



Office of the Principal Secretary & Commissioner  
State Goods and Services Tax Department  
Government of Kerala, Thiruvananthapuram

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No.CT/11804/2018-C2

Dtd 07/09/2018

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**Circular No 19/2018**

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Sub:- SGST Act – Benami GST Registration - measures to prevent evasion of tax-  
instructions issued- – Reg.

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For the effective tax administration the first and foremost effort is to widen the tax net. Therefore, during GST regime transition, initial efforts were taken to ensure migration of VAT dealers to GST from 1<sup>st</sup> January 2017 onward and later the focus was brought to new registrations from July 2017.

The registration procedure under Goods and Services Tax Act is simplified with the objective of ease of doing business. After online application, the applicant is deemed registered within 3 days. Therefore, since Oct 2017 in every Quarterly Performance Report, it has been specifically instructed to field officers to verify the new registrations in their respective jurisdiction.

Now, the preliminary enquiry reveals that certain unscrupulous suppliers have managed to get benami/bogus registrations, especially for dealing in highly evasion-prone commodities like plywood, veneer, packing materials etc. There are instances in which such dealers have disappeared from the scene after doing business in huge volume, and creating tax liability running into crores of rupees. Taking advantage of this, some unscrupulous suppliers are practicing large scale tax evasion by doing circular trade or bill trading. One such major instance has been investigated by CGST authorities recently in the month of July- August 2018.

This is the time of extreme hardships due to massive floods and wide spread damages in the state. It requires huge efforts to rebuild Kerala by generating consistent revenue. The non-intrusive vigilant actions will ensure plugging of leakages, which in turn will improve revenue.

Under the circumstances mentioned above, in order to curb such tax evasion practices and leakage of revenue, the following instructions are issued for strict compliance.

1. As the procedure for taking registration under Goods and Services Tax Act is liberalized, the assessing authorities as well as the enforcement wing shall closely monitor the activities of such suppliers.

2. The precautionary measures have to be taken in such cases from the stage of submission of registration application in common portal. In such cases, immediately on receipt of the registration application, the assessing authority shall conduct field visits. Unless timely action is taken in these cases, they might get 'Deemed Registration'. Once GSTIN is assigned, they can do the business. Once registration is obtained, immediately they are doing huge volume of business within a short span of time and disappearing from the scene after creating substantial tax liabilities.

3. In GST scenario, the existing taxpayers under VAT/Service Tax migrated to GST portal and obtained 'Deemed Registration'. There are new registrations for doing business in evasion prone commodities. All such cases pertaining to evasion-prone commodities like plywood, veneer, packing material, need to be closely monitored by the assessing authorities and enforcement wing as a market intelligence activities.

4. Ensuring timely filing of returns is the most important factor. Assessing authorities shall scrutinize such returns with e-Way bill data or other available information.

5. Field visits at the business places to be conducted by the assessing authorities in all new registration cases as well as the cases of return defaulters appropriately, in consultation with the Dy Commisisoner. While conducting the field visits the genuineness of the taxpayer is to be verified. During the field visit

the assessing authority shall make sure that the applicant is a native of that District and possesses sufficient area with reference to the nature of business. In case the nativity of the dealer is outside the District, an immediate enquiry should be conducted through Intelligence wing. Assistant Commissioner (Intelligence) shall conduct an enquiry in such cases and furnish an enquiry report on the next working day itself. If any suspicious activities are noticed, then a show cause notice may be issued to the dealer. In such cases, the mode of procuring capital investment details needs to be recorded. In case the financial assistance is provided by an individual other than any Financial Institutions, then a copy of the PAN of such person may be obtained during field visit.

6. Plywood and veneer being an industrial output, it can't be procured from unregistered fellows. If such purchases are disclosed in return, Intelligence wing shall conduct enquiries to locate such unregistered persons and take necessary steps to bring such dealers under the tax net.

7. The enforcement wing shall ensure approval of e-way bill in all such consignments. They shall periodically verify the return status of dealers coming under their jurisdiction. If any sort of irregularities are noticed in any cases, the bank transaction details has to be collected and verified. If they found that benami/bogus registration, was obtained for dealing in highly evasion-prone commodities like plywood, veneer, packing material, immediate steps shall be taken to intimate the fact to the assessing authority and he in turn shall take necessary steps to cancel the registration after complying with the statutory requirements.

8. All officers are advised to take actions as per the law, only after doing detailed desk review, gathering intelligence and discussing with the supervisory officer the Dy Commissioner.

All supervisory authorities shall ensure that the instructions are followed by all officers under their administrative control.

9. All officers may acknowledge the receipt of the circular.

  
PrI Secretary & Commissioner