

GST fake invoices menace: Panel suggests registration based on Aadhaar, use of risk analytics tool

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- **'Trustworthy' assesseees will be able to register within a week.**

The Law Committee of the GST Council has come out with a two-pronged strategy to curb fake invoices. One suggestion is that an Aadhaar-like registration process may be adopted for new or fresh registrations, and the other, a full application of a 'business intelligence and fraud analytics (BIFA)' tool for identification of riskier traders on the basis criteria such as non-filing of return for six months.

IT credentials

According to officials, the committee has suggested that a fresh registrant must go for compulsory physical verification and personal identification in case s/he opts for a non-Aadhaar authentication-based registration process. And if he or she does not have income-tax return supported adequate financial capability, then he/she must have to submit a recommendation letter from two taxpayers of adequate reliability.

Based on documents, a 'trustworthy' applicant can be provided registration within seven working days. For this, the applicant must have good income tax credential and no previous cancellation of GST registration on the same PAN for any violation of law. And, the applicant need to undergo Aadhaar authentication as is required in case of an individual, proprietorship, partners, etc.

In case the applicant is found not 'trustworthy', then a conditional registration will be done within 60 working days after physical verification of the place of business. For such an applicant, the input tax credit for buyers will be allowed only after filing of their return and the dealer would be required to pay a certain portion of his/her liability in cash instead of paying 100 per cent tax through ITC.

The committee has suggested that such a dealer may also be required to deposit a portion of his/her tax due through cash or via a bank guarantee of up to 2 per cent of the dues. The dealer has to have some convincing income tax footprint to establish his/her financial credibility to avail the ITC-based payment. For example, a dealer with ₹100 crore business needs to pay on an average a tax of ₹18 crore. Then he/she may be required to pay ₹3.6 lakh through a bank guarantee instead of 100 per cent payment through ITC. Sequential filing of returns and statements may be made compulsory for all new applicants from April 1 next year. The committee has endorsed a fully system-enabled input tax credit flow (e-invoice, auto-populated input tax credit, auto-filled ITC in return), etc.

Betting on BIFA

To weed out existing fake dealers from the GST system, the committee has proposed full application of BIFA tool for identification of riskier traders on the basis of criteria such as non-filing of return for six months. It has proposed that no income tax credential will be given if 99 per cent tax is paid through ITC. There were about 35,000 such dealers who were given registration in 2018-19 and 2019-20, with GST liability of more than ₹50 lakh (yearly).