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**GOVERNMENT OF ASSAM
OFFICE OF THE PRINCIPAL COMMISSIONER OF STATE TAX
CUM COMMISSIONER OF TAXES, ASSAM
KAR BHAWAN, DISPUR, GUWAHATI – 781006
&&&**

INSTRUCTION No. 04/2021-GST

Dated Guwahati, the 9th June, 2021

Sub : Registration related Field Verification etc. of Coal-traders - reg.

No: CT/GST-12/2017/31 : It has come to my notice that a large number of coal-traders obtained registration under GST. It is detected from data analysis of GST portal and E-way Bill portal that some coal-traders after obtaining new registration carried no business activities during initial three or four months and used to file nil GST returns. Hereafter, suddenly, in a particular month, such coal traders have been found to have generated e-way bills numbering in thousand and despatched considerable quantity of coal worth crores of rupees having substantial implication of revenue. Surprisingly, instead of declaring the actual turnover and tax liabilities, they deliberately continued filing nil GSTR-3B returns seemingly to keep the e-way bill portal open and active. Afterward, these taxpayers abandoned the business activities and disappeared from the scene after doing business in huge volume. Such activities have caused massive loss of IGST and compensation cess amount to the nation. This matter has been recently discussed with great concern at the highest level and it is resolved to curb such tax evasion henceforth. Therefore, it appears to be necessary to immediately conduct a thorough and comprehensive physical field verification of all the coal-traders at the declared or discovered business premises/additional place of business/godown etc. of the coal-traders having active GST registration under respective jurisdiction of Proper Officers to ascertain their genuineness and financial standing in proportionate to the business volume.

In this context, Proper Officer are hereby directed to conduct a physical verification of all the taxpayers dealing in coal directly or indirectly as per the following Standard Operating Procedures (SOP):

(A) Pre-visit verification exercise/ Desk Scrutiny:

1. To find out the names of the taxpayers dealing in coal from Back office (BO) GST portal.
2. To verify present status of such GSTIN: Active or cancelled.

If the status is already **cancelled**, the assessment and adjudication shall be initiated u/s 62, 63, 67, 73 or 74 of GST Act, 2017 as advised in Circular No: 77/2020 (No. CT/GST-15/Pt-I/2017) dated 21/10/2019.

If the status of the registration is **active**, then Proper Officer shall initiate the following process for all the coal traders:

1. To find out the names & details of the taxpayers from the inward and outward database of e-way bills portal based on the HSN code (2701)
2. To note down the address of the business premises, additional places of business of the taxpayers and the contact details.
3. To check the date of registration: if newly registered or older registrant.
4. To check the return filing status, mode of payment, e-way bill generation status, payment in cash etc.

(B) Identification of high risk coal-traders:

Out of the coal-traders, the Jurisdictional Proper Officer (Deputy Commissioner of State Tax/ Assistant Commissioner of State Tax) in consultation with the Jurisdictional Field

27/ **Officer (Superintendent of State Tax) shall identify the high risk coal-traders based on the following broad risk parameters:**

- (i) If the taxpayer is newly registered and excessive generation of e-way bills is detected;
- (ii) If existing registered coal dealers who have already generated substantial numbers of e-way bills but the generation does not match with the disclosure in returns filed or tax paid;
- (iii) Generated e-way bills but filing nil GSTR-3B returns;
- (iv) Frequent cancellation of e-way bills or large numbers of cancellation;
- (v) Filing NIL return for three or more consecutive periods after obtaining new registration;
- (vi) Mismatch between e-way bill and GSTR-3B turnover or GSTR-1 and GSTR-3B;
- (vii) HSN code of coal was not declared during registration as a commodity to deal in but generating e-way bills of that HSN;
- (viii) Entire output liability paid through ITC or tax paid in cash is very negligible;
- (ix) Aadhar card not linked with registration;
- (x) Or any other doubtful activity detected;

In such case, Proper Officer shall immediately initiate cancellation of registration proceeding and **suspend the registration u/r 21(A) by issuing REG-31** to avert any further leakage of revenue and initiate field verification. If field verification confirms that the registration is fake or there is indulgence in issuance of fake tax invoices or claim of fake ITC or concealment of turnover and tax liabilities or any other contravention of GST law, the registration shall be cancelled as per procedure.

Please note that **Proper Officer are not required to issue any show cause notice before suspension** as per amended provision of sub-rule (2) of Rule 21a of The Assam GST Rules-2017

For suspension of GST registration, Proper Officer shall follow the SOP circulated vide Circular No 98/2021-GST (No. CT/GST-15/2017/420) dated 01/03/2021.

