



Press Release

First arrest under GST in Karnataka by Commercial Taxes Department, Karnataka.

The Enforcement Wing of Commercial Taxes Department, Karnataka on Wednesday (05-09-2018) arrested Proprietor of M/s A R S Enterprises based on credible information gathered at the time of inspection under the provisions of the GST Act, 2017 and **for issuing bogus tax invoices worth Rs 45.94 Crore thereby evading GST amounting to Rs.8.16 Crore.** The accused, Hameed Rizwan Parthipady Ismail, Proprietor, Aged 28 years, residing at Mathikere, Bengaluru -560054 had obtained registration under the GST Act, 2017 in the trade name of M/s ARS Enterprises, No.72/6, Ganigarahalli, Near new Basaveshwara Layout, Chickbanavara Post, Bengaluru 560090 bearing GSTIN: 29ABIP17472B1ZL in the business of trading of ferrous and non-ferrous scrap during the period of July 2017 to July 2018.

The place of business was inspected by the Assistant Commissioner of Commercial Taxes (Enforcement)-14, South Zone, Koramangala, Bengaluru on 27-08-2018 and observed that, the taxable person has not received any goods or services and has claimed input tax without any purchases to avoid payment of tax. It is also came to light that the taxable person had issued invoices for outward supplies to enable various purchasers to claim input tax credit without supply of goods or services whatsoever and thus facilitated to claim input tax credit (ITC) fraudulently. Further, it was found that the Taxable Person was guilty of an offence committed under clause (b) of Sub-section (1) of section 132 for the reason that he has issued tax invoices without supply of goods or services leading to wrongful availment or utilization of input tax credit by the purchasing dealers. This offence is punishable under clause (i) of sub-section (1) of section 132 for the reason that the amount of tax evaded exceeds Rs.5 Crore under both CGST and SGST Acts put together.

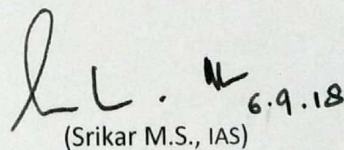
On verification of the data as depicted in the Data Analytics Software (*GSTPro*) of the Department, it was observed that the taxable person has issued tax invoices without supply of goods or services and indulged in issuance of bogus tax invoices facilitating the purchasing

dealers to claim bogus Input Tax Credits (ITCs). As per returns uploaded by Taxable Person in GSTR-1 and GSTR-3B filed for the periods from July 2017 to July 2018, **the total value involved in the said tax invoices is Rs. 45.94 Crore and corresponding output tax involved is Rs. 8.16 Crore.**

The taxable person was asked to produce the documents in support of the input tax credit claimed in GSTR 3B. But the taxable person failed to produce the valid purchase invoices. Hence it was evident that he has not received any goods or services and without purchases he has claimed input tax to avoid payment of tax. It was also evident that the taxable person had issued outward invoices to his purchasers to enable them to claim input tax credit without supply of goods or services whatsoever. Thus, the taxable person has committed an offence punishable under Section 132(b) of the CGST Act, 2017 and the concurrent provision under KGST Act, 2017

Based on these observations Commissioner of Commercial Taxes, Karnataka authorized the arrest of the above taxable person. The dealer was arrested by Dr G Viswanatha, Assistant Commissioner of Commercial Taxes (Enforcement)-21, South Zone, Koramangala, Bengaluru - 560 047 along with the team of officers of Enforcement Wing of Commercial Tax Department headed by Sri Nitesh K Patil., IAS., Additional Commissioner of Commercial Taxes (Enforcement), South Zone, Bengaluru. The dealer has been produced before the Honorable Special Court for Economic Offences and the Judicial Magistrate has ordered the dealer to Judicial Custody until 20-09-2018.

The compliance efforts of the Department will continue against fraudulent dealers and strict action will be taken as per law. This is the first arrest by the Commercial Taxes Department in Karnataka under GST. Further leads are being investigated. Data-based intelligence activities has also demonstrated the importance of data in ensuing compliance.

 6.9.18

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