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Annual Report 2022-23

Directorate General of GST Intelligence

Central Board of Indirect Taxes & Customs
Department of Revenue
Ministry of Finance
Government of India

ANNUAL REPORT 2022-23



Directorate General of Goods & Services Tax Intelligence (DGGI), New Delhi
Central Board of Indirect Taxes & Customs
Department of Revenue
Ministry of Finance
Government of India





संजय कुमार अग्रवाल
अध्यक्ष
Sanjay Kumar Agarwal
Chairman

75
आज़ादी का
अमृत महोत्सव



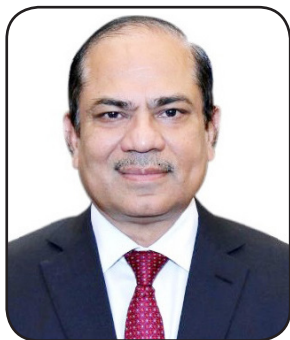
सत्यमेव जयते



भारत 2023 INDIA
वसुधैव कुटुम्बकम्
ONE EARTH-ONE FAMILY-ONE FUTURE

भारत सरकार
वित्त मंत्रालय
राजस्व विभाग
केन्द्रीय अप्रत्यक्ष कर एवं सीमा शुल्क
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes & Customs

Message



It gives me great pleasure to know that the Directorate General of Goods and Services Tax Intelligence (DGGI) is bringing out its Annual Report for the fiscal year 2022-2023. This report highlights the collective dedication, resilience, and commitment of our officers towards upholding the integrity of our tax system and ensuring fiscal compliance in the GST ecosystem.

In the face of unprecedented challenges, such as the economic repercussions of the global pandemic, the DGGI has demonstrated remarkable resilience and adaptability. The focus on intelligence-led enforcement actions, innovative strategies, and leveraging cutting-edge technology has yielded remarkable results. Through these efforts, not only Government revenue has been safeguarded but also led to a culture of improved compliance.

The annual report of DGGI for the fiscal year 2022-2023 will make the readers aware of the hard work and achievements of DGGI and the Directorate's notable milestones, successful initiatives, and the positive impact it has made on the revenue.

As we move forward, I encourage DGGI officers to carry forward the legacy of this organization by upholding the highest standards of professionalism and integrity.

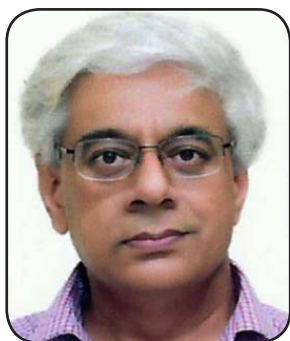
I extend my best wishes for the future endeavours of DGGI and hope it scales greater heights.

(Sanjay Kumar Agarwal)





Message



I am happy to learn about the publishing of Annual report 2022-23 by Directorate of GST Intelligence. This is the first Annual Report in six years after the Directorate was renamed as DGGI. The tradition should continue.

The reorganisation approved by Finance Minister for implementation of GST in March 2017 is for DGGI to become an important wing of the Government in its fight against tax evasion and black money. The DGGI charter of functions is replete with references to intelligence and investigation of tax evasion or offence, and it also emphasizes dissemination and alerting field formation on intelligence or modus operandi. These are guiding principles for DGGI.

While in the last five nascent years, the DGGI has made a notable contribution in settling the transition to GST regime, this phase being over, in the future, the all India DGGI's actions should be focussed around these guiding principles. This includes the rooting out of entities based on bogus activity, or those making or using clandestine supplies or availing ITC through creation of fake supply chains.

I am not only confident that all ranks of DGGI will build up on this role but also that the Directorate would, insofar as its Units' engagements with regular tax payers is concerned, ensure through standard operating guidelines that needs of enforcement work are appropriately balanced with suitable facilitation.

I complement all DGGI personnel for their dedication and encourage them to take up or devise better, faster ways of identifying actionable intelligence and making successful investigations.

(Rajiv Talwar)
Special Secretary & Member CBIC





Message



I am pleased to learn about the publication of the Annual Report of the Directorate General of Goods and Services Tax Intelligence (DGGI) for the Financial Year 2022-23. This Annual Report provides a precise and comprehensive overview of the Directorate's accomplishments and initiatives. I express my deepest appreciation for the outstanding work done by the DGGI team in 2022-23.

DGGI has been entrusted with the task of enforcing the compliance of Indirect Tax Laws namely GST, Central Excise and Service Tax. DGGI has earned a distinguished reputation among the law enforcement agencies as an effective and professional intelligence and investigating agency. I commend that despite limited human resources, DGGI has been able to outperform in terms of detections and voluntary payments in the FY 2022-23 as compared to FY 2021-22.

The Annual Report brings out the analysis and trends of emerging evasion prone commodities and services in GST era which should act as reference to all those who are engaged in plugging tax evasion. The analysis of modus operandi resorted to by the evaders will also enable the officers to effectively devise counter measures to check tax evasion. Drive against the fake ITC which was impacted during the Second & Third Wave of COVID-19, was reinforced with meticulous data analytics, focussing mainly on apprehending masterminds in the FY 2022-23.

I appreciate the sincere efforts of the entire team of DGGI, in bringing out this Annual Report.

(Anil Kumar Gupta)
Pr. Director General





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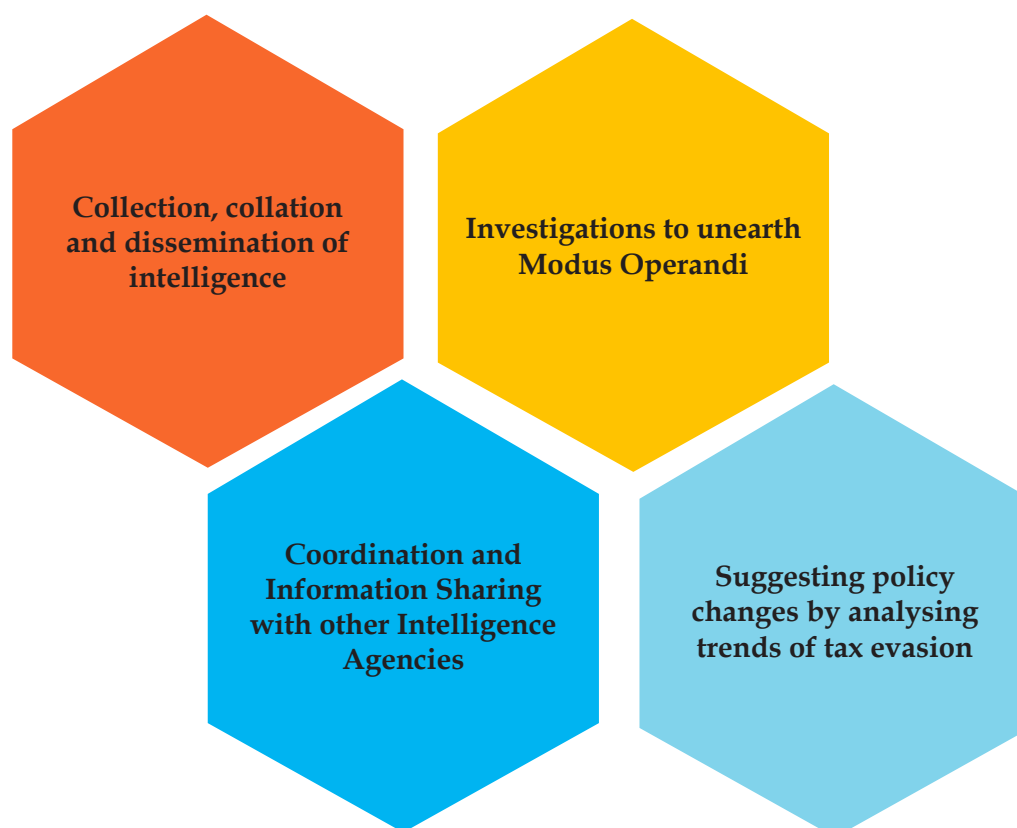
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Directorate General of Goods & Services Tax Intelligence (DGGI)

1.1 Introduction

DGGI is an apex intelligence organization functioning under the Central Board of Indirect Taxes & Customs (CBIC), Department of Revenue, Ministry of Finance, entrusted with the task of collection, collation and dissemination of intelligence relating to evasion of Goods and Services Tax (GST). It also undertakes investigation of cases involving multi-jurisdiction and high revenue implications. As an apex intelligence agency, the DGGI co-ordinates with other intelligence and investigation agencies, such as, Central Economic Intelligence Bureau, Directorate General of Income Tax Investigation, Directorate General of Revenue Intelligence, Enforcement Directorate, etc. It has its headquarters at New Delhi, with 4 Sub-National Units (each headed by Director General), 26 Zonal Units (each headed by Principal Additional Director General / Additional Director General) and 40 Regional Units (each headed by Deputy Director / Assistant Director) located across the country.

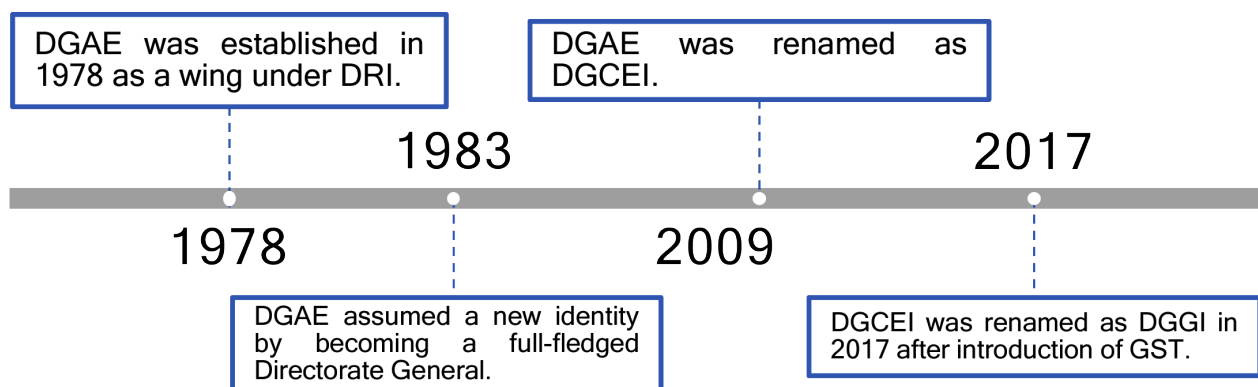




1.2 The Journey of DGCI

The DGCI was earlier known as Directorate General of Anti-Evasion (DGAE) which was established in the year 1978 (F.No.A-11011/30/78-Ad.IV dated 04.12.1978) as an independent wing under the Directorate of Revenue Intelligence with the Regional Units located at Chennai, Delhi, Kolkata and Mumbai. It became a full-fledged Directorate in 1983, headed by a Director. In 1988, the Directorate was upgraded to Directorate General under a Director General with four Zonal Units located at Chennai, Delhi, Kolkata and Mumbai.

The Directorate General was expanded in the year 2000 with the setting up of a number of Regional Units under the respective Zonal Units. In 2004, DGCI was entrusted with the work of detecting cases of evasion of Service Tax also. It was renamed as Directorate General of Central Excise Intelligence (DGCEI) in 2009 (F.No.A-11013/37/2000-Ad.IV dated 09.11.2009). With introduction of GST, w.e.f. 01.07.2017, the DGCEI was renamed as DGCI (vide Office Order F.No. A-11013/18/2017-Ad.IV dated 12.06.2017) and strengthened and expanded to become an important wing of the Government in its fight against Tax Evasion and Black Money..





