

Physical verification of biz granted deemed GST registration between 21Aug-16Nov

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- **The CBIC has also asked taxmen not to grant GST registration on deemed basis in cases where the applicant has not opted for Aadhaar authentication or the authentication has failed.**

NEW DELHI : The CBIC has asked field offices to carry out physical verification of premises of businesses which have been granted deemed GST registration between August 21 and November 16 to ascertain that they have genuine business or intend to carry out so.

The Central Board of Indirect Taxes and Customs (CBIC) has also asked taxmen not to grant GST registration on deemed basis in cases where the applicant has not opted for Aadhaar authentication or the authentication has failed.

Current provision under Goods and Services Tax (GST) law allows for deemed registration upon completion of 21 days of application if the proper officer has not issued any notice within the said 21 days.

The CBIC, in its instruction to field offices, said that data suggests that during the period from August 21, 2020 to November 16, 2020 deemed registrations have been granted in many cases where Aadhaar authentication has not been opted for or has failed.

"These registrations granted on deemed basis require verifications to ascertain that they have genuine business or intends to carry out so," the CBIC said while issuing Standard Operating Procedure (SOP) for carrying out physical verification of persons who have been granted deemed registration.

During the physical verification, the officer, among other things, would verify that in case the applicant intends to carry out manufacturing activity, the capital goods, if required for the said manufacturing activity, have been installed.

The officer would also verify electricity connection, bills paid in the relevant period, size of the premises – whether it is commensurate with the activity to be carried out by the applicant, whether premises is self-owned or is rented and documents relating to ownership/registered lease of the said property.

The verification would also include getting details of the number of employees already employed and record of their employment, Aadhaar and PAN of the applicant and its proprietor, partners, directors, as the case may be, and authorised signatories.

Besides, bank's letter for up to date KYC would also have to be checked, as per the SOP.

"In addition to the physical verification conducted, the proper officer, in the interest of revenue, would carry out the preliminary financial verification of the registrants by seeking...documents and carrying out its scrutiny," the CBIC said. The documents include ITRs of the company/LLP from the date of incorporation or for last three financial years, whichever is less. ITRs of proprietor, partners, among others, may be taken in other cases.

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The status of activity from the date of registration of all the bank account(s) linked to registration may be taken through a letter/undertaking from the applicant. Phone number declared/linked to each of the bank accounts may also be obtained.

Also the quantum of capital employed/proposed to be employed has to be scrutinised, as per the SOP.

"Field formations are advised that in cases where the applicant has not opted for Aadhaar authentication or where such authentication has failed, there should not be any case where registration is granted on deemed approval basis," the CBIC said.

With effect from August 21, 2020, rule 9 of the Central Goods and Services Tax Rules, 2017 provide that in cases where Aadhaar authentication has either not been opted for by the applicant or where such authentication has failed, the proper officer has to mandatorily initiate physical verification of the premises.

In cases where physical verification is difficult, certain additional documents may be called for by the proper officer (upon approval of an officer not below the rank of Joint Commissioner) for verification before deciding upon grant of registration.

Rule 25 of the CGST Rules provides for physical verification of business premises in certain cases.