

GOVERNMENT OF ASSAM
OFFICE OF THE PRINCIPAL COMMISSIONER OF STATE TAX, ASSAM
KAR BHAWAN (2ND FLOOR), DISPUR, GUWAHATI-781006

INSTRUCTION No. 19/2025-GST

Dated Guwahati, the 2nd May, 2025

১৮ ব'হাগ ১৪৩১ ভাষ্কৰাব্দ

Subject : Fake registration and action of tax officials on such entities – matter regarding.

No. CT/GST-40/2020/172 : GST is an indirect tax which is levied on the supply of goods and services and is a comprehensive, multi-stage, destination-based tax. It is levied on every value addition. In order to avoid the cascading effect of levy of tax at each chain of value addition, GST regime involves seamless flow of credit on supplies. It enables taxpayers to claim input tax credit (ITC) of tax paid on inward supplies.

GST Authorities have detected large number of taxpayers involving in use of fake invoices and wrongful availment/utilization of ITC. Such ITC is availed on the inward supplies shown from non-genuine/existing taxpayers without actual supply of goods & services.

Non-genuine taxpayer is the one who issues invoice under GST Act without actual supply of goods or services to pass on inadmissible tax credit of ITC to the claimant. Non-genuine taxpayer shall also include the persons who obtain registration by means of fraud, willful misstatement or suppression of facts and for the fraudulent purpose like claim of bogus refunds or generation of e-way bills for suppressed supplies of other taxpayer, but they themselves are not engaged in genuine business activity.

Several cases of monetization of credit fraudulently obtained or ineligible credit through refund have been detected in the past. On Verification, several taxpayers were found to be non-existent in a number of cases. In all these cases it has been found that the Input Tax credit (ITC) was taken by the taxpayer on the basis of fake invoices and the tax liability was paid using such ITC.

The invoices that are usually treated as 'fake' wherein the GST invoices are raised by an entity without actual supply of goods or services. Below are some instances (only illustrative list and not exhaustive) in which such fake invoices could be misused in the GST regime.

- a) Issue of invoice without supply of goods or services where payment of tax is made by way of Input Tax Credit which is not available to the issuer of invoice. In such cases, there is no receipt of goods or credit by the issuer of invoice. Such taxpayers merely issue invoices and shows payment of tax by non-existent input tax credit. This results in actual loss of revenue where the buyer of the invoice avails inadmissible credit which is used for payment of tax. There have also been instances where no GST has been paid even by ITC by the issuers of the fake invoice,
- b) Issue of invoices by persons where the invoice is issued to one person and the goods are diverted to some other person. The person who purchases invoices may utilize the credit

for offsetting tax liability or /and claim refund in case of exports, resulting in loss of revenue.

- c) Routing of invoices through a series of shell companies/dummy companies and transfer of input tax credit from one company to another in a circular, linear fashion to increase the turnover. In such cases, there is no supply of goods or services and thereby availment of credit based on such invoices gets hit by the provisions of Section 16 of the GST Act, which stipulates the conditions to avail credit that the buyer should be in possession of a tax invoice received the goods or services. In such cases, availment of credit without receipt of goods or services is inadmissible and utilization of such credit for actual regular supplies may result in loss of revenue and / or financial accommodation.
- d) Use of fake invoices issued in the name of non-existing entity by persons intending tax evasion and in the process of facilitation of clandestine movement of goods under the cover of such non-genuine invoice and e-way bill with use of fraudulently obtained GST Registration of such non-existing entity and credentials thereof. It may be with or without knowledge and / or consent of such persons.

The Office of the undersigned shares various data related to registrations which are suspicious in nature and mostly engaged in passing on Input Tax Credit (ITC). Reference regarding fake taxpayer/ suspicious transactions are also received from various sources such as CGST, Other States, etc. which shows involvement of the concerned taxpayers. The tax officials should be very careful and alert to prevent the menace of fake registrations which causes a threat to revenue generation by the administrative functionaries of the Government.

Reference may be made to this office Instruction no. 01/2020-GST dtd. 14.12.2020, 09/2023-GST dtd. 09.05.2023, 17/2024-GST dtd. 13.08.2024 and Circular no. 02/2023 dtd. 18.07.2023 with other instructions and guidelines provided from time to time by the Office of the undersigned to curb the menace of fake registrations.