1.3 Jurisdictional Set-up

DGGI Hqrs. + 4 Sub National Units (SNUs) + 26 Zonal Units (ZUs) + 40 Regional Units (RUs)			
DGGI (Hqrs.) New Delhi Headed by Pr. DG			
SNUs			
Sr. No.	SNUs Headed by DG	ZUs Headed by Pr. ADG / ADG	RU Headed by ADD / JD
1	North	Delhi	None
		Gurugram	Rohtak
		Jaipur	Udaipur
		Chandigarh	Shimla, Jammu
		Meerut	Ghaziabad, Dehradun
		Ludhiana	Amritsar
		Lucknow	Kanpur, Agra
2	East	Kolkata	None
		Siliguri	Gangtok, Durgapur
		Patna	Jamshedpur
		Guwahati	Agartala, Aizawal, Imphal, Itanagar, Dimapur, Shillong
		Raipur	Bilaspur
		Bhubaneshwar	Rourkela
3	West	Mumbai	None
		Nagpur	Nashik, Aurangabad
		Pune	Goa, Kolhapur
		Ahmedabad	Rajkot, Gandhidham
		Surat	Vapi, Vadodara
		Bhopal	Indore, Jabalpur
4	South	Bengaluru	None
		Belagavi	Bellary, Mangalore
		Chennai	Puducherry
		Coimbatore	Hosur, Madurai, Tiruchirappalli
		Hyderabad	Warangal
		Kochi	Thiruvananthapuram, Kozhikode
		Vishakhapatnam	Vijaywada (Amravati)
Total	4	26	40

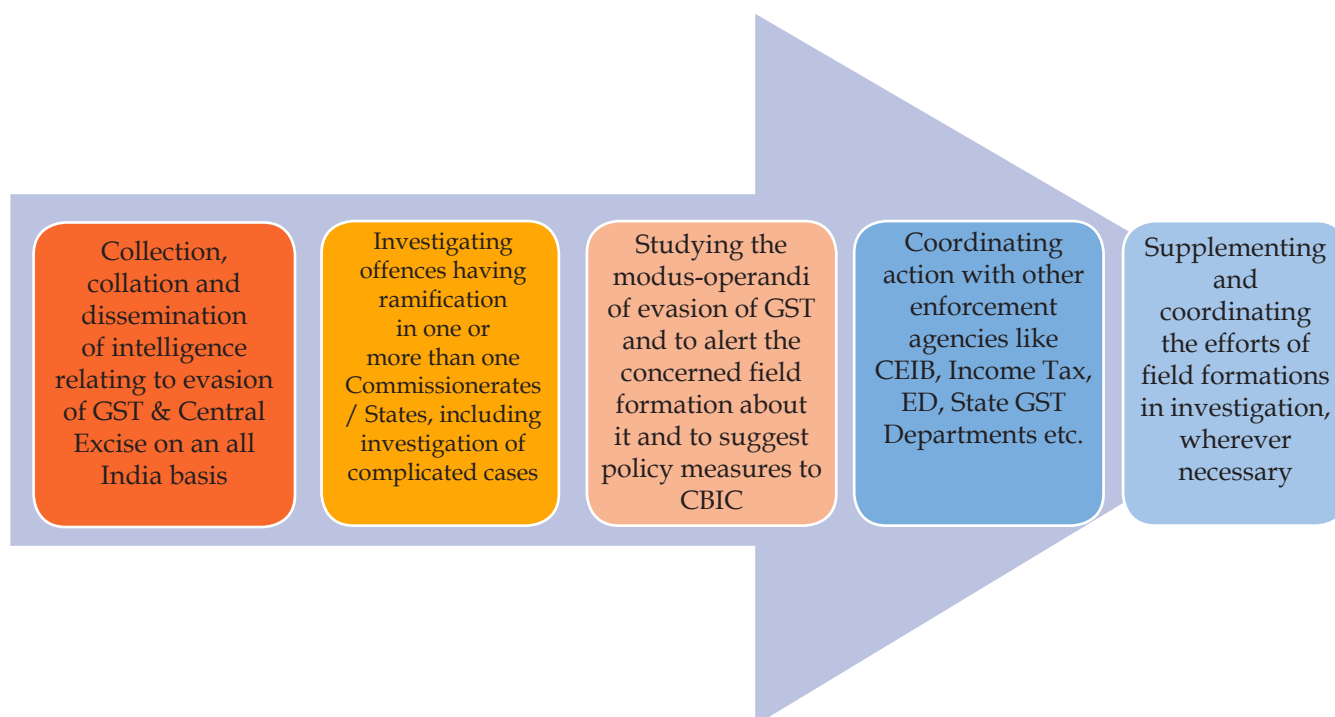


Jurisdictional Map of DGGI





1.4 Charter of Functions



1.5 The Changing Roles of DGGI

GST with its emphasis on advanced IT infrastructure, made a paradigm shift towards technology and data driven indirect tax administration in India. CBIC has, in recent years, invested a lot in development of data analytical tools, predictive modelling, data visualization tools and big data analysis so as to equip its officers with world-class IT infrastructure.

The DGGI, as an organization, is no exception to this ongoing change. It has steadily moved towards intelligence gathering by way of various advanced tools of data analytics in addition its intelligence network across the country. DGGI has transformed the contours of intelligence gathering by using the enormous database of GST Network to focus on areas of tax evasion. Many new modus operandi in the GST era have been unearthed by using these sophisticated tools. The intelligence collected and developed by DGGI is either ploughed into action directly by its officers, or shared with the Commissionerate depending upon the scale and reach of the case.

The most significant outcome of the federal nature of GST is the partnership of Centre and State in enforcement actions. The jurisdiction of State enforcement authorities extends to the entire state whereas the jurisdiction of Centre enforcement authorities (such as DGGI) extends to the whole territory of India. The DGGI is better suited to carry out operations in cases where there are multiple jurisdictions involved.



1.6 Staff Position

As on 31.03.2023

Name of the Posts	Sanctioned Strength	Working Strength	Vacancy Position
Pr. Director General	1	1	0
Director General	4	2	2
Principal ADG	11	5	6
Addl. Director General (including Adjudication)	19	18	1
Additional / Joint Director	58	54	4
Deputy/ Assistant Director	170	92	78
Deputy Director (OL)	1	0	1
Assistant Director (OL)	1	1	0
Chief Accounts Officer	9	1	8
Senior Intelligence Officer	728	473	255
Intelligence Officer	2214	659	1555
Senior Private Secretary	17	7	10
Private Secretary	22	2	20
Administrative Officer	37	8	29
Steno-I	49	8	41
Executive Assistant	50	22	28
ST	2	1	1
JT	3	1	2
Driver Spl. Gr.	5	2	3
Steno-II	54	18	36
Tax Assistant	114	67	47
Lower Division Clerk	32	6	26
Driver - Grade - I	36	5	31
Driver - Grade - II	29	4	25
Driver - Grade - III	35	2	33
Head Havaldar	108	31	77
Havaldar	141	14	127
MTS	9	7	2
Total	3959	1511	2448

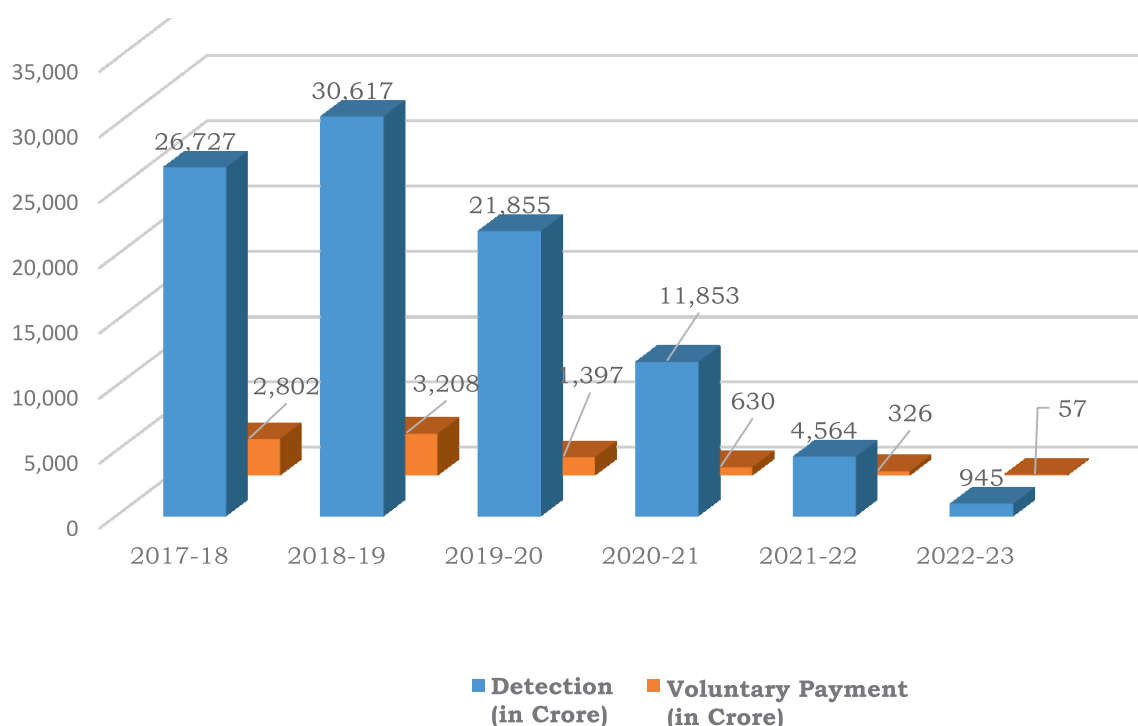


2. Anti-Evasion Performance

2.1 Performance of DGGI : Post introduction of GST

After introduction of GST regime (01.07.2017), general trend of downfall in fresh detections in legacy cases (Central Excise and Service Tax) has been noticed due to transition of enforcement from legacy cases to GST cases. The same is tabulated as under:

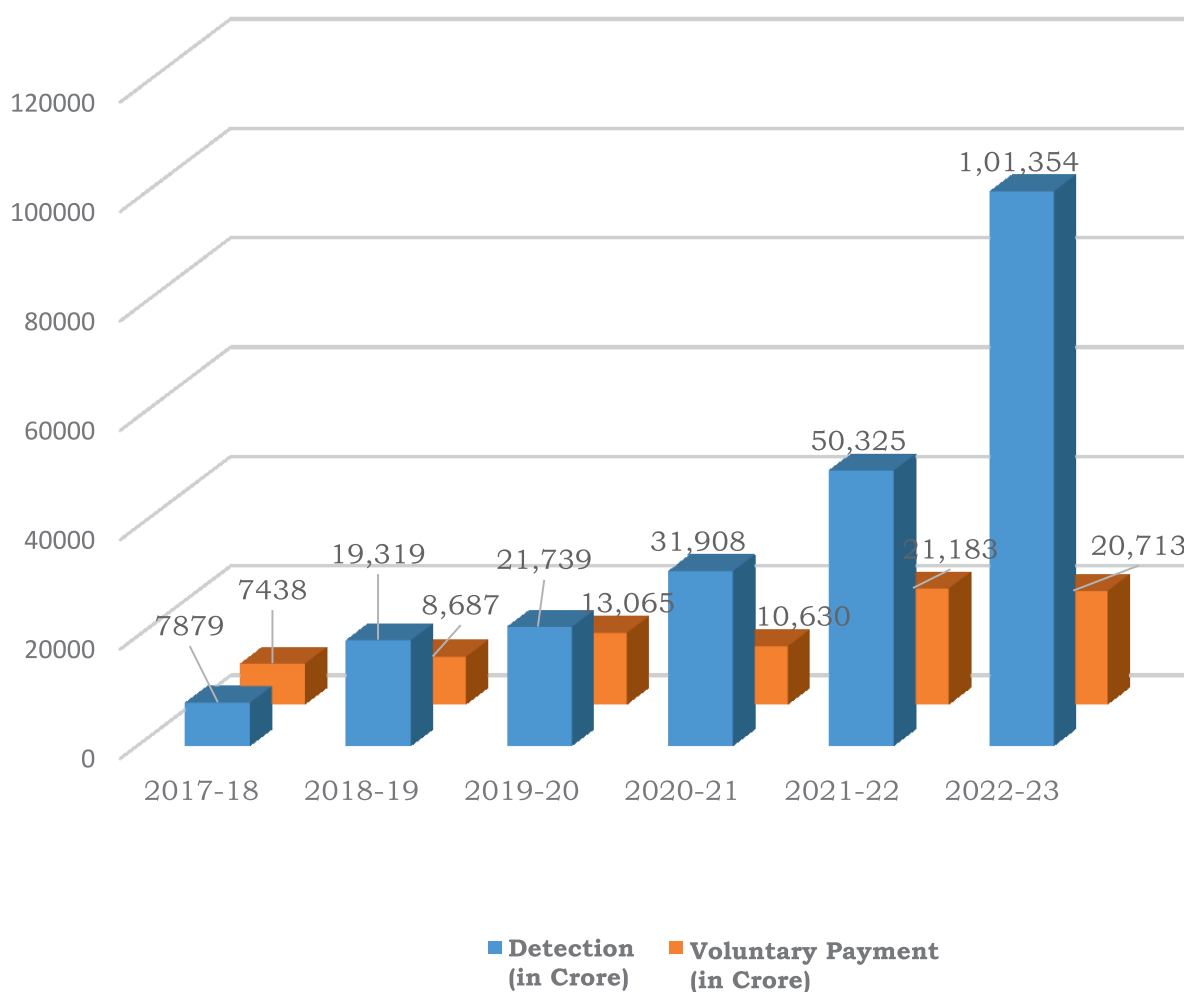
Financial Year	Central Excise				Service Tax			
	Detection		Voluntary Payment		Detection		Voluntary Payment	
	No. of Cases	Amt. in Crore	No. of Cases	Amt. in Crore	No. of Cases	Amt. in Crore	No. of Cases	Amt. in Crore
2017-18	283	5,349	226	247	2042	21,378	1254	2,555
2018-19	692	2,782	177	386	1677	27,835	1046	2,822
2019-20	483	8,366	131	231	1417	13,489	686	1,166
2020-21	122	2,860	95	91	1173	8,993	474	539
2021-22	42	811	24	127	630	3,753	236	199
2022-23	17	575	6	28	180	370	89	29
Total	1639	20,743	659	1,110	7119	75,818	3785	7,310





Further, it is pertinent to mention that after introduction of GST, there is an upward trend in detection in GST Cases.

