

Petty Defaults – Higher Penalties

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Under the Goods and Services tax Act, there are cases where small procedural lapse which is generally ignored and which is easily rectifiable may lead to big penalties. In this write up, I tried to list out all small lapses which may lead to big penalties which I observed are generally ignored even today in many business places. The Tax officers are levying penalties for these lapses already. Quantum of penalties is really alarming. Penalty for the non-compliance is costlier than cost for complying the same. As a matter of awareness, I tried to brief on those lapses which may be rectified easily to avoid paying penalties.

| Nature of Default | Penalty | Remarks |
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| GST Identification Number (GSTIN) to be mentioned on the name board | Upto Rs. 25,000 | If you are regular GST dealer, GSTIN needs to be mentioned on the name board. If you opted for Composition levy, you need to mention 'Composite Taxable person' on the name board. This rule is to make the buyer to choose the supplier on seeing the details on the name board. |
| GST Registration Certificate (GST REG – 06) to be displayed at prominent place of business at all places of business | Upto Rs. 25,000 | Any registered person needs to display his GST registration certificate at prominent place of business and at all additional places of businesses also. This is to ensure that the person is registered on seeing the certificate itself. |
| Not issuing Proper Invoice | Rs. 25,000 | Invoice is the document which contains all details of supply and also an important document based on which ITC is availed. Hence, Invoice is given utmost importance in GST, rather any indirect tax law. So, all details as mentioned in rules need to be mentioned on the Invoice. |
| Not maintaining proper Stock record | Upto Rs. 25,000 | Stock record is one of the mandatory records to be maintained as per Rule 56(2) of CGST Rules, 2017. From that record, the whole operations can be known. |
| Availing Input Tax Credit based on wrong Invoice | Rs. 10,000 or 100% of ITC wrongly availed, whichever is higher + 24% Interest from date of availment to date of reversal | Input Tax Credit (ITC) is backbone of GST structure. To avail ITC, proper Invoice is must. |
| Paying CGST instead of IGST/SGST Paying SGST instead of CGST/IGST Paying IGST instead of | Pay Tax under correct head with no interest and claim refund of tax paid under wrong head. | CGST & SGST is payable for intra-state supplies and IGST for inter-state supplies. Taxes paid under respective heads are transferred to respective governments. For Example, taxes paid under SGST |

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| CGST/SGST | | head is transferred to respective state government determined based on place of supply. So, Tax paid under wrong heads leads to transfer of tax to that respective government which leads to wrong accounting. Hence, under GST, paying tax under correct heads is important and hence, the penalty. However, GST portal is now generating challan automatically after entering data in GSTR 3B. Chance of making this mistake is reduced to great extent. |
| Not filing GSTR 3B on or before 20 th of next month | Rs. 20 (Rs. 10 SGST + Rs. 10 CGST) per day of delay in case of NIL returns. In other cases, Rs. 50 (Rs. 25 CGST + Rs. 25 SGST) per day of delay | Timely Compliance is key to success of GST return process and matching. Hence, to encourage timely compliance, this penalty |
| Not filing GSTR 1 on or before due date | | |
| Not obtaining registration within 30 days of date on which he is liable to get registered | Rs. 10,000 + ITC during the period of delay is lost | Section 22 of CGST Act 2017 mandates every person to register if the aggregate turnover exceeds Rs. 20 Lakhs. Every registered person needs to pay tax and file returns. Hence, registration is an important aspect in GST. Non-registration even though he is liable or takes registration late are both wrong doings. |
| Invoice without supply (Accommodation Bills) | Rs. 10,000 or 100% of tax evaded, whichever is higher | This situation may lead to availment of higher ITC without actually selling goods. |
| Supply without Invoice (Non-Issuance of Invoice) | Rs. 10,000 or 100% of tax evaded, whichever is higher | This situation may lead to supply without recording it and also the buyer may lose ITC since he doesn't possess proper invoice. |
| Collects GST but doesn't pay to Government within 3 months from due date | Rs. 10,000 or 100% of tax evaded, whichever is higher | In indirect taxes, the tax is collected from the consumer and paid to Government. It is not an expense to the supplier. So, whenever tax is collected from a third party on behalf of Government and the same is not paid leads to misappropriation of public money. |
| General Penalty | Upto Rs. 25,000 | If any of the provisions are defaulted and nowhere penalty is specified, this general penalty provision may be resorted to. |

All the above mentioned defaults are easily rectifiable with minimal time and minimum effort. Hence, all are requested to see that the simple provisions are being complied and avoid big penalties.