ITC fraud - DGGI makes arrests in fake invoice case

By TIOL News Service

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NEW DELHI, NOV 21, 2020: TWO men were arrested by the Gurugram zonal unit of the Directorate General of GST Intelligence (DGGI)for creating fake invoices and fraudulently claiming input tax credit (ITC) worth Rs. 26.06 crore.

The two men, cousins Mr Naresh Mittal and Mr Chhedi Lal Mittal, were proprietors of two firms in Naya Bazar, Delhi, and were receiving huge amounts by creating fake invoices without goods from several companies and were converting them into cash through angadias (parallel banking system). They then returned the cash to the respective firms after deducting their commission.

An investigation was already undergoing in respect of fake invoices by a firm situated in the Sadar Bazar area of Delhi from 22 suspicious businesses.

The investigating officers had visited the registered addresses of these businesses and found them to not be in existence with the proprietors' information also falsified.Fabricated electricity bills and fake rent agreements were uploaded on the GST portal for obtaining registration. Even bank account details declared in the GST registration were either found non existing or in other persons' names.

The proprietor of the firm in Sadar Bazar was also questioned but failed to submit details about the payments and purchases before the deadline. Further investigations into bank payment details also showed that while in the narration of the transfer entry, vendor firms' names were appearing, but the crediting accounts were in the names of a different person or organisation.

Two such firms werePrag Enterprises and PC Traders run by the Mittal cousins. Mr Chhedi Lal also stated that he has created four fake businesses in the names of other persons and had supplied fake bills without goods in exchange of 4-5% commission. But once he found out about the investigations into Firm X, he closed the old businesses and opened new ones to continue with the fraud.

The four firms have availed a fake credit of Rs. 26.06 crores and have passed on fake credit of Rs. 25 crore.

The cousins were arrested on November 19 and are in judicial custody as further investigations continue.