Financial Year	Detection		Voluntary Payment	
	No. of Cases	Amt. in Crore	No. of Cases	Amt. in Crore
2017-18	136	7879	90	7,438
2018-19	1539	19,319	1352	8,687
2019-20	2466	21,739	1983	13,065
2020-21	3828	31,908	2683	10,630
2021-22	3835	50,325	3102	21,183
2022-23	4872	1,01,354	3683	20,713
Total	16676	2,32,524	12893	81716

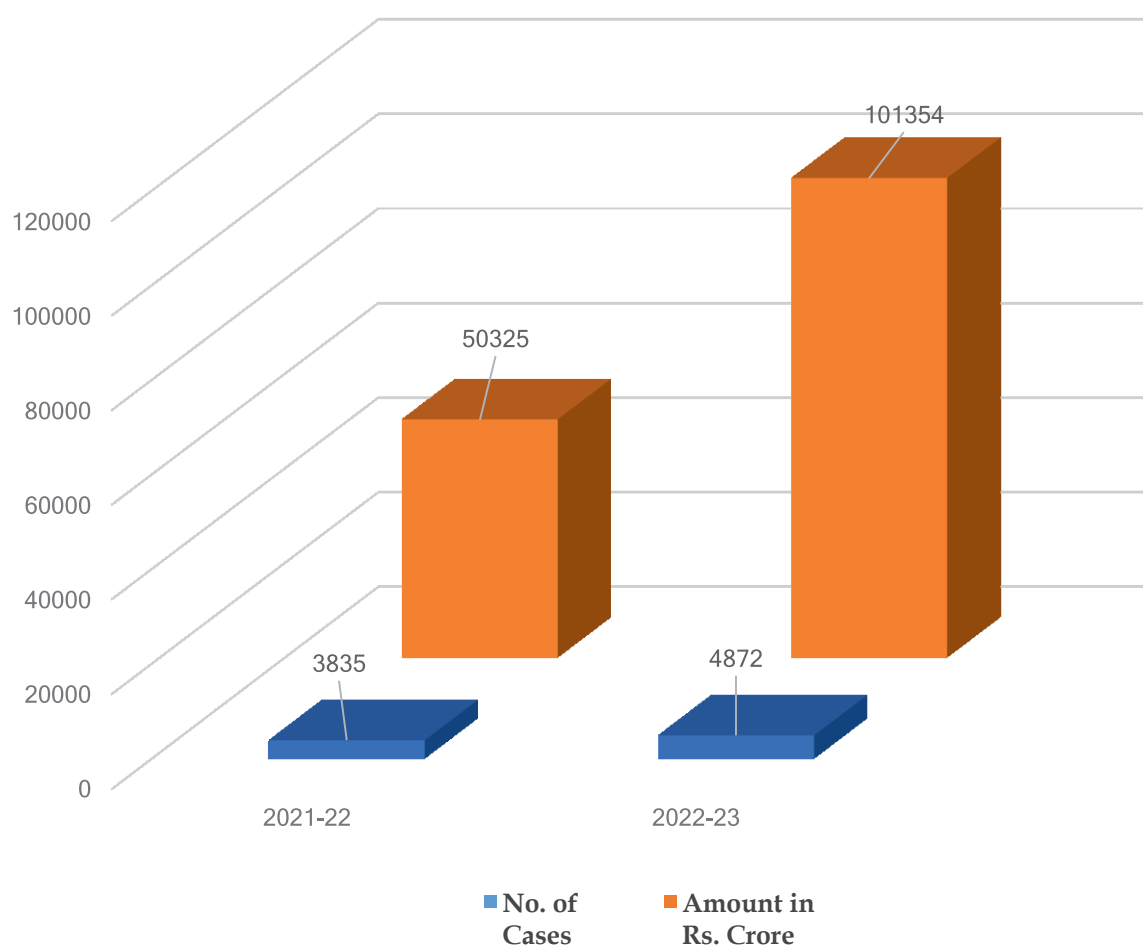




2.2 Comparative Performance in FY 2022-23 vis-à-vis FY 2021-22

A. GST Detections:

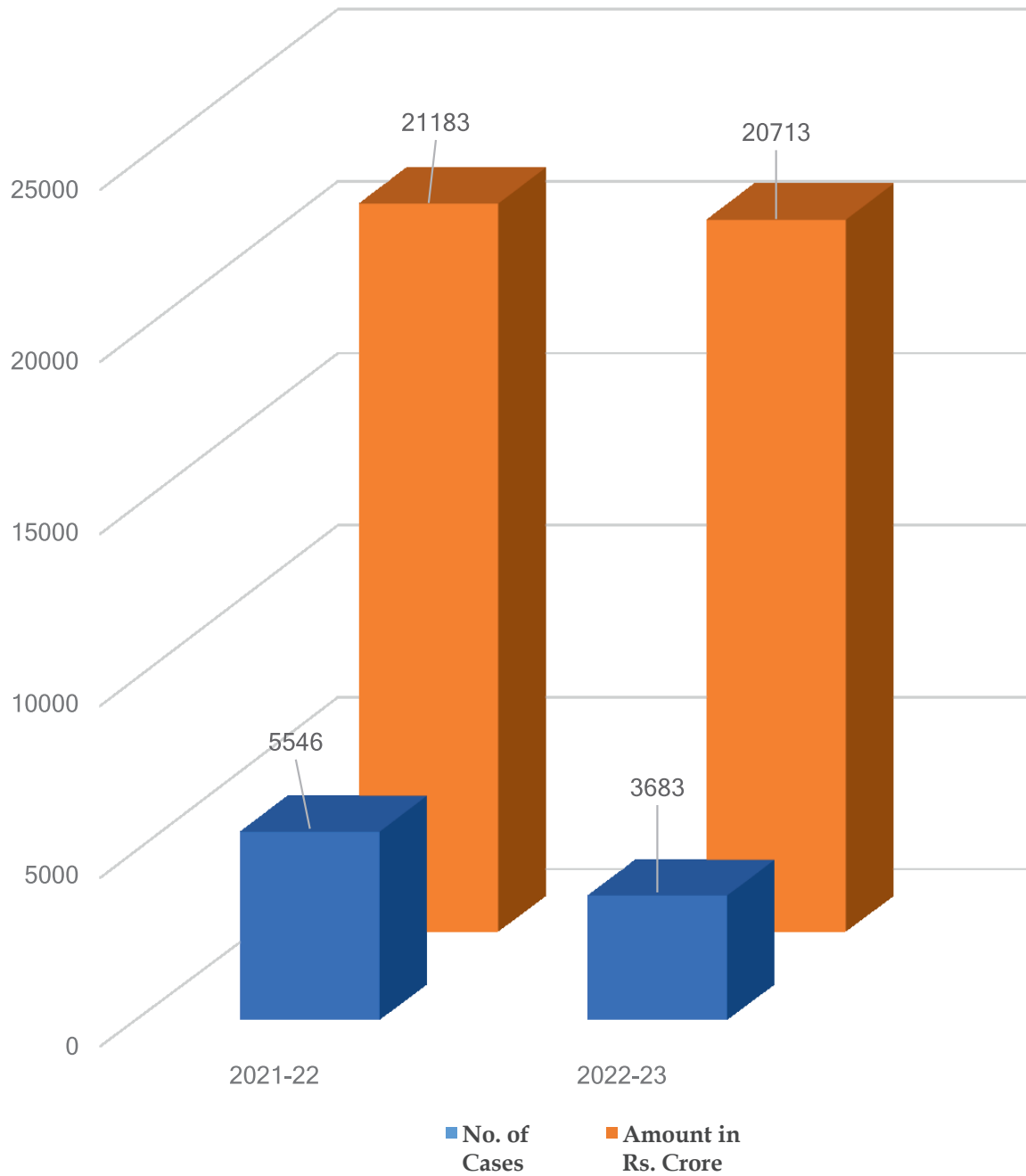
	No. of Cases		Amount (in Rs. Crore)	
	2021-22	2022-23	2021-22	2022-23
Detection in GST Cases	3,835	4,872	50,325	1,01,354





B. Voluntary Payment of GST:

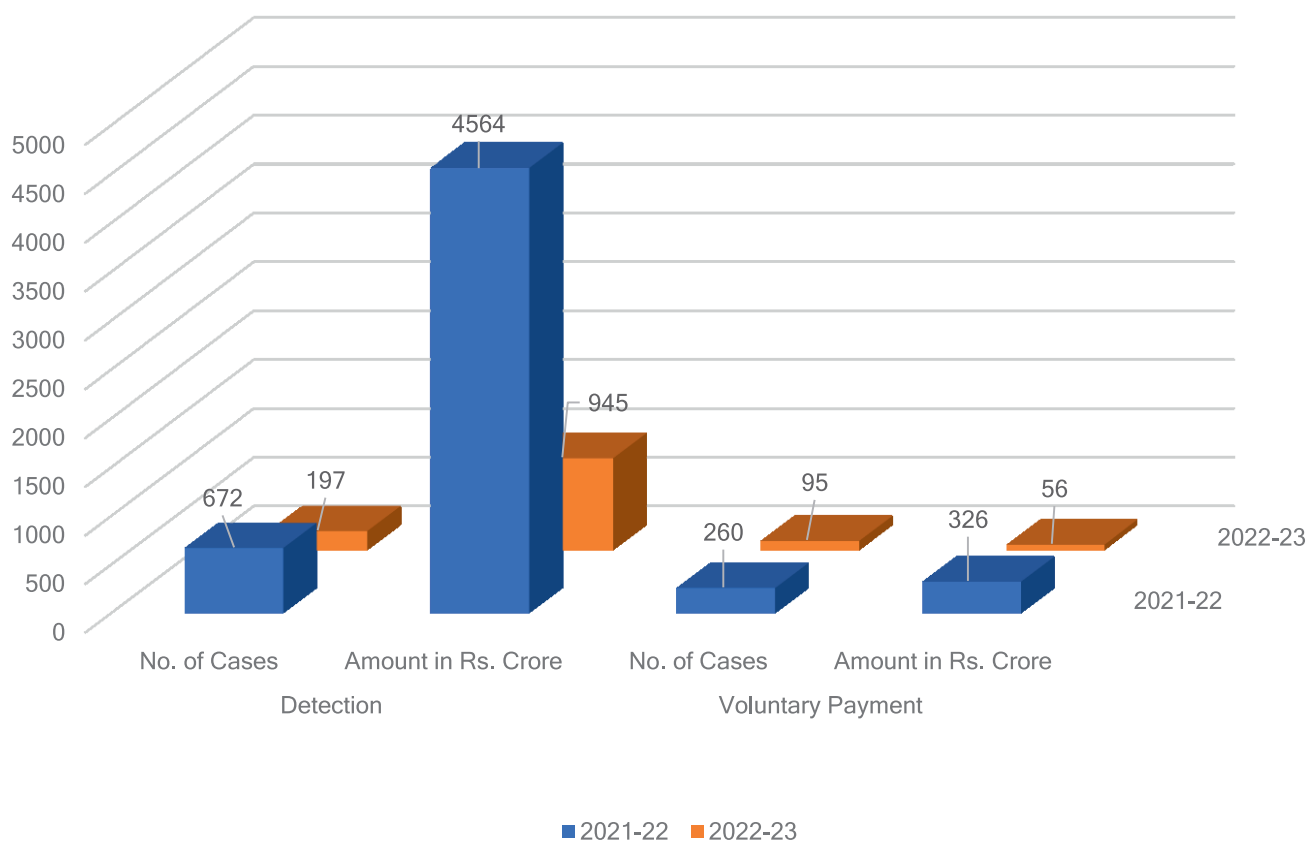
	No. of Cases		Amount (in Rs. Crore)	
	2021-22	2022-23	2021-22	2022-23
Voluntary Payment in GST Cases	5,546	3,683	21,183	20,713





C. Central Excise & Service Tax:

	Detection				Voluntary Payment			
	No. of Cases		Amount (in Rs. Crore)		No. of Cases		Amount (in Rs. Crore)	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
C. Excise	42	17	811	575	24	6	127	27
Service Tax	630	180	3,753	370	236	89	199	29
TOTAL	672	197	4,564	945	260	95	326	56





2.3 Zonal Units wise detection

GST (Detection)					
SNU	Zonal Unit	2021-22		2022-23	
		No. of cases	Amt. (in Rs. Crore)	No. of cases	Amt. (in Rs. Crore)
EAST	Bhubaneshwar	81	1,527	132	2,229
	Guwahati	79	303	246	911
	Kolkata	150	1,038	87	21,170
	Patna	55	648	124	791
	Raipur	192	1,121	108	1,708
	Siliguri	77	1,386	110	1,876
	Sub Total	634	6,023	807	28,685
NORTH	Chandigarh	162	2,219	197	1,810
	Delhi	58	1,670	83	2,762
	Gurugram	157	3,839	516	8,125
	Jaipur	92	2,679	251	5,449
	Lucknow	42	1,743	95	1,351
	Ludhiana	54	719	133	703
	Meerut	138	5,089	126	3,532
	Sub Total	703	17,958	1401	23,732
SOUTH	Belgavi	73	1,825	110	460
	Bengaluru	269	2,267	320	1,963
	Chennai	143	635	136	1,991
	Coimbatore	105	586	85	923
	Hyderabad	86	2,513	160	2,947
	Kochi	115	420	119	755
	Vishakhapatnam	240	624	142	946
	Sub Total	1031	8,870	1072	9,985
WEST	Ahmedabad	510	2,876	778	4,889
	Bhopal	116	2,820	119	2,902
	Mumbai	151	4,027	163	4,190
	Nagpur	334	2,287	146	605
	Pune	69	1,578	108	2,799
	Surat	255	3,010	271	2,806
	Sub Total	1435	16,598	1585	18,191
HQRS.		32	876	7	20,762
Grand Total		3,835	50,325	4,872	1,01,354