(C) Field verification exercise:

Field level verification shall be conducted at the business premises/ additional business premises/ warehouses/ depot etc. of all the coal traders including the already cancelled and already suspended as per the following guidelines:

The Jurisdictional Proper Officer will assign the case for field verification to the Jurisdictional Field Officer through BO portal.

The Jurisdictional Field Officer will immediately initiate the field verification and complete the task within seven working days and upload the report in the BO portal. The Jurisdictional Field Officers will invariably undertake the following exercise at the field level:

1. To check personal credentials of the registrant of the firm such as Aadhar Card, Pan Card, Bank details, location of residential address, business premises, coal depot etc. and verify the authenticity of the documents and match with the documents furnished with the registration form. The images shall be captured for upload.
2. To verify if the photograph uploaded at the portal is recent and matching with the person concerned.
3. 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, the agreement regarding the business premises with the land lord must be verified. To check if the agreement is **duly registered at Registry office** and has detailed

description of the exact address of the business premises including the House and Bye Lane Numbers.

To check the mode of payment of rent. It must be ensured that the rent is paid through Bank transaction only. There must not be any payment of rent in cash.

4. The Jurisdictional Field Officer shall conduct physical verification of the principal place of business, additional place of business, godown/warehouse/depot indicated in GST registration **FORM REG-01** of the concerned registrant.
5. During the physical verification, the Jurisdictional Field Officer, among other things, would also verify the following details:
 - a. Electricity connection, bills paid in the relevant period.
 - b. Size of the premises – whether it is commensurate with the activity to be carried out by the applicant.
 - c. No of employees already employed and record of their employment.
 - d. Bank's letter for up to date KYC (if available).
 - e. Trade licence issued by local authority and its validity. Owner of the trade and address as per the Trade licence needs to be verified.
6. In addition to the physical verification conducted, the Jurisdictional Field officer, in the interest of revenue, would carry out the preliminary financial verification of the coal-traders to check the net-worth by seeking the following documents and carrying out its scrutiny:
 - a. ITRs for last three financial years or since the date of commencement of business (if any). ITRs of proprietor, partners, Karta, etc. may be taken as the case demands. (if applicable). In case of new firm, the Jurisdictional Proper Officer shall verify the Balance sheet for the relevant periods.
 - b. The status of activity from the date of registration of all the bank account(s) linked to registration; the same may be taken through a letter / undertaking from the applicant. Phone number declared / linked to each of the bank accounts may also be obtained.
 - c. To verify quantum of capital employed and to check the capital turnover ratio.
 - d. Own Funds: Bank statement or records of movable or immovable properties.
 - e. Loan Funds: In case of unsecured loan or borrowed from a private person, the details including PAN, Aadhar card and the mode of transfer of the fund
7. It must be ensured that the holder of the PAN card provides his personal mobile number & e-mail address. It is very necessary to check if the mobile number provided in the primary registration details belongs to the registrant.
8. To ensure that the taxpayer has properly displayed a signboard of the trade name along with the GST number at a conspicuous location.
9. It must be ensured that the books of accounts are kept at the principal place of business as mandated u/s 35 of GST Act.
10. The place from which tax invoices are issued and records of both inward & outward tax invoices are kept.
11. The computer from where the e-way bills are generated and recorded.
12. The return filing status of the taxpayer. The amount paid in cash etc.
13. Genuineness and admissibility of ITC claimed.
14. Tax compliance under various parameter under GST law.

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Please note that the above list is illustrative only and not exhaustive.

(D) Post-field verification process:

1. The Jurisdictional Field Officer shall upload the data and a comprehensive report recommending approval or cancellation of registration of the taxpayers in the App and BO portal within seven working days.
2. On being receipt of a negative report, the Jurisdictional Proper Officer shall immediately issue a Show Cause Notice (SCN) in **GST REG-17** to the taxpayer for cancellation of registration.
3. On being receipt of a reply to the Show Cause Notice (SCN) in **GST REG-18** (if received) from the taxpayer, the Jurisdictional Proper Officer shall consider the ground and reasons as per law.
4. If it is found the reply is not satisfactory or no reply submitted, the Jurisdictional Proper Officer shall issue the order of cancellation of the concerned registration in **GST REG-19**
5. The Jurisdictional Proper Officer will initiate assessment or adjudication process as per law.
6. The Jurisdictional Proper Officer shall immediately initiate legal action as per the provisions of the GST law.
7. In case, the Jurisdictional Field Officer reports that the registrant is not traceable or absconding, the Proper Officer shall lodge FIR at the local Police station. However, in cases where, there is huge revenue implication, the case shall be registered with the Bureau of Investigation (Economic Offence) - BIEO for investigation.
8. The Jurisdictional Proper Officer shall report the matter to the Zonal Joint Commissioner of State Tax and may seek INS-01 to cause inspection.

