

Fake GST Invoices: Issuers, beneficiaries may be booked under COFEPOSA

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Nationwide drive against fake invoice results in arrest of 25 person's .The Finance Ministry on Sunday indicated that issuers and beneficiaries of fake GST invoices can be detained under the COFEPOSA (Conservation of Foreign Exchange and Prevention of Smuggling Activities Act). At present, actions are being initiated under the GST law, income tax law and money laundering act.

This indication has come at a time when 25 persons, including the son of an MLA, were arrested during the last four days as the result of a nationwide drive against fake invoices. Those arrested include two kingpins and two professionals in around 350 cases booked against 1,180 entities for issuance of fake invoices. The actual number of fake ITC involved is being ascertained. Search and investigations are on to identify and apprehend the other persons who were involved in the racket and also the beneficiaries who have used the fake invoices to evade GST, income tax, and for money laundering.

“Considering the menace of the fake invoices and hawala racket and their damaging impact on the stability of the economy, it is also being examined whether, apart from taking action against the beneficiaries under GST laws, Income Tax Act, and Prevention of Money Laundering Act, issuers of fake invoices as well as beneficiaries of such invoices can be detained under COFEPOSA,” a senior Finance Ministry official said.

COFEPOSA prescribes the detention of persons for a period up to two years, if he/she is allegedly involved in smuggling goods or abetting the smuggling of goods; or engaging in transporting or concealing or keeping smuggled goods or dealing in smuggled goods otherwise; or harbouring persons engaged in smuggling goods or in abetting the smuggling of goods.

Another official mentioned that apart from various legal actions, the procedure for new GST registration is also being tightened. The businesses whose owners or promoters do not have commensurate income tax payment records will require physical and financial verification before their companies can be given GST registration.

Nationwide drive

Directorate General of GST Intelligence (DGGI) sleuths along with local GST officials acted in Delhi, Bengaluru, Mumbai, Ludhiana, Chennai, Nagpur, Kolkata, Gurugram, Jind, Ballabgarh, Ahmedabad, Surat, Vadodara, Bhilai, Jodhpur, Hyderabad, Mathura, Raipur, Visakhapatnam, Jamshedpur, Patna, Imphal, Meerut, Guwahati, Pune, Siliguri, Bhopal, Bhubaneswar, etc.

In one such case, the DGGI, Mumbai Zone arrested Sunil Gutte, the son of a sitting MLA, sugar baron Ratnakar Gutte, and the Managing Director of Sunil Hi-tech along with his business associate Vijendra Ranka (alleged kingpins of fake invoice scams worth of ₹520 crore of ITC in Maharashtra). Similarly, the Surat DGGI Zone booked a case of bogus supply of MS scrap by 13 firms. Two recipient beneficiaries of the fake ITC were ASVI Steel and SV Steel, and Nazir Barkatali Virani, who reportedly manages the affairs of these firms, was arrested. A racket where fictitious firms were involved in generation and passing of fraudulent ITC of ₹113 crore in bogus bills of iron and steel scrap was unearthed.