2.4 Zonal Units wise Voluntary Payments

GST (Voluntary Payment)					
SNU	Zonal Unit	2021-22		2022-23	
		No. of cases	Amt. (in Rs. Crore)	No. of cases	Amt. (in Rs. Crore)
EAST	Bhubaneshwar	52	449	84	773
	Guwahati	2519	209	300	512
	Kolkata	107	665	54	323
	Patna	160	180	81	153
	Raipur	147	610	68	785
	Siliguri	64	1,340	69	315
	Sub Total	3049	3,453	656	2,861
NORTH	Chandigarh	95	218	108	598
	Delhi	42	315	64	474
	Gurugram	135	612	457	3,015
	Jaipur	77	717	200	665
	Lucknow	34	715	82	485
	Ludhiana	59	108	92	261
	Meerut	107	784	137	962
	Sub Total	549	3,469	1140	6,460
SOUTH	Belgavi	69	1,464	72	188
	Bengaluru	206	1,598	317	1,117
	Chennai	224	438	175	778
	Coimbatore	196	245	237	324
	Hyderabad	52	1,237	124	665
	Kochi	55	114	53	205
	Vishakhapatnam	172	267	108	603
	Sub Total	974	5,363	1086	3,880
WEST	Ahmedabad	248	1,669	207	1,084
	Bhopal	67	958	51	344
	Mumbai	108	2,982	141	3,104
	Nagpur	334	663	146	453
	Pune	47	1,334	95	1,297
	Surat	150	952	155	1,144
	Sub Total	954	8,558	795	7,426
HQRS.		20	340	6	85
Grand Total		5546	21,183	3683	20,713

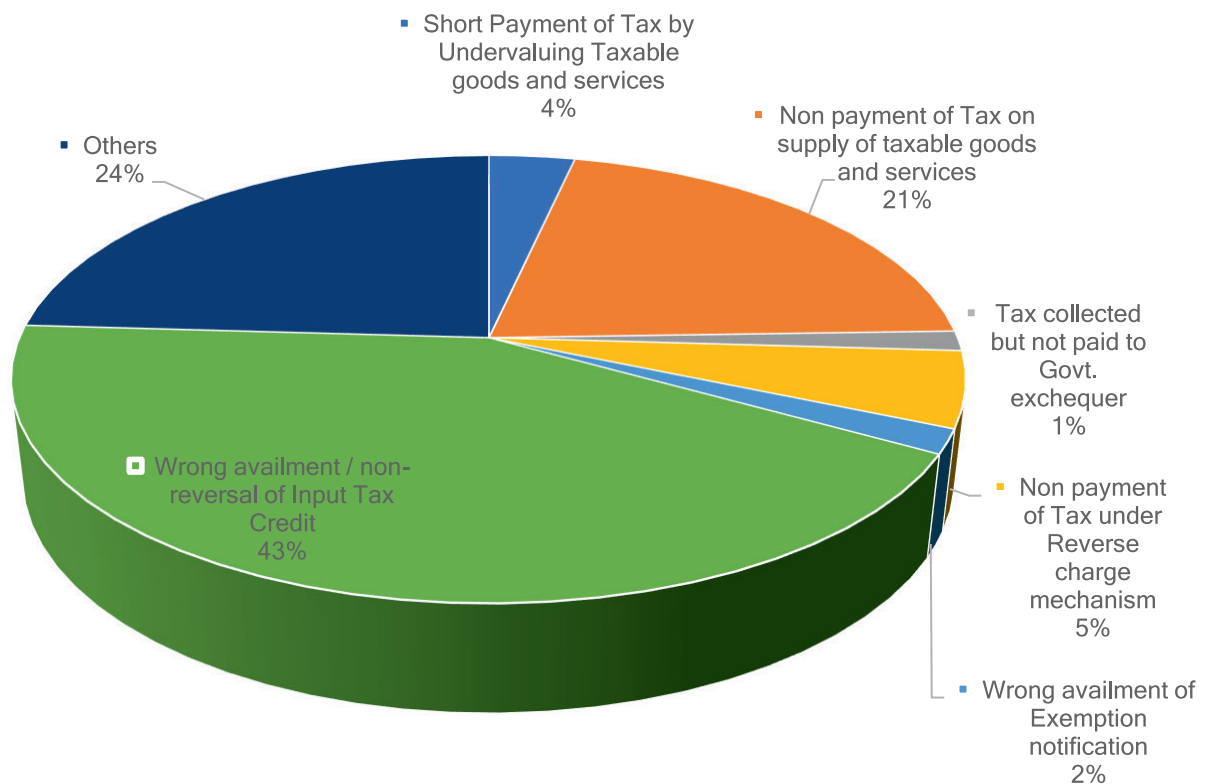


2.5 Typology of GST Cases

2022-23

Sr. No.	Modus Operandi	No. of Cases	GST Evaded (in Rs. Crore)
1	Short Payment of Tax by Undervaluing Taxable goods and services	169	22,266
2	Non payment of Tax on supply of taxable goods and services	1,025	19,165
3	Wrong availment / non-reversal of Input Tax Credit	2,084	18,842
4	Non payment of Tax under Reverse charge mechanism	266	2,537
5	Wrong availment of Exemption notification	85	1,173
6	Tax collected but not paid to Govt. exchequer	70	605
7	Others	1,173	36,766
	Total	4,872	1,01,354

Categories of GST Cases

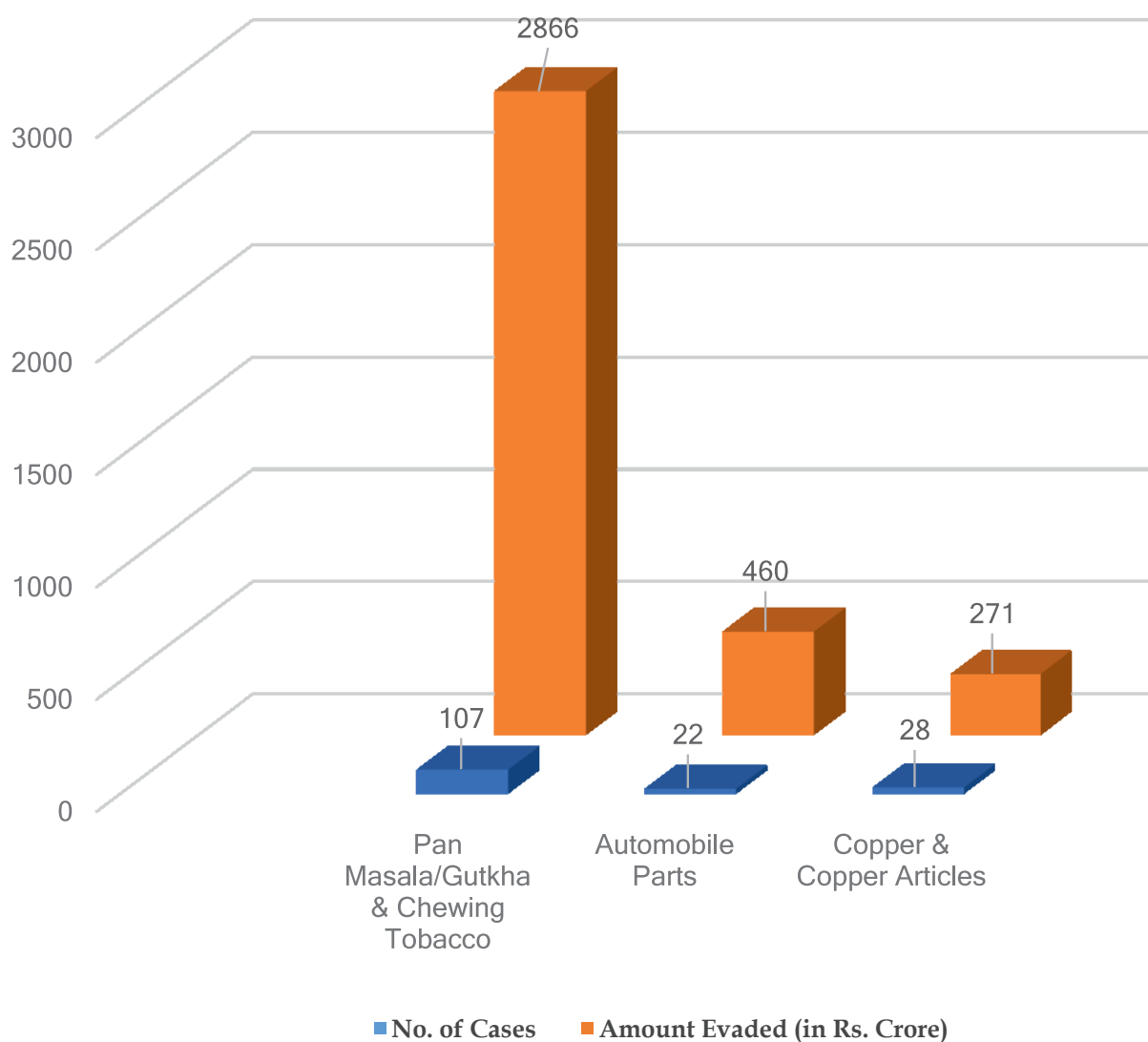




2.6 Evasion Prone Goods

2022-23

Sr. No.	Evasion Prone Goods	No. of Cases	Amount of Tax Evaded (in Rs Crore)
1	Iron & Steel Products	594	4,491
2	Pan Masala/Gutkha & Chewing Tobacco	107	2866
3	Automobile Parts	22	460
4	Copper & Copper Articles	28	271

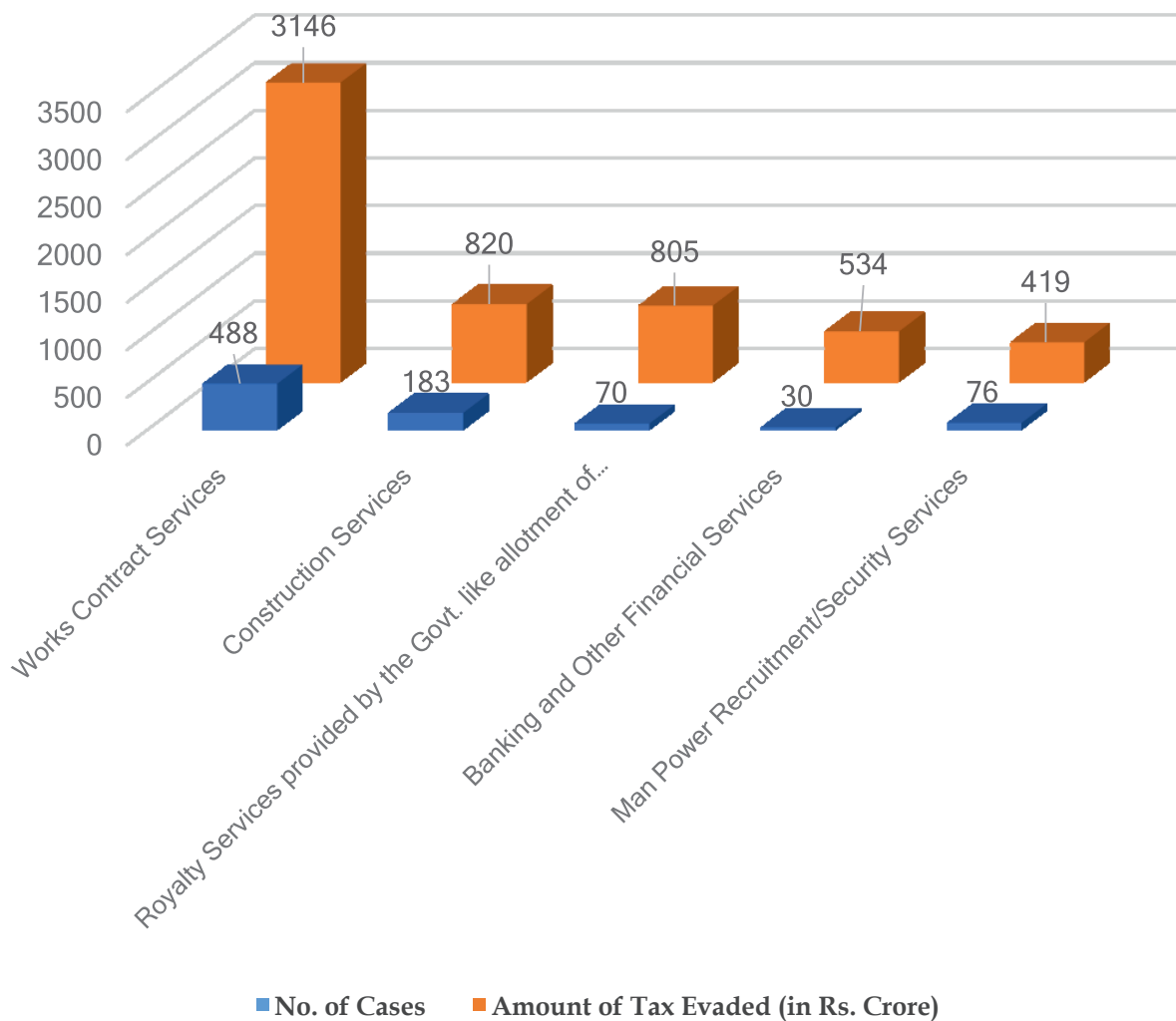




2.7 Evasion Prone Services

2022-23

Sr. No.	Evasion Prone Services	No. of Cases	Amount of Tax Evaded (in Rs Crore)
1	Works Contract Services	488	3,146
2	Construction Services	183	820
3	Royalty Services provided by the Govt. like allotment of mines/spectrum etc. under reverse charge mechanism	70	805
4	Banking and Other Financial Services	30	534
5	Man Power Recruitment/Security Services	76	419