It is decided to clean up all the bogus/ fictitious registrations from the system to dissuade the tax offenders.

(E) Precaution to be taken while granting new registration:

It is observed that most of the evasion is taking place due to fake registration. Through registration, a taxpayer becomes entitled to certain privileges such as collection of GST from the consumers, generation of e-way bills, utilisation of ITC etc. and above all a reputation among the trade community about its creditworthiness. GST ensures ease of doing business and almost zero interference from the authority. However, it appears that the GST system is being used for tax evasion by tax dodgers to which the tax administration cannot be a mute spectator. **If due diligence is carried out at the time of registration, it will substantially mitigate tax evasion. Therefore,** in addition to the above immediate exercise, please note that precautionary measures have to be taken from the stage of submission of registration application in common portal. In such cases, immediately on receipt of the registration application, the Jurisdictional Proper Officer shall invariably conduct field visits.

1. The Jurisdictional Field officers will follow the same steps during field visit which are enumerated under "Field Verification exercise" above.
2. The Jurisdictional Proper Officer shall not grant registration, if the field verification gathers negative reports about the applicant.
3. No registration shall be granted to any applicant who somehow directly or indirectly linked to any earlier cancelled or closed GSTIN.
4. In case, it is detected that the applicant already had an abandoned registration with outstanding liabilities, the Jurisdictional Proper Officer shall not grant registration until the earlier liabilities are discharged.

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5. Registration shall be granted only after the proper verification about the genuineness of the applicant.

(F) Regular monitoring of the analytical and e-way bill portal:

1. The Jurisdictional Proper Officers shall regularly take action against the irregularities indicated by:
 - i. Red Flag Reports
 - ii. GST Prime portal
 - iii. 360-degree profile indicator of BO portal
 - iv. Comparative Reports available at BO portal
 - v. BIFA reports (Received from Zonal authorities)
2. The Jurisdictional Proper Officers shall monitor the generation of e-way bills both outward and inward under their jurisdiction.
3. Immediate field level inquiry shall be initiated if it is detected that there is abrupt and abnormal spike in e-way bill generation in the login of a particular coal trader.
4. If necessary, the Jurisdictional Proper Officers shall immediately suspend the registration of such coal traders to stop further generation of e-way bills.
5. They shall verify the past tax behaviour of the taxpayer and if it is detected that the rise is sudden then it must be understood that this is a potential threat for state revenue.
6. If any other sort of irregularities is noticed, immediate field inspection needs to be conducted.

It is reiterated that the verification drive must be completed within the stipulated time frame and all the unlawful registrations shall be erased from the tax net. **The action taken report must be submitted to the Apex Office within three days of the end of every fortnight.**

All Zonal In-Charges shall ensure that the instructions are followed by all officers under their administrative control and keep on conducting random checking or periodical review and submit a **report to the Apex Office within seven days of the end of every fortnight.**

It is advised to take similar actions for all other evasion prone commodities.

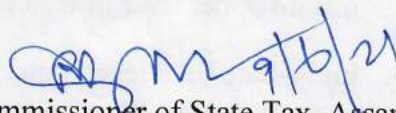
All the Zonal In-Charges, Jurisdictional Proper Officers and Jurisdictional Field Officers are directed to follow this instruction meticulously and any deviation shall be viewed very seriously and the personal responsibilities will be fixed on them.


(Rakesh Agarwala, IAS)
Principal Commissioner of State Tax, Assam
Dispur, Guwahati – 6

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Copy to:

1. P.S. to the Principal Secretary to Hon'ble Chief Minister, Assam., Janata Bhawan, CM-Block (1st Floor), Dispur, Guwahati for favour of kind information.
2. P.S. to the Principal Secretary, Finance Department, Janata Bhawan, CM-Block (3rd Floor), Dispur, Guwahati for favour of kind information.
3. P.S. to the Commissioner & Secretary to the Govt. of Assam, Finance (Taxation) Department, Janata Bhawan, D-Block (Ground Floor), Dispur, Guwahati for favour of kind information.
4. The Special Commissioner of State Tax (All)/ Additional Commissioner of State Tax (All) for information.
5. The Joint Commissioner of State Tax (All)/ Deputy Commissioner of State Tax (All) / Assistant Commissioner of State Tax (All) / Superintendent of State Tax (All) for information and necessary action.
6. The Information Technology Officer, Office of the Commissioner of Taxes, Assam for uploading the instruction on the website of the Commissionerate for information of all concerned.



Principal Commissioner of State Tax, Assam
Dispur, Guwahati – 6