In view of these circumstances, each and every tax official should be cautious with the fake or bogus entity within the jurisdiction registered to dupe government revenue by engaging in passing of fake ITC to beneficiaries. The following are few duties and responsibilities of tax officials to deal with the fake registrations which are off course indicative in nature and not exhaustive.

Mandatory Field Visit of the Registrations provided by the Apex Office based on suspicion:
Proper officer should mandatorily assign field verification to those registrations which are suspected to have engaged in either issuing or receiving of Input Tax Credit as per data shared by the Apex Office or received from any other sources.

The field officer should invariably visit the place of business and enquire in details the nature of the business conducted by the taxpayer. The concerned Officer during visit should collect evidences as possible/applicable to establish veracity of the business of taxpayers in question. An illustrative checklist of all such evidences to be taken on record is given below :

- a) Photograph of the place of business with inspecting officials.

- b) If it is noticed that forged documents were submitted as a proof of identity or place of business, corresponding genuine documents shall also be taken on record.
- c) Ownership details, along with documents of premises i.e. place/s of businesses or residence/s shall be obtained and the genuineness thereof shall also be confirmed.
- d) Statement from the witness of nearby/adjacent shops, to the effect that, the taxable person is non-existent at the place of business.
- e) Statement should be recorded from the owner of the premises.
- f) It should be ascertained whether the professional is/was aware of the activity/transactions. In order to ascertain this, deposition of such person may be recorded under section 70 of the SGST / CGST Act(s). Preferably a separate deposition of the said professional should be recorded, if possible, in presence of the taxpayers. If the taxpayer is available, the signature of said professional and also the taxpayer needs to be obtained. If books of accounts or details of transactions wherein only invoices are being issued, are found in the premises of professionals (GSTP/CA/Advocate), this fact should be taken on record while taking deposition.
- g) Details of all the bank accounts operated by the said taxpayer/person shall be obtained. This shall include the bank KYC details. Information related to operation of bank accounts by cheque, e-banking, etc. shall also be taken on record.
- h) As far as possible, efforts should be taken to obtain electronic data stored on Pen-drive / hard disk / CD / Laptop or PC etc. The data shall be obtained without losing evidential value.
- i) The details of the digital signature certificate (DSC) / e-sign used for uploading the compliance may be obtained from the concerned authorities or service providers so as to identify the person responsible for uploading compliances.
- j) Deposition of taxpayer or the person who is involved in non-genuine activity shall be obtained, if the taxpayer is available. Due care needs to be taken at the time of recording deposition to frame the question properly in statement, so that all relevant information having evidential value is covered.
- k) As far as possible, affidavit with photo ID should be taken with the following detailed contents, wherever applicable:
 - supply of goods / services and filed returns in Form GSTR-3B by reporting such fake outward supplies and used wrong ITC to discharge liability of such outward tax.
 - the taxpayer is engaged in issuance of fake Tax invoices without actual supply of goods / services and also received such fake tax invoices without receipt of any goods and filed returns in Form GSTR-3 by reporting such fake outward supplies and used wrong ITC upon the strength of such fake tax invoices received and other related documents.

- the person in whose name the GST registration has been obtained in his name and he was not involved in it. Thus, he had not done any actual business of supply of goods or services.
- the taxpayer registration has been obtained by somebody else under pretext of job offer or other wise and credentials in this behalf are with such person Such person had indulged in issuance of fake tax invoices and generation of e-way bills in the name of person of no means.
- any such other scenario found by the investigation / proper officer.

If discrepancies are found, the field officer may request the proper officer in writing to take other actions like suspension/cancellation, recommendation for audit, summary assessment, inspection and search (INS), etc. for proper verification of the business transactions which nevertheless should be case to case basis.

Cancellation *Ab-Initio* in case of non-existent taxpayer u/s. 29(2) of the GST Act: On field verification, if it is found that the suspected taxpayers are engaged only in passing on ITC without actually conducting any business and existing in the place of business, the proper officer based on the field report should immediately take action to suspend and subsequently cancel the taxpayer.

The proper officer while performing such action to cancel the fake / non-existent taxpayers which passed huge amount of ITC to beneficiaries without doing any business should take care of the fact that the registration should be cancelled '*ab-initio*', which means the date of cancellation should be his effective date of registration. Such an action will enable the jurisdiction proper officer of the beneficiary to recover the tax or reverse the ITC as ITC from such '*ab-initio*' cancelled taxpayers is not valid.

