the provisions of Rule 36(4) of CGST Rules in our earlier post. This is an explanation post with respect to the Circular No. 123/42/2019– GST dated 11th November 2019. Let us discuss the practical process/journal entries of availing ITC restricted to 20% more of invoices uploaded by the suppliers in our books of accounts.

Month	Dr/Cr	Particulars	Amount	Amount
October	Debit	Purchase A/c	1,00,000	
	Debit	GST Input A/c	18,000	
	Credit	Creditors A/c		1,18,000
	Narration	(Being purchase made)		
	Note:	Total Input for the month of October is Rs.18000/- out of which invoices uploaded by the suppliers with ITC only of Rs.10000		

Month	Dr/Cr	Particulars	Amount	Amount
October	Debit	GST Deferred Input A/c	6,000	
	Credit	GST Input A/c		6,000
	Narration	(Being Input deferred)		
	Note:	Balance ITC of Rs.6000 i.e. (18000 - (10000 + (10000*20%)) is deferred		

Month	Dr/Cr	Particulars	Amount	Amount
October	Debit	GST Output A/c	25,000	
	Credit	GST Input A/c		12,000
	Credit	GST Payable A/c		13,000
	Narration	(Being GST payable for October)		
	Note:	Eligible ITC of Rs.12000 i.e. (18000 - 6000) is adjusted against ouput and balance is payable		

Month	Dr/Cr	Particulars	Amount	Amount
November	Debit	Purchase A/c	80,000	
	Debit	GST Input A/c	14,400	
	Credit	Creditors A/c		94,400
	Narration	(Being purchase made)		
	Note:	Total Input for the month of October is Rs.14400/- out of which invoices uploaded by supplier with ITC only of Rs.11000		

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Month	Dr/Cr	Particulars	Amount	Amount
November	Debit	GST Deferred Input A/c	1,200	
	Credit	GST Input A/c		1,200
	Narration	(Being Input deferred)		
	Note:	Balance ITC of Rs.1200 i.e. (14400 - (11000 + (11000*20%)) is deferred		

Month	Dr/Cr	Particulars	Amount	Amount
November	Debit	GST Output A/c	30,000	
	Credit	GST Input A/c		13,200
	Credit	GST Deferred Input A/c		4,800
	Credit	GST Payable A/c		12,000
	Narration	(Being GST payable)		
	Note:	Eligible ITC of Rs.13200 i.e. (14400 - 1200) is adjusted against ouput along with deferred ITC of Rs.4800 (4000 + (4000*20%)) where invoices for the ITC of Rs.4000/- are uploaded by supplier in November out of Rs.18000 of the ITC of the month of October		

Month	Dr/Cr	Particulars	Amount	Amount
December	Debit	Purchase A/c	1,20,000	
	Debit	GST Input A/c	21,600	
	Credit	Creditors A/c		1,41,600
	Narration	(Being purchase made)		
	Note:	Total Input for the month of October is Rs.21600/- (all the invoices uploaded by the supplier in the same month)		

Month	Dr/Cr	Particulars	Amount	Amount
December	Debit	GST Output A/c	80,000	
	Credit	GST Input A/c		21,600
	Credit	GST Deferred Input A/c		2,400
	Credit	GST Payable A/c		56,000
	Narration	(Being GST payable)		
	Note:	ITC of December of Rs.21600/- (fully uploaded) along with Deferred ITC of Rs.2400/- i.e. (Balance ITC of October Rs.1200 (18000 - 12000 - 4800) & Balance ITC of November Rs.1200 (14400 - 13200), considering all the balance invoices pertain to the month of October & November are uploaded, is adjusted with output and balance is payable		