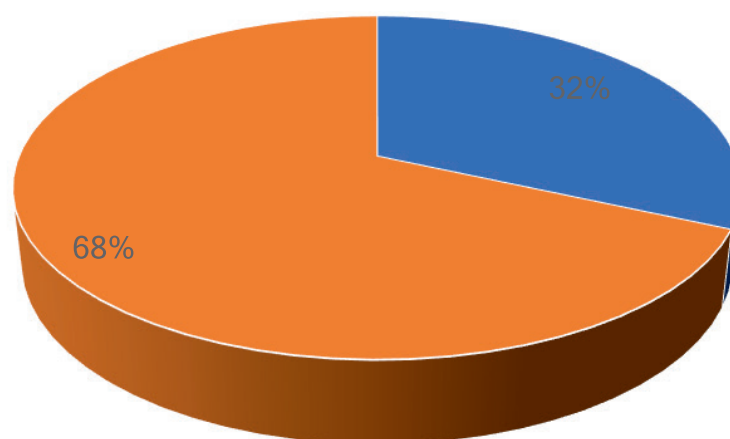




2.8 DGGI Vs CGST Zones

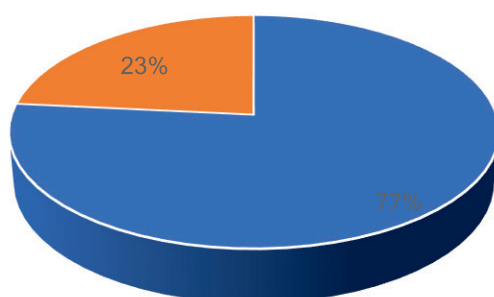
GST Anti Evasion Performance During 2022-23			
Formation	Detections		Voluntary Payment
	No. of Cases	Amount (in Rs. Cr.)	Amount (in Rs. Cr.)
DGGI	4,872	1,01,354	20,713
CGST Zones	10,500	31,053	12,509
TOTAL	15,372	1,32,407	33,222

No. of Cases



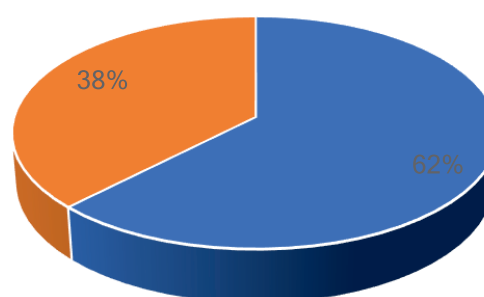
■ DGGI ■ CGST Zones

Detection



■ DGGI ■ CGST Zones

Voluntary Payment



■ DGGI ■ CGST Zones



3. Analysis of Tax Evasion Trends

Analysis of the intelligence and performance reports indicate that iron & steel products, pan masala / gutkha and chewing tobacco and auto mobile parts are the major evasion-prone commodities under GST. Further, the major evasion prone Services include manpower recruitment / security services, works contract services / construction services, and royalty services provided by the Government like allotment of mines / spectrum etc.

3.1 Short Payment of Tax by Undervaluing Taxable goods and services:

In such cases, the taxpayer suppresses the tax liability by discharging the liability at lower taxable value, in contravention to the statutory provisions of valuation, and rules made thereunder. One such major case detected during FY 2022-23 is as under:

S r . No.	Modus Operandi (in brief)	Goods/ Services	Amount of duty evasion (in Rs. Crore)
1	In a case against a firm engaged in providing online gaming platform, investigations revealed that the taxpayer was paying GST on the commission value only, whereas it should have been paid considering supply of actionable claims which attracts GST @28% on 100% of the face value of the bet. The taxpayer thereby suppressed the taxable value and short paid GST.	providing online gaming platform	6845.94



3.2 Supply of taxable goods and services without Payment of Tax:

Some of the major cases detected by DGGI during 2022-23 are as under:

S r . No.	Modus Operandi (in brief)	Goods/ Services	Amount of duty evasion (in Rs. Crore)
1	Investigations revealed that the taxpayer had made brand transfer sale to another firm in respect of various dermatology brands for Rs. 340.48 Crore without payment of tax. On being pointed out, the taxpayer accepted the tax liability and voluntarily paid the entire GST liability of Rs. 61.28 Crore.	brand transfer sale	61.28
2	The taxpayer had received advance payment of Rs. 2243.27 Crore (inclusive of tax) from a company against supply of brand licensing but tax liability on the same was not discharged by them. On being pointed out, the taxpayer voluntarily paid entire tax amount.	Brand Licensing Service	342.19
3	A firm (X) assigned leasehold rights of their land to the said other firm (Y) and received consideration in lieu of assigning leasehold rights. They (X) declared it as a non-GST transaction in their GSTR-1 returns. However, the supply of service by way of long term lease of land by any person against a consideration is taxable supply on which GST is payable @18%. During investigation, the taxpayer voluntarily paid the entire GST liability of Rs. 72.73 Crore.	Service of Long terms lease of land (In lieu of assigning leasehold rights)	72.73
4	A Non-Banking Financial Company rendering personal loans to salaried and self-employed individuals through a fellow fintech company. From the GST returns revealed that other than interest and fees & commission, it had generated revenue from 'deficiency service fees' on which no GST was paid. Total non-payment of GST by the firm on deficiency service fees works out to be Rs.64.12 Crore and the taxpayer voluntarily paid an amount of Rs. 5 Crores.	Deficiency Service Fees	64.12



3.3 Wrong Availment / Fraudulent Availment/ non-reversal of Input Tax Credit:

Analysis of intelligence inputs collected by the DGGI indicate that Wrong availment / non-reversal of Input Tax Credit is among the most used modus operandi. Some of the major cases detected during 2022-23 are as under:

Sr. No.	Modus Operandi (in brief)	Goods/ Service	Amount of duty evasion (in Rs. Crore)
1	A firm which were paying excess commission over and above the legitimate commission to their Insurance Agents/ Broker/ Intermediaries as permissible under IRDA (Payment of commission or Remuneration or Reward to Insurance Agent and to insurance Intermediaries) Regulations, 2016. They were transferring excess commission amount to nominees' accounts against the invoices raised by them in the name of advertisement or event management service, without receipt of any service. Thus, the taxpayer evaded GST of Rs. 700 Crore approx. by avoiding payment under the Reverse Charge Mechanism on the excess amount of commission transferred to the nominees.	commission to their Insurance Agents/ Broker/ Intermediaries	700
2	Some firms were involved in passing on fraudulent ITC on fake invoices without supply of any goods or services. Investigations revealed that all of these firms were non-existent and were floated merely on paper for the sole purpose of issuance of bogus invoices of iron scrap.	Fake invoices of Metal scrap	563.25
3	Investigations revealed that an NBFC, in the course of micro finance lending business, was also selling credit linked insurance policy cover of an insurance firm to the borrowers, so as to secure the loans disbursed to the borrowers, in case of death of the borrower. As per IRDA regulations, only nominal commission up to 5% is permitted to corporate agents who are selling insurance products, whereas the cost incurred for selling the policies at branches of the NBFC involved cost such as rent, IT software, staff training cost, salary of employee, other ancillary cost, which were over and above the commission allowed as per IRDA Regulations.	Insurance services	407



Sr. No.	Modus Operandi (in brief)	Goods/ Service	Amount of duty evasion (in Rs. Crore)
	<p>Therefore, the said firm introduced an intermediary company in order to camouflage the transfer of the commission amount which was over and above the commission permitted under IRDA guidelines, under the pretext of expenses of advertising activities like brand activation/ web marketing etc. They made payments to the intermediary company for further transfer of money to NBFC, and availed ITC against the same.</p> <p>As no service was received by the insurance firm in this transaction, the availed ITC by the taxpayer was not admissible. On being pointed out, the taxpayer paid Rs. 100 Crore against its liability.</p>		
4	A Life Insurance Company, engaged in supply of insurance services, had availed input tax credit amounting to Rs. 350 Crore on the basis of invoices issued for services of advertising, marketing, brand activation etc., whereas no such service had actually been received by the taxpayer. The Company have voluntarily deposited an amount of Rs. 120 Crore.	invoices issued for services of advertising, marketing, brand activation etc.,	120
5	An insurance company engaged in providing insurance cover to motor vehicles for own damage as well as third party damage. While settling motor insurance claim, they were receiving certain invoices where a portion of claim was paid by the client for the reason that the work done was outside the scope of policy. However, the company was availing ITC on entire invoice value including the value on which tax was paid by the client and had thus availed inadmissible ITC amounting to Rs. 100 Crore. The taxpayer voluntarily paid Rs. 25.96 Crore	Insurance cover to motor vehicles for damage	100
6	A company engaged in trading of cotton was not properly paying their GST liability on the carrying charges & late lifting charges (recovered from their customers) and penalties imposed by them upon various job workers and also was not reversing ITC correctly on account of cotton loss due to fire/rain/theft/misappropriation etc. On being pointed out, the taxpayer voluntarily paid Rs. 343.56 Crore.	Trading of cotton	343.56



3.4 Non Payment of Tax under Reverse Charge Mechanism (RCM):

Services provided by many Service providers are subject to payment of GST under reverse charge mechanism (RCM). Some of the major cases detected under this category are as under:

S r . No.	Modus Operandi (in brief)	Goods/Services	Amount of duty evasion (in Rs. Crore)
1	A firm engaged in manufacturing and distribution of Mobile phones, have technology / brand license agreements for which they are liable to pay Royalty fees to various foreign entities. But it was not paying GST under RCM. The firm voluntarily deposited an amount of Rs. 45 Crore against their GST liability of Rs. 389 Crore on this issue.	Royalty fee	389
2	A firm engaged in the business of manufacturing and supplying automobiles, have entered into an agreement with a foreign entity which has agreed to provide some of its well qualified and experienced employees/ personnel to work for, facilitate and oversee the various operations of the firm on secondment basis. These services received by the firm from a foreign entity under the secondment agreement are covered under import of manpower supply service on which they were liable to pay IGST under reverse charge mechanism which was not being paid by them. On being pointed out, the firm agreed and voluntarily paid its IGST liability of Rs. 127.76 Crore.	Import of Manpower Supply Services (Secondment)	127.76
3	A firm engaged in manufacture and supply of iron ore pellets and other iron & steel products, paid an amount of Rs. 194.35 Crore to Government of Karnataka against 'licensing services for the right to use minerals including its exploration and evaluation'. It did not discharge the GST liability under reverse charge mechanism. On being pointed out, the taxpayer paid its entire tax liability of Rs. 34.98 Crore.	License fee services for the right to use minerals	34.98



3.5 Tax collected but not paid to Govt. Exchequer:

Sr. No.	Modus Operandi (in brief)	Goods/ Services	Amount of duty evasion(in Rs. Crore)
1	A Company which was engaged in work contract services, had not deposited GST to the Government exchequer despite charging and collecting the GST from its recipients to whom the supplies were made. The GST liability of the taxpayer was approximately Rs. 77 Crore. The non-payment of GST was admitted by the taxpayer during investigation and on persuasion, the taxpayer has so far paid Rs. 64.1 Crore.	Work Contract Services	77
2	A firm engaged in manufacturing and supplying cement, were not paying GST to the Government exchequer whereas GST was collected from their customers and ITC passed on to them. The said firm accepted their liability of Rs. 158.62 Crore for the months of January-2021 and February-2021 on Outward Supply & Inward supply liable to Reverse Charge Mechanism. Total voluntarily payment in the subject case till date is 158.62 Crore.	Cement	158.62
3	<p>A firm was engaged in supply of electronics goods through Amazon. The TCS was collected by an Electronic Commerce Operator against taxable supplies made by the taxpayer but remaining amount of GST liable to be paid by the firm, was not paid by the firm to the Government. During investigation, the firm paid its outstanding GST liability amounting to Rs. 68.08 Crore.</p> <p>Similar case against a different firm which was engaged in providing e-commerce platform for sale and purchase of various commodities, was booked. Out of the estimated GST liability of Rs. 380.69 Crore, the taxpayer voluntarily paid GST amounting to Rs. 21.35 Crore.</p>	Electronic Goods	448.77 in both cases (68.08 + 380.69)



3.6 Other: (Clandestine Removal, Misclassification)

Sr. No.	Modus Operandi (in brief)	Goods/ Services	Amount of duty evasion (in Rs. Crore)
1	A firm engaged in manufacturing and supplies of chewing tobacco, was clandestinely procuring unmanufactured raw tobacco on the strength of invoices issued by the suppliers in name of fake / non-existent firms located in Gujarat and Delhi. During investigation, data regarding movement of raw tobacco from Gujarat to Delhi NCR was collected from various sources viz. GPS service providers, NHAI Toll data and E Way Bill data downloaded with RFID. The data so collected substantiated the clandestine procurement of unmanufactured raw tobacco by the taxpayer. The said clandestine procurement of raw-tobacco was used for manufacturing chewing tobacco which was further supplied clandestinely without payment of tax.	supplies of chewing tobacco	729
2	A firm was engaged in supply of TMT bars, without issuing invoices and without paying GST. Acting on the intelligence, search was conducted at undisclosed premises of the said firm and it was found that the premises was being used for maintaining records/ documents pertaining to clandestine supply of TMT bars and receipt of payment in cash. Scrutiny of data revealed that the taxpayer had made clandestine supply of Rs. 834.13 Crore involving tax of Rs. 150.14 Crore .	supply of TMT bars	150
3	A company engaged in manufacturing and supply of fruit juice based drink and carbonated beverages with fruit juice. The taxpayer was misclassifying carbonated based beverage with fruit juice under HSN 22029920 and discharging GST @12%. However, the same should be classifiable under new entry inserted at Sr. No. 12B of Schedule IV HSN 2202 and liable to pay GST @28% alongwith Cess @12% w.e.f from 01.10.2021. Total GST evasion in this case was Rs. 433.98 Crore .	Supply of fruit juice based drink	433.98

