

CGST Zones and Directorate General of GST Intelligence booked about 8000 cases involving fake ITC of over Rs. 35000 crore in FY 2020-21

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Misuse of the beneficial provision of Input Tax Credit (ITC) under GST regime is the most common modus of evasion under the GST Law. The field formations of the Central Board of Indirect taxes and Customs (CBIC) have been regularly detecting such cases from very beginning of the GST regime. **During the financial year 2020-21 the CGST zones and the Directorate General of GST Intelligence (DGGI) have booked about 8000 cases involving fake ITC of over Rs. 35000 crore. During the financial year 426 persons including 14 professionals such as CAs, Lawyers and masterminds, beneficiaries, directors etc were arrested.** Considering the high proportion of fake ITC availment and utilisation a nation-wide special drive against the fake GST invoice was launched w.e.f. 9th November 2020 which is still continuing.

However due to the serious Covid pandemic spread during the past two three months and related safety concerns, the drive slowed down but with gradual lifting of lockdown and improved Covid-19 situation in different parts of the country, the department has resumed the drive in coordinated action at national level. The crack-down by Directorate General of GST Intelligence and all the Central GST formations against the fraudsters responsible for causing loss to the government exchequer has gained momentum during this month. In this nationwide drive against unscrupulous entities, **Directorate General of GST Intelligence and CGST Zones under CBIC have during the current financial year detected more than 500 cases involving 1200 entities and arresting 24 persons.** The number of arrests made by officers of CBIC is one of the highest in recent times.

CBIC officers are using latest IT tools, digital evidence and also collecting information from other government departments to catch the fraudsters. Along with legislative and procedural changes in the law, the nationwide drive has contributed to better compliance and revenue collection. During the drive, cases of fake ITC availment against some well-known companies were also booked.

Some of the notable cases booked recently include a case by DGGI Nagpur Zonal Unit against three firms involved in passing on fraudulent Input Tax Credit (ITC) to the tune of Rs. 214 crore and claiming refund of accumulated ITC in fraudulent manner. These firms had submitted fake rental agreements and fake electricity bills and they existed only on paper without any business activities having taken place from their registered place of business. These firms were showing exports of a common product i.e. smoking mixtures for pipes and cigarettes attracting GST @ 28 % and Compensation Cess @ 290 %.

In another instance, DGGI Chandigarh Zonal Unit booked and apprehended a mastermind, who was operating fake firms for passing on illegal ITC to the tune of 115 crore. On information that fictitious/bogus firms were used to pass inadmissible ITC to various iron and steel units based in Himachal Pradesh, Punjab and Haryana, searches were conducted at multiple premises in Himachal Pradesh (Baddi) and Punjab where incriminating evidences in the form of laptop containing incriminating e-mails, pen drives, mobile phones evidencing fraudulent transactions were resumed. Similarly a case of fraudulent ITC was also booked by DGGI Surat Zonal Unit in which non – existent firms were found to be engaged in supply of invoices and passing on illegal ITC to the tune of Rs. 300 crore.

CGST Jaipur Zone, detected a case involving multiple fake firms for availment/passing on fraudulent ITC of Rs. more than 100 crore in which three persons were arrested. In another case of ITC fraud, CGST Delhi Zone busted a network of 23 entities involved in creation of fake invoices worth Rs. 551 crore and passing on fraudulent ITC worth Rs. 91 crore. These fake entities were issuing invoices of bituminous mixtures, base

metals, furniture and doors. Three key persons involved in this fake invoice racket have been arrested. In another instance, CGST Ahmedabad Zone booked a case of ITC fraud of Rs. 38 crore against thirteen fake entities which were created to pass on fraudulent ITC by way of issuing bogus invoices of iron and steel.

The enforcement drive against the fake invoice fraudsters and other GST evaders is likely to intensify with an objective to catch and book unscrupulous elements engaged in illegal activities to defraud the government exchequer.

Apart from cases of fake ITC the DGGI and other CGST formations have also detected GST evasion involving misclassification, undervaluation and clandestine supplies of goods and services.

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