

CBIC ASKS FOR PHYSICAL VERIFICATION OF PREMISES OF BUSINESSES WHICH HAVE BEEN GRANTED DEEMED GST REGISTRATION BETWEEN AUGUST 21-NOVEMBER 16

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What it is about ?

With effect from August 21, 2020, rule 9 of the Central Goods and Services Tax Rules, 2017 provide that in cases where Aadhaar authentication has either not been opted for by the applicant or where such authentication has failed, the proper officer has to mandatorily initiate physical verification of the premises.

Current provision under GST law allows for deemed registration upon completion of 21 days of application if the proper officer has not issued any notice within the said 21 days.

The CBIC, in its instruction to field offices, stated that during the period from August 21, 2020 to November 16, 2020 deemed registrations have been granted in many cases where Aadhaar authentication has not been opted for or has failed.

Why this SOP ?

Registrations granted on deemed basis require verifications to ascertain that they have genuine business or intends to carry out so.



How and What is needed to be done ?

- During the physical verification, the officer, among other things, would verify that in case the applicant intends to carry out manufacturing activity, the capital goods, if required for the said manufacturing activity, have been installed.
- The officer would also verify electricity connection, bills paid in the relevant period, size of the premises – whether it is commensurate with the activity to be carried out by the applicant, whether premises is self-owned or is rented and documents relating to ownership/registered lease of the said property.
- Getting details of the number of employees already employed and record of their employment, Aadhaar and PAN of the applicant and its proprietor, partners, directors, as the case may be, and authorised signatories.
- Besides, bank's letter for up to date KYC would also have to be checked, as per the SOP.
- In the interest of revenue, would carry out the preliminary financial verification of the registrants by seeking documents and carrying out its scrutiny.

- The documents include ITRs of the company/LLP for last three financial years.
- ITRs
- The status of activity from the date of registration of all the bank account(s) linked to registration may be taken through a letter/undertaking from the applicant.
- Phone number declared/linked to each of the bank accounts.
- Quantum of capital employed/proposed to be employed.
- In cases where the applicant has not opted for Aadhaar authentication or where such authentication has failed, there should not be any case where registration is granted on deemed approval basis.
- Notice in FORM REG-17 may be issued in specific cases based by the proper officer on certain risk parameters seeking explanation from the registered person regarding the differences and anomalies noticed, if any, where FORM GSTR-1 is filed and FORM GSTR-3B is not filed either for August or September, 2020 tax period and where the difference in tax amount, as reported in FORM GSTR-1 and FORM GSTR-3B is more than Rs one lakh.
- In cases where physical verification is difficult, certain additional documents may be called for by the proper officer (upon approval of an officer not below the rank of Joint Commissioner) for verification before deciding upon grant of registration.
- Rule 25 of the CGST Rules provides for physical verification of business premises in certain cases.

Impact of this SOP

- Earlier the CBIC started a 'Special Drive' to clear pending GST registrations by July 30, 2020.
- The Board has issued the circular as well in respect to clear the pending GST registrations so as to help in the processing of a swathe of pending applications for GST registration.
- As in the beginning of the lockdown, to counter the spread of COVID-19 pandemic, for fear of possible misuse during the period where central or state tax offices were either closed or operating with skeletal staff.
- Now COVID Situation is more severe, in such case physical verification should be avoided for a while. Moreover on one side the government is focusing on the 'Faceless System', and then this SOP is issued in amidst of the chaos created by COVID.