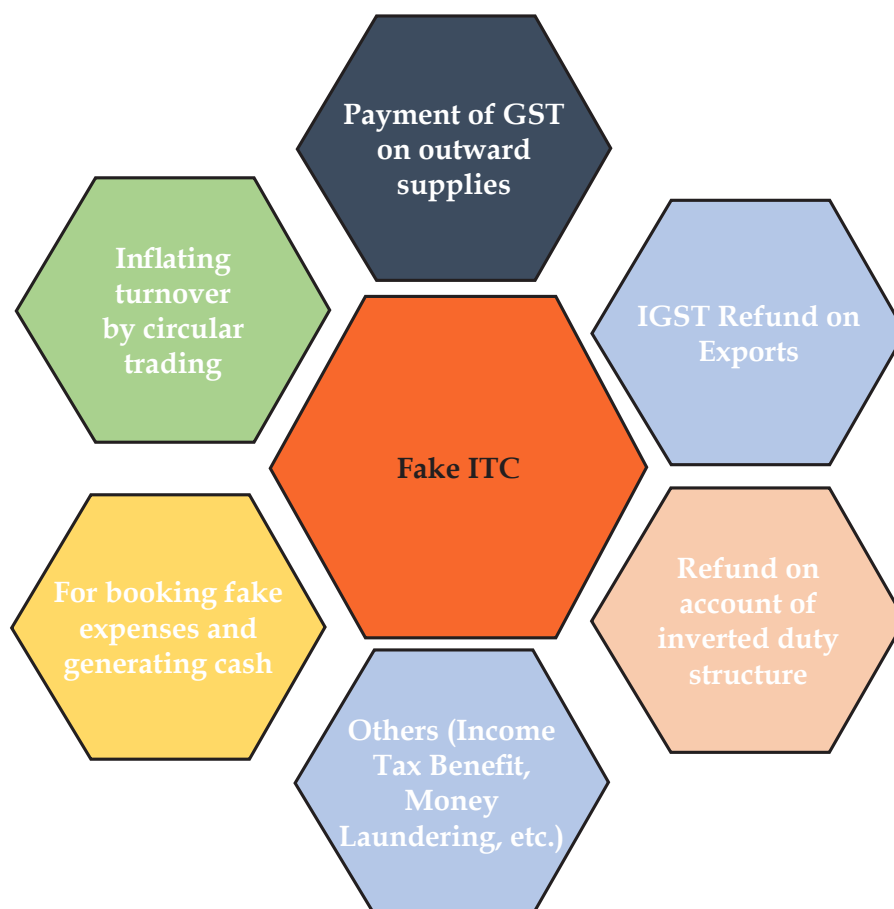


4. Fake Invoicing & Fake ITC

Fake ITC

Though, Fake Invoice is not defined under GST Act, 2017. But in general, Fake Invoice refers to Invoice raised without actual supply of goods and/or services. In some cases, Invoice issued to X, but goods and services supplied to Y who requires Input Tax Credit for his output supplies. In a typical fake invoicing racket, dummy entities are created mostly by misusing the identities, such as, Aadhar, PAN etc. of gullible or willing persons who are offered small pecuniary benefits. These dummy entities are operated by the controllers/ masterminds, and are used to raise invoices of goods/ services without any concomitant supplies so as to pass on fraudulent ITC to end-users/ beneficiaries, mostly through layers of non-existent firms. Extensive and intricate layering is done across many GST formations to avoid detection by tax authorities.

Motives behind Fake ITC





Modus Operandi Adopted

- (i) Huge amount of ITC is passed on even when no ITC balance is available, i.e. there is no inward supply of any goods/services.
- (ii) Another new modus operandi is that Existing seeding firms are passing of their excess ITC accumulated fraudulently by clandestine supply of their goods/ services like B2C sales where retail customers don't insist on invoices.
- (iii) Fake entities in name of gullible persons are registered, controlled and operated by the masterminds.
- (iv) Extensive and intricate layering is done across many GST formations with the intent to avoid detection by tax authorities. Thereby, making it difficult to track the mastermind.

DGGI has made all out efforts to curb the menace of Fake Invoicing and as a part of Special Drive to curb the menace of ITC on fake invoices, DGGI has been coordinating with the CGST Zones and has booked cases against the offenders.

2022-23

	No. of Cases	Amount Detected (Rs. Cr.)	Voluntary Payment (Rs. Cr.)	No. of Persons Arrested
DGGI	1940	13,175	1,597	68
CGST Zones	6,303	10,965	887	85
TOTAL	7231	24,140	2,484	153

Sample Cases

Total Unawareness of Misuse of KYCs

Proprietor of the fake firm was found to run an "Atta-Chakki" completely unaware of misuse of his IDs. Further, A number of firms were created by one person and sold to some other mastermind for issuance of fake invoices. **Total Detection in the subject Case was Rs. 370 Crore.**





Greed

One firm was getting monthly commission in lieu of giving their IDs to the mastermind. The mastermind created fake firms in the name of his wife, son, and employees. **Total Detection in the instant case was Rs.1,435 crore.**



Connivance of Bank Employee

One of the bank employees used to provide KYC documents to the mastermind for the creation of fake firms. **Total Detection in the instant case was Rs.90 crore.**



Misuse of Data Sharing Platform

The Masterminds procured huge data from one Data Sharing Platform which contained large number of PANs of individuals. Based on these PANs and other digitally forged documents e.g. Rent Agreements, Electricity Bills etc. bogus firms were registered. **Total Detection in the subject case was Rs.3,000 Crore.**





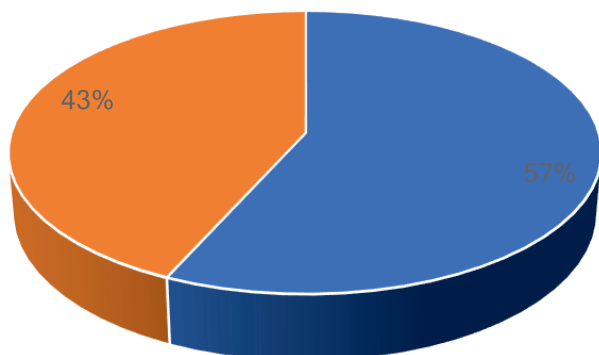
5. Key Performance Areas

5.1 Completion of Pending Investigation of GST Cases:

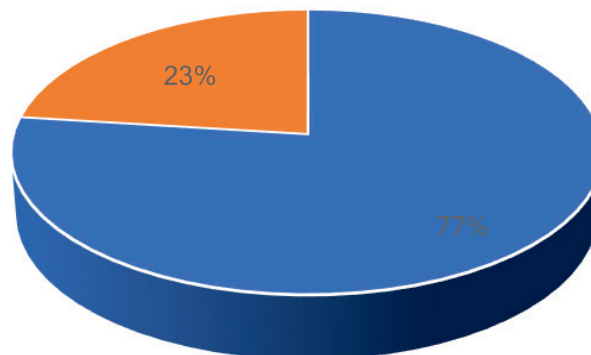
2022-23

Total No. of Cases closed		Cases closed by issuance of Show Cause Notice		Cases closed on basis of Voluntary deposit without issuance of Show Cause Notice	
No.	Amt. involved (in Rs. Cr.)	No.	Amt. involved (in Rs. Cr.)	No.	Amt. involved (in Rs. Cr.)
7,584	1,08,856	4,304	83,782	3,280	25,074

No. of Cases



Amount involved



Cases closed by issuance of Show Cause Notice (SCN)



Cases closed without issuance of SCN on basis of Voluntary deposit

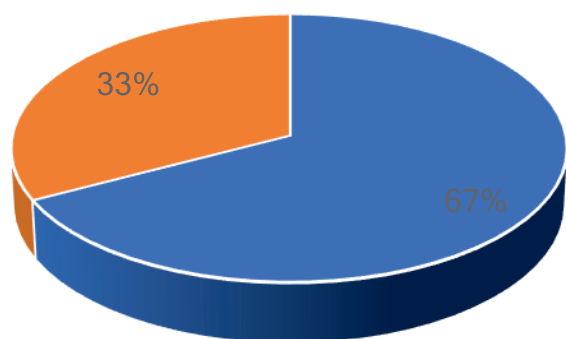


5.2 Completion of Pending Investigation of Legacy Cases (Central Excise + Service Tax):

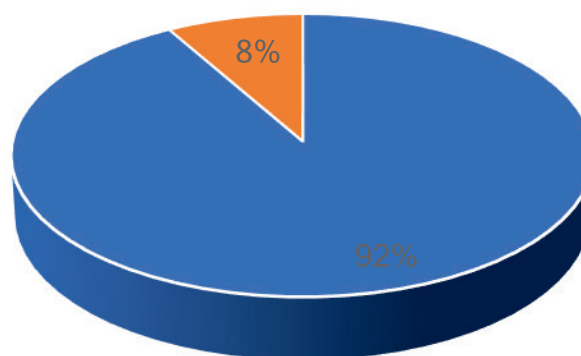
2022-23



Total No. of Cases closed		Cases closed by issuance of Show Cause Notice		Cases closed on basis of Voluntary deposit without issuance of Show Cause Notice	
No.	Amt. involved (in Rs. Cr.)	No.	Amt. involved (in Rs. Cr.)	No.	Amt. involved (in Rs. Cr.)
272	1,382	183	1,267	89	115

No. of Cases



Amount involved



-  Cases closed by issuance of Show Cause Notice
-  Cases closed without issuance of SCN on basis of Voluntary deposit



5.3 Arrest & Prosecution

Besides issuance of SCN for demand of duty, interest and penalty and making recoveries by way of Voluntary Payments, Arrest of key operators, masterminds and beneficiaries is also made by DGGI in some cases depending upon the scale and gravity of the case and prosecution is launched in certain cases so as to send a message to the fraudulent / unscrupulous persons to refrain from doing such illegal activities. In this direction, 92 persons were arrested during FY 2022-23. Prosecution was sanctioned in 154 cases.



5.4 Rewards

Reward to informers is given based on the specificity and accuracy of the information, the risk and trouble undertaken, the extent and nature of the help rendered by the informer. The Informers are also eligible for reward who give information relating to assets, immovable properties of persons from whom arrears of duty, tax, fine, penalty are recoverable and the information results in the recovery of arrears.

The officers are also eligible for reward depending upon their contribution and recoveries made in the cases booked by them. The reward to informers as well as officers is granted in terms of the guidelines for Rewards issued by CBIC vide Circular No. 20/2015 dated 31.07.2015, as amended by Circular No. 29/2016 dated 23.06.2016 and further amended by Circular No. 36/2018-Customs dated 05.10.2018.

During FY 2022-23, Reward of **Rs. 25.44 Crores** was disbursed to the Informers and **Rs. 34.53 Crores** has been disbursed to the Departmental Officers, thus, the total reward disbursed was Rs. 59.97 Crore.



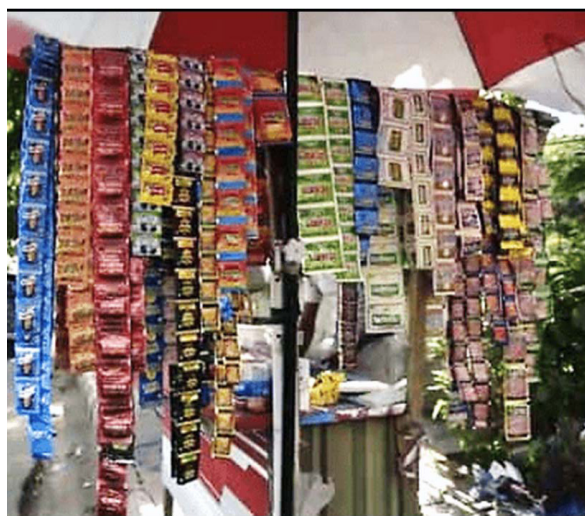
6. A Closer Look

6.1 Tobacco, Pan Masala & Cigarettes :

India faces a formidable challenge to the country's health care system due to the health hazards on account of Pan Masala, Cigarette and Tobacco products. Among the economic measures outlined in the World Health Organization Framework Convention on Tobacco Control (WHO FCTC), tobacco taxation is considered as the most cost-effective intervention to reduce tobacco consumption. Therefore, through a higher rate of tax on these products @Sin Tax, the intent is to discourage the consumption of these products and reduce the overall health burden on the population.

- a) Tobacco products attract GST @ 28% and a compensation cess @ 60% to 290% on ad-valorem basis along with specific rate on certain products like Cigarettes up to Rs. 4,170/- per thousand. In addition, tobacco products also attract Central Excise Duty and National Calamity and Contingency Duty
- b) Due to high rate of taxation and B2C sales through unorganised Retailers, Manufacturers indulge in clandestine production and clearance..

The manufacturers of Pan Masala, Tobacco Products and Cigarettes mostly indulge in un-accounted purchase of raw material & packing material and resort to clandestine removal of finished goods without payment of tax. In the manufacturing of final product of pan masala and tobacco products, the main raw material is betelnut, raw tobacco, katachu, perfume, menthol, packing materials, etc., out of which most of the raw materials used in the manufacture of final product are natural products and easily available in market without proper accounting on account of informal trade. Major part of the total cost of manufacturing is made up of the cost of raw materials, which is the largest cost component.



Modus Operandi Adopted:

- (i) Only some percentage of actual purchase, production and sale is entered in the statutory records of manufacturers, on which they pay taxes. **Majority of their production & supplies are unaccounted.**
- (ii) A well-planned system of unaccounted purchases to production to transportation and sale is run through C&F Agents & dealers. **Kuccha records** are maintained for unaccounted



supplies at the manufacturer's end for a very short span of time and hence it is difficult to book cases against such manufacturers.

