

22 common mistakes in preparation & filing of GSTR-3B & GSTR-1

Despite passing of almost 3 years since the enactment of GST laws, many mistakes are still being committed by GST tax payers while filing GST returns particularly GSTR3B and GSTR1. These mistakes are generally committed either due to negligence, oversight or due to lack of conceptual clarity on various provisions of the GST Acts and Rules. The problems arise as there is no edit facility in these GST Returns. Although many such mistakes can be corrected in subsequent returns or in the Annual Return but the implications of such mistakes can be huge in terms of determination of tax, interest, late fee and penalty.

1) Questions to show relevant tables in GSTR 3B not properly answered

At the time of filing GSTR-3B, certain questions (A to G) have to be answered based on which relevant applicable Tables show up in GSTR-3B. If any question is answered in the negative, the relevant table will not show up in 3B. Therefore, even if any data is to be fed in such table, the same would be missed to be uploaded. Most common instances of such omissions are for question C (Table 3.2 Inter-state supplies) and question E (Table 5. Exempt, nil and Non GST inward supplies) which do not affect the output tax/input credit.

2) Mistake in selecting return frequency option (monthly or quarterly) by normal tax payer

At the time of filing of the first Return in any financial year, the taxpayer has to choose option for filing Quarterly/Monthly filing of GSTR-1. To choose such options, the taxpayer has to answer the following questions:

**Whether your aggregate turnover during the Previous financial Year was upto Rs. 1.5 Crores or
Do you expect your aggregate turnover during the Current Financial Year to be upto Rs. 1.5 Crores**

Yes

No

The wordings of these questions often confuse the tax payer and the taxpayer sometime ends up giving wrong answers leading him/her in selection of wrong filing option. This, however, is editable but only once and hence utmost care should be taken while answering the questions for selecting the option because option once is exercised cannot be changed during the entire Financial Year.

3) Mentioning Wrong GSTIN of recipient in GSTR-1

This is the most common mistake done in GSTR-1. At the time of feeding data in GSTR-1, the GSTIN of recipients is wrongly mentioned. This results in invoice details not being reflected in 2A of the recipient and consequential denial of input credit to the recipient. If the accounts are maintained in some software like tally etc. it is important that GSTIN of recipients are correctly fed at the time of creating the accounts. Such mistakes can be amended in subsequent months in GSTR1 subject to the provisions of Section 16(4) of the CGST Act.

4) Mentioning wrong invoice details in GSTR1

Just like GSTN, the other invoice details like invoice number, invoice date are also sometimes wrongly feeded. In some cases it has been observed that the invoice value as mentioned in the invoice wise details in GSTR1 do not match with the total of taxable value and the tax charged in such invoice. It is also a common mistake that while providing rate wise details of an invoice, details of one or more rates are altogether omitted whereas the total invoice value is correctly feeded. This ultimately creates mismatch between GSTR3B and GSTR1.

5) Showing Outward Supply details in Inward Supply Table & Vice Versa

While this may look bizarre, but it's a personal experience that accountants/assistants sometimes feed data of outward supply in Table meant for Inward Supply & data of Inward Supply in Table meant for outward supplies. If the tax effect is not much significant this may not come to notice for months & can be detected only at the time of preparing Annual Returns or when matched with the books of accounts. If corrective action not taken either by correction in subsequent months or in the Annual return, it may invite notices from the Department under Sec. 73 or Sec. 74 of the CGST Act.

6) Entering B2B Supply in B2C Supply

Sometimes B2B supplies are shown under B2C supplies. As a result the recipient cannot avail the ITC credit as it is not reflected in his GSTR-2A. This mistake is generally committed when GSTIN of the supplier may not be readily available at the time of uploading GSTR-1. It may also be due to the GSTIN of the supplier not taken or recorded in the Invoice or not updated in the accounts. This mistake, however, can be rectified in subsequent months by way of amendment.

