

GOVERNMENT OF ASSAM
OFFICE OF THE COMMISSIONER OF TAXES, ASSAM: KAR BHAWAN
DISPUR, GUWAHATI-781006
CIRCULAR NO. 2/2023

Sub: Prevention of fake registration and bogus ITC claims - and role of Tax officers under GST.

No. CTS-81(Pt)/2007/46: Pursuant to the directions of the Hon'ble Chief Minister of Assam in the review meeting held on 13th of June, 2023 and the office memorandum No.eCF312599 dtd 27th June 2023 issued by the Finance Department, wherein emphasis has been laid on the urgent need to curb the menace of fake registration alongwith several steps to increase the effectiveness and efficiency of the Tax department, the following instructions/ guidelines are hereby issued for compliance by all Tax Officers:

A)Registration:

Various modus operandi of obtaining such fake registrations have been detected by Central and State Tax administrations. In some cases, identities of other persons like PAN, Aadhaar, etc. have been misused without their knowledge to obtain GST registration. Forged documents, such as forged electricity bills, property tax receipts, rent agreements, etc. are also being used as proof of principal place of business to obtain GST registration. In some cases, forged identities have been created by using same photo of a person on different Aadhaar cards under different names. In one of the cases detected recently, it has been found that a few fraudsters have obtained fake GST registrations on the basis of PAN and Aadhaar number of persons from economically weaker sections by fraudulently modifying the phone number on the Aadhaar cards of these persons by taking these persons to the Aadhaar Seva Kendra by giving a nominal cash amount under guise of a government scheme and getting their Aadhaar Cards linked to dummy mobile numbers by using their thumb impression.

To address the problem of bogus registration, you are aware that SOP in regard to verification of taxpayer for registration was issued vide Instruction No. 01/2020-GST dtd 14/12/2020, *vide* Instruction No. 04/2021 dtd 09/06/2021; and *vide* Instruction No. 09/2023 dtd 09/05/2023. Further, Para 6.1 &6.2 of SOP issued by CBIC for utilizing the fake invoice issued *vide* No. GST/INV/Fake Invoice/18-19 dtd 12th May 2019 may also be referred to.

In this context, it is further felt that verification of applications for registration by the proper officers is one of the most crucial steps in the direction of preventing the menace of fake or bogus registrations. While numerous initiatives have been/are being undertaken on the policy and systems level, it is pertinent to strengthen the process of scrutiny and verification of such applications for registration at the end of tax officers.

Accordingly, the following guidelines are issued for strengthening the process of verification of applications for registration at the end of tax officers in a uniform manner:

- 1) **Scrutiny of Documents:** FORM GST REG-01 prescribes a list of documents to be uploaded by the applicant in respect of photograph, constitution of business, principal place of business,

bank account, etc. The proper officer shall carefully scrutinize the said documents to ensure that the documents are legible, complete and relevant. Further, the details or information furnished by the applicant in the application should also be carefully examined by the proper officer to check completeness of the same, to correlate and cross-verify the same with the uploaded documents and to check the authenticity of the applicant. The details of the address of principal and additional places of business and the corresponding documents uploaded with the application as proof of address may be closely scrutinised to verify completeness and correctness of address of such places of business. Further, to the extent possible, the authenticity of the documents furnished as proof of address may be cross-verified from the publicly available sources, such as websites of the concerned authorities such as land registry, electricity distribution companies, municipalities, and local bodies, etc.

Attention of the officers is drawn to the recently issued Circular 01/2023 dtd 7th July,2023 whereby the requirement of valid rent agreement/lease deed duly registered with the Sub-Registrar or such competent authority has been mandated.

- 2) **History of PAN usage:** The proper officer may also check as to whether the registration(s) has been obtained on the same PAN earlier, either within the same State or other State(s). In such cases, the status of the said PAN as well as the compliance record of the said GSTINs may also be checked from the portal. The proper officer may also give due consideration and special attention to the cases involving *inter alia* the following circumstances:
 - (i) where any registration obtained on the PAN of the applicant has been cancelled previously;
 - (ii) where any registration obtained on the PAN of the applicant is suspended at the time of verification of a new application of registration;
 - (iii) whether any application for registration on the PAN of the applicant has been rejected previously;
 - (iv) whether the place of business of the applicant appears to be risky based on local risk parameters;
 - (v) whether the proof of address of place(s) of business *prima facie* appear to be suspicious/doubtful on the basis of scrutiny of the application and the documents.
- 3) **Aadhaar verification:** As mentioned above, the misuse of Aadhaar poses a fresh challenge to weed out the fake applicants. Hence, it is necessary to verify all relevant details viz. photograph, mobile number, email id, etc. of the application with the details as present in Aadhaar records vis-à-vis as displayed on the GSTN portal. Any deviation/ambiguity must be addressed with utmost seriousness and if warranted, the application may be canceled after following the due procedure.
- 4) **Issuance of Query:** Where the application is found to be deficient, either in terms of any information or any requisite document or where the proper officer requires any clarification with regard to any information provided in the application or documents furnished therewith or in respect of any other fact, he shall issue a notice to the applicant electronically in FORM GST REG-03 within the prescribed time limit.
- 5) **Examination of applicant's response:** The proper officer shall carefully examine the clarification, information or documents furnished by the applicant in FORM GST REG-04 in response to the notice issued in FORM GST REG-03. Where the proper officer is satisfied

with the reply furnished by the applicant in FORM GST REG-04, he may approve the grant of registration to the applicant within the prescribed time period. However, where the proper officer is not satisfied with the clarification, information or documents furnished, he may, for reasons to be recorded in writing, reject such application and inform the applicant electronically in FORM GST REG-05 within the prescribed time period. Besides, where no reply is furnished by the applicant in response to the notice issued under in FORM GST REG-03, within the prescribed time period, the proper officer may, for reasons to be recorded in writing, reject such application and inform the applicant electronically in FORM GST REG-05.