- (iii) In some cases, to camouflage the clandestine supplies, they issue bogus invoices and e-way bills showing faraway destination, wherein the travel time is multiple days to deliver the goods. Thereafter, on such tax invoices and e-way bills, multiple trips are made for delivery of finished goods in the nearby areas.
- (iv) Recently, DGGI has booked several cases against prominent brands on the basis of records recovered from the premises of transporters, packaging material suppliers and also from their C&F Agent's premises.



Total No of Cases Detected	: 97
Amount Detected	: Rs. 2491 Crores
Voluntary Payment	: Rs. 296 Crores

6.2 Iron & Steel

The iron and steel sector in India has historically been considered evasion-prone when it comes to taxation. This is due to various factors, including the complex nature of the industry, the prevalence of cash transactions, and the potential for manipulation in the supply chain.

Steel may be manufactured from iron ore or scrap using two different processes: the blast furnace/basic oxygen furnace route, and the electric arc furnace route. In simple terms, the



process of primary steel making is through the Blast Furnace -Basic Oxygen Furnace route (BF-BOF). In this process, iron is produced from **iron ore** and secondary steel manufacturing makes use of the Electric Arc furnace (EAF) to produce steel from the **recycled scrap**. The process of manufacturing starts with melting of the scrap in the induction furnace and then transferring the molten metal to continuous casting machine which moulds the metal in the form of ingots. These ingots are reheated and rerolled to different shapes to form various intermediate products viz., billets, bloom, slab and final products viz, bars, rods, plates, sheets, wires, structural shapes and rails.


Modus Operandi Adopted:

- (i) **Trading of Scrap:** Scrap is a primary raw material in the steel industry. The scrap market across India is largely unorganized involving an assortment of small informal groups of scrap dealers trading in metal scrap & supplying metal scrap to steel manufacturers. In this first leg of transaction, scrap dealers/brokers procure scrap from open market and sell to other scrap dealers/Steel manufacturers. To escape payment of tax @18% on supply of scrap, fictitious firms are floated in the name of dummy persons. GST invoices and other related documents are fabricated for passing of fraudulent Input Tax Credit (ITC) which is utilized for payment of tax. Such paper transactions without supply of goods are used for passing of fraudulent ITC which leads to loss of tax revenue.
- (ii) **Clandestine Clearance:** Some of the iron and steel products viz. TMT bars & rods, MS Bars, MS wires, MS plates and MS angles used in construction sector are prone to GST evasion. The raw material - ferrous scrap is obtained from scrap dealers in cash and without invoices. The final products manufactured from such scrap is also supplied in cash without invoices to their dealers/ end customers. Details of weightment, transportation, actual production, stock, sales, electricity consumption and such other details are required to establish the offence.

DGGI Hyderabad Unearhthed Fake ITC Aailed By Infra Company

OP STRETCHING ACROSS 4 STATES

- Smartgen Infra, had issued invoices worth ₹140 crore without supply of goods and services, leading to wrongful availment and utilisation of input tax credit to the tune of ₹20 crore
- Searches were carried out by GST Intel based on inputs, and as a part of an operation stretching across four states on September 21



As regards large manufacturers, a change in trend is noticed wherein the fake invoices which were earlier issued by non-existent firms are now being issued by existing suppliers for a percentage commission, thereby making it more difficult to differentiate actual supply of goods with invoices and supply of only invoices without goods.

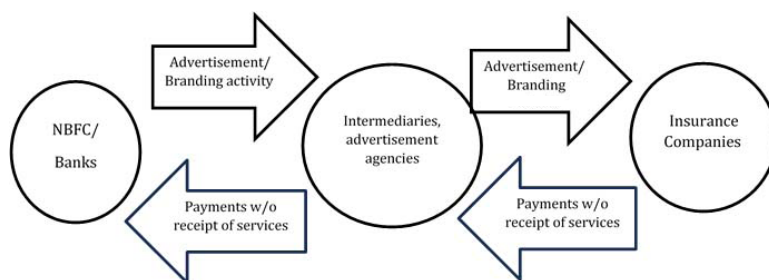


- (iii) **Mis-Classification of “Slag generated during manufacture of Iron products:** Coal (HSN 2701) attracts GST @ 5% & C. Cess @ Rs. 400/- per MT. A substantial quantity of Slag/by-product is generated during manufacture of DRI (Sponge Iron) which is commonly known as Dolochar which contains Carbon & Fe (Iron) and is classifiable under HSN 2706 as “Slag generated in the manufacture of Iron & Steel” which attracts GST@18%. But such slag (Dolchar) is wrongly classified under HSN 2701 as “Coal” and lower rate of GST @5% is paid which results into huge loss to the Govt. exchequer.
- (iv) **Availment/refund of Compensation Cess:** Coal is used as raw material in the manufacturing process of Iron & Steel but the finished product i.e. iron and steel do not attract Compensation Cess. Some taxpayers wrongly availed the cess in contravention of proviso to Section 11 of GST (Compensation to States Act), 2017 wherein utilization of ITC of Compensation Cess is restricted to payment of cess on supply of goods/services leviable under the said section.
- (v) **Non-payment of GST under RCM on payments made to Government for mining of Iron Ore:** The State Government levies upfront fee in a periodical manner for right to use of natural resources viz., iron ore allocation to the Steel plants. This transaction is leviable to tax under reverse charge mechanism (RCM).
- (vi) **Agreeing to tolerate an act or a situation: CAMPA:** The fee/charges are deposited by steel plants with CAMPA (Compensatory Afforestation Planning and Management Authority) of Central Government in lieu of the approval of non- forest use of an otherwise protected area or a reserve forest. These charges are akin to compensation collected by the Government for the taxable supply “agreeing to the obligation to tolerate an act or a situation.

Total No of Cases Detected	: 504
Amount Detected	: Rs. 3916 Crores
Voluntary Payment	: Rs. 1237 Crores

6.3 Inadmissible ITC in Insurance Sector

6.3.1 Directorate General of GST Intelligence have initiated investigations against various Life insurance and General insurance companies on the issue of availment of ineligible input tax credit on the basis of invoices issued by **Several intermediaries for providing services of advertising, marketing, brand activation etc., whereas no such services had actually been provided**





The investigation conducted so far has revealed that the General Insurance Companies are passing excess commission over and above the regulatory limits prescribed by the Insurance Regulatory and Development Authority (IRDA), to their partners/sellers of insurance policies (NBFCs or Banks or Agents) by routing the said excess amount through *Intermediaries* which raise invoice on the Insurance Companies for various services, without providing any such services. Further, the intermediaries subcontract the services to the NBFCs / Banks which issue invoices to the intermediaries. By following this arrangement excess commission is routed to NBFCs / Banks. **Based on the DGGI investigation, evasion of Rs. 18,000 Crore has also been detected by CBDT**



Total No of Cases Detected : 39

Amount Detected : Rs. 3760 Crores

Voluntary Payment : Rs. 800 Crores

6.3.2 Evasion of GST by General Insurance Companies (GICs) for providing Motor Vehicle Insurance : DGGI detected evasion of substantial GST

- (i) Non payment of GST on the consideration received by GICs towards the sale of “scrap/ salvage” at the time of settlement of motor vehicle insurance claims.
- (ii) Wrong availment of ITC on the invoices raised by repairer / workshop in respect of motor claims settled in reimbursement mode (non cash-less) wherein they were neither recipient of service nor making any payment to the workshop.
- (iii) ‘Compulsory deductible’/ ‘policy excess’- borne by the insured, which is neither the expense of the insurance company nor their liability, hence, they are ineligible for availing the corresponding ITC.

Total No of Cases Detected : 12

Amount Detected : Rs. 541 Crores

Voluntary Payment : Rs. 101 Crores



Based on the DGGI investigation, evasion of Rs. 18,000 Crore has also been detected by CBDT.

6.4 **OIDAR Services:**

The GST has recognised the need for a separate category for Online Information and Database Access or Retrieval (OIDAR) services such as advertising on the internet; providing cloud services; provision of e-books, movie, music, software; online supplies of digital content (movies, television shows, music and the like); digital data storage and online gaming. Bengaluru West Commissionerate of Central Taxes is the only jurisdictional office in India for all the OIDAR Services Suppliers. The revenue of OIDAR services for the period 2018-19 to 2022-23 is tabulated hereunder

(Amount in Rs. Crore)

F.Y.	2018-19	2019-20	2020-21	2021-22	2022-23
Total Revenue	720.30	1,321.47	1,871.07	2,259.83	2,098.54
Growth		83.46 %	41.59 %	20.78 %	-7.14 %

An OIDAR service provided by an Indian Service Provider, from within the taxable territory, to recipients in India would be taxable. However, these services could be supplied remotely without the supplier having a physical location or presence in India. The overseas suppliers of such services would have an unfair tax advantage, if supply of his services manages to escape the burden of GST.



Most of such entities have been brought into the GST fold, making them comply with the GST law. It is found during investigation of many suppliers of online services operating from non-taxable territories that they are either unaware or non-compliant with the provisions of GST law in the country.

In order to improve tax compliance in OIDAR service sector, DGGI has carried out the exercise of (i) Identification of non-registered suppliers of OIDAR services Over Internet (ii) Find emails of relevant persons or the verticals of the suppliers (iii) Write consultative letters to the suppliers over email to nudge them to come forward and comply with the GST law provisions in India and (iv) Convince and persuade such suppliers to pay their historic tax liabilities. As per the experience so far, the OIDAR service providers can be broadly covered under two categories. (i) Ignorant but ready to comply (ii) Non co-operative / Non-responsive or Unreachable.

- (i) In case of **ignorant but ready to comply category of OIDAR service providers**, more than 50 cases have been booked till date against such suppliers. Total Detection made is approximately Rs. 135 Crores and total Recoveries made is approximately Rs. 180 Crores including interest and penalty.
- (ii) In case of **Non co-operative category of OIDAR service providers**, DGGI has initiated enquiries against certain overseas entities for non-payment of IGST on the supplies of online gaming including betting/gambling made through their websites to non-taxable online recipients in India under the umbrella of OIDAR services in terms of section 14 of the IGST Act, 2017. These entities operate from the tax havens like Malta, Curacao Islands, British Virgin Islands, Cypress etc. Such service providers were either non-responsive or responded by questioning the jurisdiction of Indian Laws over them and were inclined for protracted litigation.



The revenue loss to the government exchequer on account of such non-compliance is estimated to be huge. Additionally, by not paying taxes in India, **these operators are taking an unfair advantage over the domestic businesses**. The activities of such non-compliant overseas OIDAR service providers are impacting not only economic security but overall security of the State. The revenue earned by them in India, which when converted into and move through crypto currencies, could become vulnerable to be used for organized crime, money laundering and terror financing, thus impacting the security of India. In view of such non-cooperation by these entities, DGGI had proposed for **blocking of 24 websites** offering online gaming/betting/gambling as per prescribed procedures.

6.5 Supply of Seconded Employees by Foreign Commercial Entities:

Foreign Commercial Entities / Multi-National Companies having offices in India have been doing business in variety of sectors such as mobile phone manufacturing, telecommunication equipment installation and services, automobile manufacturing, software services etc.

A secondment is a general practice in most of the MNCs, wherein the parent company (overseas Group company) deposes its manpower resources to its subsidiary's companies (Indian company) for particular projects, assignments or otherwise. The employee remains on the payrolls of the overseas Group Company and receives its salary overseas. The Indian Company reimburses the whole or part of the salary, perks and other emoluments of the employee to the Group Company. On completion of secondment, the employee reverts to the overseas Group Company. The said services of supply of manpower (seconded employees) from the overseas suppliers to Indian entities fall under the ambit of Supply. Thus, the aforementioned supply is leviable to IGST under reverse charge mechanism. DGGI initiated various investigations against many MNCs for payment of GST under reverse charge mechanism.

Further, Hon'ble Supreme Court of India vide its judgment dated 19th May, 2022 in the Northern Operating Case- 2022 (61) G.S.T.L. 129 (S.C.) upheld the taxability of service tax on seconded employees



In compliance to the investigations initiated by DGGI, many MNCs voluntarily deposited their IGST liability under RCM on import of manpower services.

Total No of Cases Detected	: 137
Amount Detected	: Rs. 1312 Crores
Voluntary Payment	: Rs. 1079 Crores



6.6 Chinese Commercial Entities (CCEs)

There are several Chinese commercial entities operating in India across various sectors such as Smartphone Manufacturing, Automobile Sector, Pharmaceuticals, Consumer Electronics, etc. Further, it has been noticed that many of such entities are involved in GST evasion. Accordingly, DGGI has initiated enquiry against many such entities on various issues.

The brief of some of the major issues are as below:

- (i) **Issue of Royalty & Trademark Fees:** One of the CCE is engaged in the manufacturing of mobile phones, it has been observed that they have entered into an agreement in respect of royalty and trademark with its Chinese counterparts and other associated enterprises, for using technology/ brand name/ license etc. in India. The said entity in India has booked royalty and trademark fee expense in their books of accounts. However, the company has not discharged its IGST liability on import of services in respect of royalty/trademark fees paid to its Chinese counterparts under reverse charge basis. Similar modus-operandi was adopted by another Indian CCE also. Investigation in this regard has been initiated by the DGGI. During the course of investigation **two Chinese Commercial Entities (CCE) have deposited the total IGST liability of Rs. 430.94 Cr along with interest of Rs. 57.42 Cr.**



- (ii) **Issue of non-reversal of ITC:** It has been observed that various CCE have not made the payment to their foreign suppliers within 180 days of issue of the invoice thereby contravening the provisions of CGST Act and Rules. An investigation in this regard has been initiated by the DGGI.