7) Showing supplies to Tax Deductors as B2B supplies

In case of Tax Deductors, GSTIN is generally TAN based and supplies to them are a B2C transaction unless the Tax Deductor has taken normal registration. It is a common mistake to show supplies to such Tax Deductors as B2B supplies in the GSTR 1. Such mistakes also can be corrected by in GSTR1 of subsequent months by way of amendment.

8) Uploading same figures in two different months

Sometimes when returns of two or more than two months are prepared simultaneously, it has been observed that same data feeded in one month is also feeded in subsequent month or another month. This is due to sheer negligence and results in wrong reporting and non-reporting of actual data.

9) Not filling correct data in GSTR-1 for B2C transaction

It has been observed that mistakes are after committed in filling GSTR-1 for B2C details. For B2C, consolidated rate wise details are to be given. If there are transactions of 2 or more rates it has been seen that due to clerical mistake or due to oversight, details of one or more rates are left out. This will result in mismatch with 3B and can be rectified in subsequent months.

10) Nil rated supply shown under non GST supply or vice versa

Sometimes due to lack of conceptual understanding or due to inadvertence, exempt & nil rated supply is shown as non GST supply and vice versa under table 5(Value of exempt, nil-rated and non-GST inward supplies) of GSTR 3B. As it does not affect the tax liability, it may not come to notice till the time of filling of the Annual Return.

In (GSTR1(Table 8A,8B,8C,8D-Nil Rated supplies) further segregation is to be made between nil rated supplies, exempt supplies and non-GST supplies. Hence, a clear understanding of what supplies would constitute nil rated, exempt and non-GST supplies is a must to provide correct data in the GST returns. Segregation is further required to be made between intra-state and inter-supplies to registered persons and intra-state and inter-state supplies to unregistered persons against such supplies. Here also, mistakes are committed in reporting figures under wrong heads.

11) Showing ITC available under wrong heads

ITC available on Import of Goods is to be shown under Table 4(A) (1) and ITC on Import of services is to be shown under Table 4 (A) (2) and normal ITC available on goods/services/capital goods is to be shown under Table 4 (A) (5) as all other ITC. However, it is sometimes seen that ITC on import of Goods, and/or Services is clubbed with normal ITC i.e. all other ITC under Table 4(a)(5).

12) Reversal of ITC

Reversal of ITC as per rule 42 & 43 of CGST / SGST Rules to be shown under Table 4 (B) (1) while ITC reversal due to other reasons is shown under Table 4(B)(2). However, due to lack of conceptual clarity, sometimes ITC reversal is shown under Table 4(B)(2) without any distinction being made in reversal of ITC under Rule 42/43 and for other reasons.

13) Documents Table in GSTR1

It is generally seen that not much attention is paid to fill Table 13 (Documents Issued) of GSTR 1. Either this Table is left blank or only the details of invoices for outward supply are given in point 1 of this table. It is pertinent to note that details of other invoices issued are also need to be specified, if applicable, e.g. invoices from inward supply from unregistered person (may be self raised invoices), revised invoice, debit note, credit note, receipt voucher (in case advances are received), payment voucher, refund voucher, delivery challan for job work, delivery challan for supply on approval, delivery challan in case of liquid gas and delivery challan in cases other than by way of supply.

14) Set off of Output Liability by wrong adjustment of ITC

The correct mechanism to utilize input tax credit to set off output tax liability through Electronic Credit ledger is that first IGST Input should be exhausted and this can be done by setting it off with IGST, CGST & SGST liability. Then CGST input can be utilized to set off CGST liability and IGST liability and similarly, the SGST input can be utilized to set off SGST liability and IGST liability.

If IGST input is utilized to set off CGST & SGST liability, care should be taken to utilise it equally between CGST & SGST liability. While as per law, this can be done in any proportion between CGST and SGST liability, it is always better to set off equally so that the ultimate CGST and SGST tax payable is equal and in case of excess input, the ratio of SGST and CGST credit ledger balance is also equal.

