

SNR & COMPANY
CHARTERED
ACCOUNTANTS

A background image showing a person's hand holding a gold pen over a calculator. Overlaid on the image are various financial graphics, including a line graph with a peak and a bar chart with vertical bars of varying heights. The overall color scheme is teal and white.

GST UPDATE

16th May 2023

BACKGROUND

In the National Coordination Meeting held on 24th April 2023, the need was felt of having a concerted and coordinated action on a mission mode by Central and State tax authorities to tackle the menace of fake registration and fake input tax credit in a more systematic manner. It was agreed that a nationwide effort in the form of a Special Drive should be launched to detect such suspicious/fake registrations and to conduct requisite verification for timely remedial action to prevent any further revenue loss to the Government. Accordingly, the following guidelines are issued for such concerted action on fake dealers/ fake billers in a mission mode:

Period of Special Drive:

The Special All-India Drive against fake GST registrations may be launched by all Central and State Tax administrations during the period from 16th May 2023 to 15th July 2023.

Identification of fraudulent GSTINs & Information Sharing Mechanism:

- The GSTN will identify such fraudulent GSTINs based on detailed data analytics and risk parameters.
- The details of such identified suspicious GSTINs shall be shared by GSTN jurisdiction-wise with the concerned State/ Central Tax administration (through DGARM in case of Central Tax authorities) for initiating a verification drive and conducting necessary action subsequently.
- A nodal officer shall be appointed by each of the Zonal CGST Zone and State to ensure a seamless flow of data and for coordination with GSTN/ DGARM and other Tax administrations.

Consequences of being identified as Suspicious GSTINs:

- If, after detailed verification, it is found that the taxpayer is non-existent and fictitious, then the tax officer may immediately initiate action for suspension and cancellation of the registration of the said taxpayer in accordance with the provisions of section 29 of CGST / SGST Act, read with the rules thereof.
- Further, the matter may also be examined for blocking of input tax credit in Electronic Credit Ledger as per Rule 86A of CGST / SGST Rules without any delay.
- Additionally, the details of the recipients to whom the ITC has been passed by such non-existing taxpayer may be identified through the details furnished in FORM GSTR-1 by the said taxpayer.

- Where the recipient GSTIN as mentioned in GSTR 1 pertains to the jurisdiction of the said tax authority itself, suitable action may be initiated for demand and recovery of the input tax credit wrongly availed by such recipient on the basis of invoice issued by the said non-existing supplier, without underlying supply of goods or services or both.
- In cases, where the recipient GSTIN pertains to a different tax jurisdiction, the details of the case along with the relevant documents/ evidence, may be sent to the concerned tax authority, as early as possible.
- Action may also be taken to identify the masterminds/ beneficiaries behind such fake GSTIN for further action, wherever required.
- Recovery of Government dues and/ or provisional attachment of property/ bank accounts, etc. as per provisions of section 83 of CGST / SGST Act.

Steps to be taken by taxpayers/ Registered persons:

The instructions do not contain the primary details that field officers will verify during field visits. However, based on the provisions of GST Law, the following documents shall be kept handy.

Display Registration Certificate and Number:

Rule 18(1) of the CGST/SGST Rules requires all registered taxpayers to display their registration certificate at a prominent location at their principal place of business along with every additional place of business.

Further, Rule 18(2) of the CGST/SGST Rules requires all registered taxpayers to display their GSTIN on their name board at their principal place of business along with every additional place of business.

- Make sure that apart from the Principal place of business, all additional places of business are registered with GST from where taxable goods are stored, supplied, warehoused, etc.
- Keep KYC documents of the Proprietor, directors/partners, and authorized person as well as business ready for verification along with the presence of any of them to the best extent possible.

- The documents may include:
 - > Aadhaar Card
 - > PAN Card
 - > Rent Agreement
 - > Latest Electricity Bill
 - > Canceled cheque of Current Bank Account
- Make sure that if multiple businesses are registered on the same premise the proper demarcation etc. is done to identify the area, stock, etc.
- Although the special drive focuses on the verification of the existence of persons who obtained registration and the existence of a business place, however, the taxpayers should also make sure that relevant books of account and inventory information are available.

Our Offices:

Delhi (Head Office)

Pune

Bangalore