

# GST

## **GST Compliance Mistakes That Can Cost Businesses Heavily!**



**Saurabh Giri**



## 1 📌 Wrong GST Classification (HSN/SAC Code Errors) ⚖️

Misclassifying goods or services under the wrong HSN (Harmonized System of Nomenclature) or SAC (Service Accounting Code) can lead to incorrect tax rates. This may result in additional tax liability, interest, and penalties.

### ✅ How to Avoid:

- Always refer to the latest GST rate notifications.
- Use the correct HSN/SAC codes for products/services.
- Consult a tax expert for proper classification.



## 2 📌 Late Filing of GST Returns ⌚












Many businesses miss deadlines for filing GSTR-1, GSTR-3B, or GSTR-9, leading to late fees, interest, and loss of Input Tax Credit (ITC).

### ✅ How to Avoid:

- Set reminders for due dates.
- Use automated GST filing software.
- File returns even if no transactions occurred to avoid penalties



## 📌 GST Return Late Fees & Penalties Based on T/O

 Return Type &  Purpose	 Due Date	 Late Fee per Day	 Max Late Fee
 <b>GSTR-1</b> (Outward supplies)	11th (M) / 13th (Q)	₹50 (₹25 CGST + ₹25 SGST)	◆ Up to ₹1.5 Cr T/O: ₹2K ◆ ₹1.5-5 Cr T/O: ₹5K ▲ Above ₹5 Cr T/O: ₹10K
 <b>GSTR-1</b> (Nil Return) (No outward supplies)	Same as above	₹20 (₹10 CGST + ₹10 SGST)	 ₹500 (₹250 CGST + ₹250 SGST)
 <b>GSTR-3B</b> (Sales, ITC, tax paid)	20th (M) / 22nd-24th (Q)	 Tax payable: ₹50 ● Nil return: ₹20	Same as GSTR-1
 <b>GSTR-9</b> (Annual return)	31st Dec (next FY)	◆ Up to ₹5 Cr T/O: ₹50 ◆ ₹5-20 Cr T/O: ₹100 ▲ Above ₹20 Cr T/O: ₹200	◆ Up to ₹5 Cr T/O: 0.04% ◆ ₹5-20 Cr T/O: 0.04% ▲ Above ₹20 Cr T/O: 0.50%

**GST Compliance**



## ! Key Points:

- **\$ Interest @18% per annum** applies to outstanding tax dues.
- **📌 GSTR-9 fees are T/O-based,** capped as:
  - **◆ Up to ₹5 Cr T/O: 0.04%**
  - **◆ ₹5-20 Cr T/O: 0.04%**
  - **▲ Above ₹20 Cr T/O: 0.50%**

## 🔗 More Info:

📖 [GSTR-1 Guide](#)

📖 [GSTR-3B Guide](#)

📖 [GSTR-9 Guide](#)



### 3 Incorrect Input Tax Credit (ITC) Claims

Claiming excess or ineligible ITC without proper documentation can lead to ITC reversal, penalties, and scrutiny from tax authorities.

#### **How to Avoid:**

- Reconcile ITC with GSTR-2B regularly.
- Maintain proper purchase invoices.
- Ensure suppliers have filed GSTR-1 correctly.

#### **Penalties for Incorrect ITC Claims:**

Nature of ITC Violation	Penalty
Wrong ITC Claimed & Utilized	100% of wrongly availed ITC + 18% interest
Fraudulent ITC Claim	100% of tax amount or ₹10,000 (whichever is higher) + Possible prosecution

## 4 📌 **Non-Reconciliation of GSTR-2B, GSTR-3B, and Books of Accounts** 📊

Mismatch between ITC claimed and ITC reflected in GSTR-2B can lead to discrepancies, ITC denials, and GST notices.

### ✅ **How to Avoid:**

- Perform monthly reconciliations.
- Identify and rectify mismatches in time.
- Use automated reconciliation tools.



## 5 📌 **Non-Issuance of Proper GST-Compliant Invoices** 📄

Failure to include mandatory details like GSTIN, invoice number, tax breakup, and correct HSN codes can lead to rejection of ITC claims by buyers.

### ✅ **How to Avoid:**

- Use GST-compliant invoice formats.
- Ensure all necessary details are mentioned.
- Issue invoices on time to avoid cash flow issues.





## 6 Ignoring the Reverse Charge Mechanism (RCM)

Certain transactions require businesses to pay GST under the reverse charge mechanism (RCM). Failure to do so can lead to interest and penalties.

### **How to Avoid:**

- Identify transactions subject to RCM.
- Pay GST on such transactions and claim ITC where applicable.
- Maintain proper records of RCM payments.



**GST Compliance**

## 7 Mismatch in GST Returns (GSTR-1 vs. GSTR-3B)

If sales details in GSTR-1 do not match GSTR-3B, it raises red flags for tax authorities and may trigger scrutiny.

### **How to Avoid:**

- Regularly reconcile sales data before filing returns.
- Correct errors in subsequent returns if needed.
- Maintain clear records of adjustments.



**GST Compliance**

## 8 E-Way Bill Non-Compliance

Businesses transporting goods worth more than the prescribed limit must generate an e-way bill. Failure to comply can result in severe penalties and even seizure of goods.


### **How to Avoid:**


- Always generate an e-way bill for goods above the threshold.
- Ensure proper details to avoid rejection at checkpoints.
- Keep a digital or printed copy during transport.



### **E-Way Bill Rules & Penalties:**

Requirement	Threshold / Rule	Penalty
E-Way Bill Mandatory?	For goods valued above ₹50,000 (some states have lower limits)	100% of tax amount or ₹10,000 (whichever is higher)
Validity	1 day for every 200 km	N/A
Non-Compliance Consequences	Goods can be seized	Penalty equal to 50% of goods' value

## Conclusion:

**GST compliance is not just about filing returns—it's about filing them accurately and on time!  Businesses must focus on correct classification, timely filings, accurate ITC claims, and regular reconciliations to prevent costly penalties.**

 **Stay GST compliant and safeguard your business from unnecessary financial losses!**

 **Have you faced any GST compliance challenges? Share your experience in the comments! **



**GST Compliance**





Saurabh Giri