



GST INVOICE FRAUD

- In the last one month, the Directorate General of Goods and Services Tax Intelligence (DGGSTI) across the country has arrested over 100 people and booked 3,479 entities in 1,161 cases for illegally availing or passing on input tax credit (ITC) by using fake GST invoices.
- Tax officials said the use of fake invoices to wrongfully avail ITC credit has been gradually increasing and has become a concern for the government, especially at a time when revenue collection is depressed.
- The government is planning to tighten the GST registration process and legal measures to deal with the rising cases of fake invoicing.

But how is fraud done?

- Floated multiple dummy firms, obtained GST registrations, issued fake GST invoices of goods and services without actual supply of services, and passed on ineligible ITC accrued from the bogus invoices to clients for a commission, who subsequently used it to make GST payments, causing losses to the government.
- Promoters of certain companies have routed fake invoices through a series of shell companies and transferred input tax credit from one company to another in circular transactions to increase the turnover of the company. This helped them not only evade GST but also avail higher bank loans and credit facilities due to increased turnover