Commonly the portal tends to set off the CGST liability first if any balance of IGST remains after setting off IGST liability. This leaves less ITC utilization for SGST resulting in payment of more SGST as compared to CGST though the total liability is not affected.

15) Non submission of Final Return

As per section 45 of the CGST Act, every registered person who is required to furnish a return under sub-section (1) of Section 39 and whose registration has been cancelled has to furnish a final return (GSTR-10) within three months of the date of cancellation or date of order of cancellation, whichever is later. But it is generally observed that such persons fail to submit the Final Return in Form GSTR 10 either due to ignorance or due to inadvertence. Such non filing entails late fee which can be easily avoided if the return is furnished within the due date. In most cases it will be a NIL return but due to laxity the taxpayer ends up paying the late fee which can raise upto Rs. 10,000/-

16) Export sale wrongly shown as normal sale

It is also observed that sometimes export sale is shown as normal sale in 3B and information of export in Table 6A of GSTR-1 is not correctly filled. In such cases, IGST refund would not be processed if it fails any validation at the level of either GSTN or Customs system.

17) Non availing of ITC credit on bank charges

In many cases taxpayers do not avail ITC on bank charges levied by banks on the premise that banks do not issue invoices for the same. In such cases, tax payers can claim the input on bank charges on the basis of bank statements issued by the bank. Such ITC is also reflected in 2A of the recipient.

18) IGST sales shown as CGST and SGST Sale

It's very common that sometimes Interstate sale (IGST sale) is shown as Intra state sale (CGST and SGST sale) in GSTR 3B. In such case, taxpayer should declare amount of such IGST sale in subsequent month. Similarly, the amount of intra state sale should be reduced from intra state sale of subsequent month/s.

19) Liability of Trusts/Societies

In many cases charitable Trusts/Societies have income from sources like rent from shops/godowns/marriage halls etc. Such activities are not exempt from GST and hence, the Trusts/Societies are liable to GST registration if the turnover crosses Rs. 20 lakhs. But it has been observed that in some cases registration is not taken. This should be taken care of to avoid levy of tax, interest and penalty in future.

20) Taking excess Input claim than actual in GSTR-3B

Sometimes by mistake input claim is excess taken in a month than actual input. In such cases taxpayer needs to reverse excess claimed ITC of previous month in Table 4(B)(2).

21) Showing gross turnover of outward supplies instead of taxable turnover

It is a common mistake that while showing details of outward supplies in 3B, instead of taxable turnover, the amount of gross turnover is mentioned. This excess amount either needs to be reduced from the figure of taxable turnover in subsequent months or adjusted at the time of preparation of Annual Return.

22.Taking short Input claim than actual in GSTR 3B

Sometimes input claim is not availed either due to non availability of purchases invoices at the time of filing of the 3B return or by mistake and the taxpayer ends up paying the liability in cash. Such input tax credit, however, can be availed in subsequent months.

However, as per provisions of section 16(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier. So care should be taken to claim the left out ITC during such period.

A pertinent case on this point is **Bharati Airtel Ltd. Vs. Union of India & Otrs (Delhi High Court)** in which case the petitioner claimed less ITC during a particular period due to which its outward liability was increased and the petitioner was compelled to discharge its tax liability in cash .although actually, ITC was available with it but was not reflected in the system on account of lack of data. The Delhi High Court allowed the petition and permitted the petitioner to rectify form GSTR-3B for the period to which the error relates.

The above common mistakes are examples of mistakes that the tax payers/consultants come across while filing the GSTR returns in 3B and GSTR1. These mistakes mainly arise either because of negligence of assistants/accountants and/or due to inadvertence or due to lack of proper understanding of GST provisions. Therefore, it is imperative that those entrusted with the task of preparing GST returns should be given adequate training on a continuous basis. There should be proper reconciliation of GSTR 3B with GSTR 1, GSTR 3B with 2A as well as GSTR 3B and GSTR1 with the books of accounts before the finalization of Annual Return and all corrective measures taken at the earliest point of time.