The order for cancellation issued by the Proper Officer should be speaking one containing details of the case and reasons of rejection of plea taken by the registered taxpayer. The cancellation of registration shall not affect the liability of the person to pay tax and other dues for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation. The taxpayer whose registration has been cancelled is required to furnish GSTR-10 within 3 (Three) months of cancellation or date of order of cancellation whichever is later. The proper officer must ensure compliance in this regard.

Identification of the beneficiary in the chain of ITC: Further, the tax officials should not only confine to the task of cancelling and filing F.I.R against the taxpayer. Identification of the beneficiaries of the fake taxpayer is very much important to recover / reverse the Input Tax Credit which eventually protects the Government Revenue.

The Zonal Joint Commissioner of State Tax shall help detect the end beneficiaries in the chain of movement of ITC from fake registrations with the help of analytics tool like BIFA, etc. If beneficiaries are located outside his / her jurisdiction within or outside the state, a detail report along with certified copy of evidences should be forwarded to the Nodal Officer at Apex Office

who will take up the matter with the concerned jurisdictional officer or respective counterparts in other states.

Bill trading and other malpractices to dupe government revenue: While analyzing the data shared by the Apex Office, during field verification the taxpayer may be found functional at the principal place of business. The field officer without a second thought would upload positive report and the proper officer would also withdraw the suspension order thus reinstating the taxpayer.

The tax officials are requested to be vigilant and take action with proper application of mind and common sense, which is again case to case basis. In many cases, it has been observed that the taxpayers adopt unfair means of bill trading to taxpayers who utilizes ITC for saving their actual liability to pay in cash. For instance, a works contractor may take ITC from existing taxpayers who are mostly hardware, cement taxpayers to save himself from payment of liability in cash.

The taxpayer who deals in such items rarely issues invoices to customers (B2C) who purchase goods for own consumption. Such sales can again be converted to B2B tax invoice to give undue benefit to the works contractors, etc thus having a win-win situation for both the taxpayers. Exhaustive study and enquiry are again therefore required to restrict such practices. The proper officer may seek INS to unearth such dishonest, guileful and devious practice by taxpayers. Moreover, if required more taxpayers may be summoned as per provisions of the Acts in force to provide evidence, documents, proofs for authenticity of the sales, purchases, utility of the goods so purchased and so on and so forth.

In cases where the tax officials feel that intervention is required by the Apex Office for any action against the suspicious taxpayers, the matter may be brought to the attention of the undersigned for timely action against the offenders.

Curbing the menace of fake registration is collective responsibility of tax officials, irrespective of place and position in the hierarchy. During investigation / verification of the cases shared by the Office of the undersigned or by other source, if any linked suspicious GSTIN is detected, similar action may be taken / initiated in respected of the detected GSTIN.

It may be reiterated that the above is not exhaustive, but indicative guidelines for tax officers to detect fake registrations, prevent bill trading and other malpractices to protect revenue leakage of the Government. Needless to mention that Proper Officer shall take all actions as per the law in addition to the actions mentioned above.

Difficulties, if any in implementation of the above instruction may be brought to the attention of the Principal Commissioner of State Tax, Assam.

Sd/=

(Jitu Doley, IRS)

Principal Commissioner of State Tax, Assam
Dispur, Guwahati

Copy to –

1. The Special Commissioner of State Tax, Assam (All)/ the Addl. Commissioner of State Tax, Assam (All)/ for information.
2. The Joint Commissioner of State Tax, Assam (All)/ the Deputy Commissioner of State Tax, Assam (All)/ Assistant Commissioner of State Tax, Assam (All)/Superintendent of State Tax (All) for information and necessary action.
3. The Information Technology Officer, Office of the Principal Commissioner of State Tax, Assam for uploading this instruction in the website of this Commissionerate for information of all concerned.
4. The PS to the Commissioner and Secretary to the Govt. of Assam, Finance (Taxation) Department, I-Block (3rd Floor), Janata Bhawan, Dispur, Guwahati-781006 for kind appraisal of Commissioner and Secretary.



Principal Commissioner of State Tax, Assam
Dispur, Guwahati