- 6) **Mandatory field visit:** Pre-registration field verification shall be conducted mandatorily prior to approval of new registration under GST to check the authenticity of the applicant. The detailed procedure in this regard has already been circulated in Para 4.2 & 4.3 of Instruction No. 01/2020-GST, and Para 5 & Para 6 of Instruction No. 4/2021-GST
- 7) **Adherence to time-limit:** While processing the applications for registration, it will be ensured by the proper officer that the application is either rejected or accepted or relevant query is raised within the prescribed time limit and no application for grant of registration is approved on deemed basis for want of timely action on the part of tax officers.
- 8) **Outside state applicant:** In case an application for GST registration is received from an applicant, who is a permanent resident outside the state, it shall be scrutinized scrupulously. Tax-payers from outside the state, who have already obtained registration in Assam, more particularly having the status of a proprietorship concern/ partnership firm /HUF, shall be kept under strict surveillance. Jurisdictional officers including Superintendent of State Tax shall invariably scrutinize all cases where AADHAAR numbers from outside the state have been used for applying for registrations under GST.
- 9) **Collection of Aadhaar data:** The jurisdictional officers including Superintendent of State Tax will collect the list of citizens who have changed their mobile numbers from the concerned AADHAAR Seva Kendra. Out of this list, at least 40 percent of the cases, using different risk parameters, will be investigated. If any modified registered mobile number, PAN and GST registrations have been obtained to defraud the Government revenue, the matter shall also be reported to Police immediately, besides taking actions under GST law. In case of detection of fake registration using forged documents, the matter shall be reported to Police to initiate criminal investigation.

B) Scrutiny of input tax credit (ITC) claim:

Analytical software such as GSTN portal, GST Prime, BIFA, and e-way bill portal are constantly indicating large numbers of mismatches and contradictions in the returns and statements filed by the taxpayers leading to loss of revenue. Hence, the jurisdictional officers shall ensure that the following actions in the matter of ITC is taken:

- 1) Entities that have claimed and passed on Input Tax Credit (ITC) exceeding Rs 10 lakh in the last two financial years shall undergo thorough verification.
- 2) Works Contractors claiming high amounts of tax credit must be examined, particularly if they source inputs/raw materials from outside the state. Special focus should be to find out if there is any nexus of bill trading.

- 3) Deputy/Assistant Commissioners of State Tax and Superintendent of State Tax are required to scrutinize at least 20 ITC cases each month, with monthly performance reports sent for review.
- 4) Every Deputy Commissioner of State Tax/ Assistant Commissioner of State Tax/ Supdt. of State Tax shall examine whether the IGST credit availed by a tax-payer of Assam is from other north-eastern states and from other than the established business entities.

C) Enforcement activities for sin and other high-valued goods:

In order to reduce evasion of tax due to suppression /misdeclaration of supplies made, it is felt necessary to ensure that regular searches and inspections are carried out by proper officers regularly. This is especially critical in cases of goods having a high incidence of tax and/or cess.


The following steps should be taken to address this issue:

- (i) Inspection and vigilance activities are to be stepped up in all districts at the business premises of the transporters and wholesale/major dealers of sin/demerit goods such as pan masala, zarda, etc. having high incidence of GST in order to prevent the pilferage of GST.
- (ii) The JCST shall propose to the undersigned locations within their respective jurisdictions where Semi-permanent checkpoints may be established to monitor the transportation of sin/demerit goods and goods with 18% and 28% GST.
- (iii) The Zonal JCST shall submit monthly reports on enforcement activities to the undersigned.

The jurisdictional JCST shall take monthly review meetings/inspections of offices under him to ensure that the instructions are followed scrupulously. The reports of such activities should be submitted by 10th of every succeeding month.

It may be noted that the format of Annual Confidential Reports (ACRs) of Tax Officers will be suitably modified to include information on target achievements, cases of frauds detected etc.

This shall come into force with immediate effect.


(Rakesh Agarwala, IAS)


Commissioner of Taxes, Assam
Dispur, Guwahati-6

Dated Dispur, the 18th July, 2022

Memo No.:CTS-81(Pt)/2007/46

Copy to:

- 1) The P.S. to the Principal Secretary, Government of Assam, Finance Department, Dispur, Guwahati-6 for favour of kind information.
- 2) The P.S. to the Commissioner & Secretary, Government of Assam, Finance(Taxation) Department, Dispur, Guwahati-6 for favour of kind information.
- 3) Additional Commissioner of Taxes, Assam(All)/ Joint Commissioner of Taxes, Assam(All) for information.
- 4) Deputy Commissioner of Taxes(All)/Assistant Commissioner of Taxes (All) /Superintendent of Taxes(All)/Inspector of Taxes(All) for information and necessary action
- 5) Circular File.
- 6) The ITO for uploading in the portal.


Commissioner of Taxes, Assam
Dispur, Guwahati-6