DGGI has booked cases against Chinese Commercial Entities (CCE) for not made payment to their foreign suppliers within 180 days of issue of the invoice thereby contravening the provisions of GST. During the course of investigation CCE reversed/paid the ITC of Rs. 263.12 Cr.

Goods and Services Tax, India



**ITC Reversal
for payment
after 180
days**



(iii) Issue of warranty services provided by Exclusive Distributors of CCE to the customers:

It has been noticed that the distributors of CCE of India were providing after sale support services (i.e. warranty services) to the customers without issuing any invoices. The said services are taxable and subject to payment of GST & if provided free of cost then ITC shall be inadmissible proportionately. An investigation in this regard has been initiated by the DGGI.

DGGI has booked cases against the distributors of two Mobile Phone CCEs and voluntarily deposited tax of Rs. 45.25 Cr. has been made during investigation.

(iv) Non-reversal of ITC on account of non-realization of FIRC against Export of services:

One of the CCE registered in India, engaged in the supply of telecommunication network marketing, equipment and servicing etc. was providing export of services under LUT without payment of tax. In case of export of services, the payment in convertible foreign exchange shall be received within one year from the date of issue of the invoice. However, it was observed that total FIRC has not been received within prescribed time limit that involves GST. An investigation in this regard has been initiated by the DGGI.

(v) Issue of Fake ITC availment: It has been observed that the taxpayer was involved in the availment of fake ITC on the invoices received without actually receipt the goods. An investigation in this regard has been initiated by the DGGI.

Total No of Cases Detected : 37

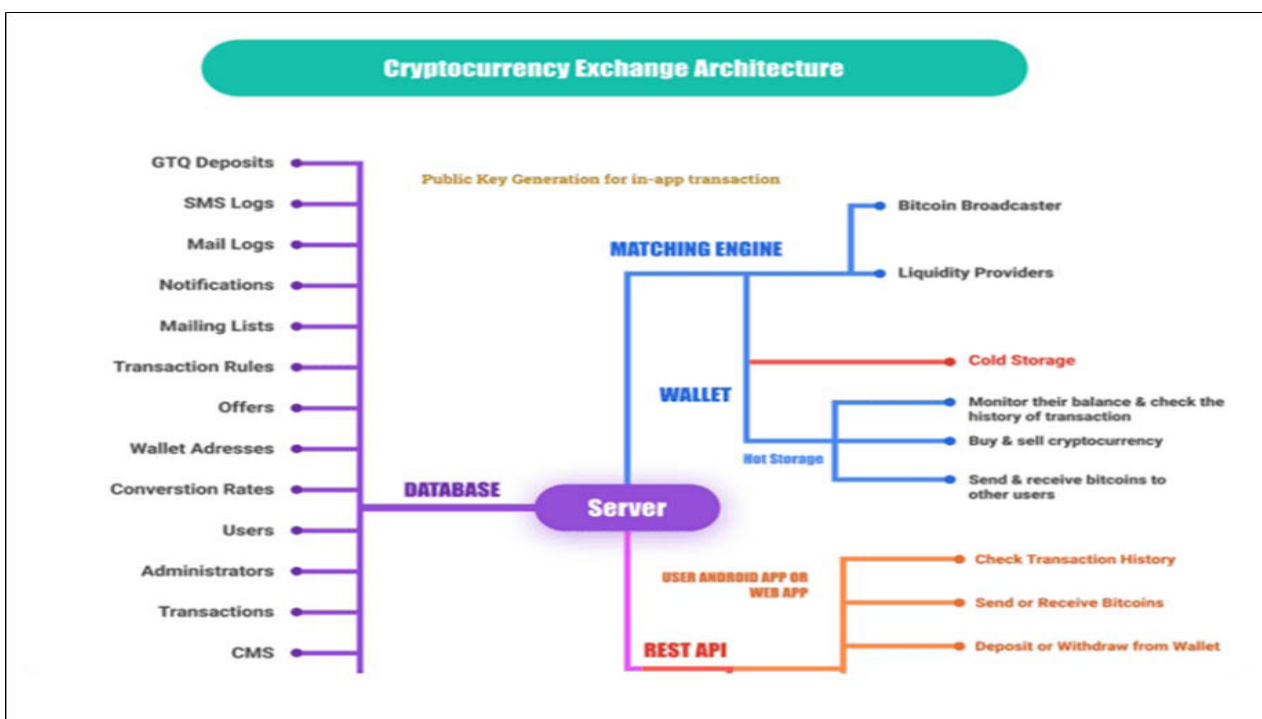
Amount Detected : Rs. 893 Crores

Voluntary Payment : Rs. 862 Crores



6.7 Online Platforms for Trading of Virtual Digital Assets (Crypto Currency and NFT) :

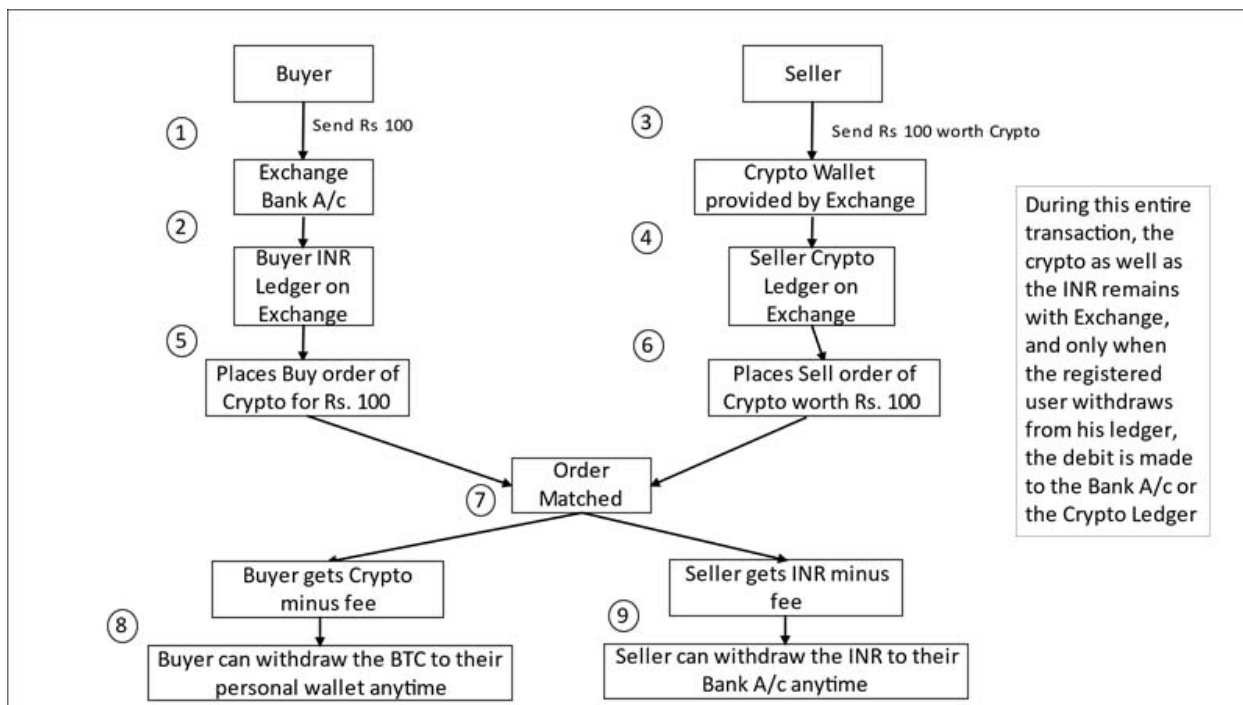
- (i) A cryptocurrency exchange is a business that allows customers to trade cryptocurrencies or digital currencies for other assets, such as conventional fiat money or other digital currencies. Customers buy or sell digital currency from digital currency exchanges, who transfer the digital currency into or out of the customer's account. A digital currency exchange can be a brick-and-mortar business or a strictly online business. As an online business, it exchanges electronically transferred money and digital currencies.



- (ii) DGGI investigated and booked cases against companies engaged primarily in the business of running online Crypto Assets Exchange Platforms. The said online platform facilitates crypto assets transactions between users who are unwilling/ unable to communicate directly. The company acts as a moderator or a link between the parties of crypto assets trading (i.e., a buyer who wants to buy crypto assets and a seller who wants to sell crypto assets). In lieu of this facilitation of crypto trade, the company charges transaction fee as a percentage of the transactions taking place on its platform. The Transaction Fee is / can be in both the forms i.e., INR as well as Crypto. The transaction fee when charged in the form of Crypto is basically reduced from the seller's crypto assets offered for sale on the platform and buyer's crypto ledger and credited to the company's crypto ledger. The company values the crypto assets at the equivalent INR value of the concerned crypto at the instance the transaction takes place. However, the transactions only take place virtually in the INR and crypto ledgers maintained by these online platforms and no actual transfer of crypto assets take place. In



these transactions, the company works as an intermediary between the buyers and sellers engaged in trading of crypto assets on the online platform. The services thus provided by the company are intermediary services in the scheme of classification of services and GST @18% (SAC 998599) is leviable on the revenue earned by the company through supply of aforementioned intermediary services.



- It emerged during the investigation by DGGI that in general these companies have not been issuing invoices against the supplies made by them due to the technical challenges they face in raising transaction wise invoices to the users. They expressed the difficulties in raising invoice to each user for each transaction that he/she executes on the platform due to the multiplicity of transactions and the necessity of advanced technical capabilities such as huge server space, automated mail functionalities, etc. Due to all these issues, there is no clear process in the companies for raising invoices to the users. On being pointed out by DGGI, the invoice related provisions under GST laws, these companies are evaluating ways to solve the challenges in sending invoices for the transactions done by the users.
- The transactions of buy and sell of crypto currencies take place virtually on the online platform. For each transaction, the companies make debit / credit entry in the specified wallets of users. Even the deposit or withdrawal of money to and from the company bank account takes place at the request of users and not for every transaction. Therefore, while the transactions undertaken by users may be huge in number (taking place as debit/ credit entries on their online wallets), the actual bank transactions for the particular users take place only at the time of deposit/ withdrawal of fiat currency.



- c) As the companies are not raising transaction wise invoices and the transactions are taking place in a virtual manner, the methods adopted by the companies for assessment of their revenue appear to be questionable, which has manifested in evasion of their GST liability.
- (ii) Though, the services provided by Crypto Exchange Platforms are classifiable as intermediary services in the scheme of classification of services and GST @18% (SAC 998599) is leviable on the revenue earned by the companies running these Crypto Exchange Platforms through supply of aforementioned intermediary services. The Crypto Exchange Platforms investigated by DGGI, were found to be evading payment of GST leviable on their commission / fee income received in lieu of intermediary services provided to the registered users of Crypto Exchange Platforms. Some of the Crypto Exchange Platforms were found suppressing their taxable revenue while filing their GST Returns and some others were found wrongly declaring them as nil rated / zero rated / exempted / non-taxable.

Total No of Cases Detected : 3

Amount Detected : Rs. 9.22 Crores

Voluntary Payment : Rs. 12.6 Crores

6.8 Clandestine Supply of Services

Services sector contributes more than 50% of India's GDP. Due to the intangible nature of supply of services, where there is no physical movement and e-way bills are not issued, it is much more difficult to book cases of clandestine supply in service sector unless direct evidence in form of internal records are recovered from the supplier. It has been seen that the services where such cases are booked are provided in retail to unregistered persons where bills/ invoices are not issued and the recipients are not going to avail ITC and even though when bills are issued for these services, GST is charged and collected but not deposited by the supplier. Some of the sectors identified where this evasion is more prevalent are as follows:

6.8.1 Courier and Parcel Services- Overseas courier service providers book parcels/ consignments of exporters, using Cargo services of Airlines or courier services from major courier service providers. These suppliers buy space in bulk from Airlines or Courier service providers. The complete space is not utilized by them and is further sold to other small courier service providers.

In one of the case, the service provider had booking agents all over India, which collected the consignments/ parcels from customers and took consideration mainly in cash, which was deposited in their banks or sent to their main office through employees/Angadiyas. It was found that they had maintained data in a private server, containing details of customers, receipt numbers with date, mode of payment in cash or cheque/Paytm/ NEFT/RTGS etc. There was substantial difference between the consideration received and taxable value on



which tax was paid. In some cases bills are issued to the customers and GST is charged but not deposited with the government exchequer.

6.8.2 Construction services:- It has been observed that instead of outright clandestine supply, there is huge undervaluation of supply in this sector as total consideration received is not reflected in invoices/ GST returns. The modus is of accepting money in cash for part consideration or asking the customer to pay for their input supply like man power, goods etc. Further, it has been observed that sometimes GST is not being paid by contractors under the impression that supply to Government is exempt. Further, even when TDS has been deducted such contractors do not pay GST on full supply made to Government, Government authorities and specified Government agencies.

6.8.3 Hotel industry:- The modus of evasion of GST is through clandestine supply as well as undervaluation. Parallel accounts are maintained for unaccounted or undervalued supply. The consideration for such events is mostly received in cash, which is not declared in returns. In one interesting case payments were received in Paytm accounts of the employees.

Further, payments in r/o input supplies are made in cash and the amount received in cash from their customers are adjusted for such payments. Therefore, it becomes difficult to ascertain the actual volume of their output supply from their accounted for inward supplies.

6.8.4 Works contract services: The labor cost is charged separately from the customer and as labor is paid in cash on daily basis, therefore, the invoices contain mostly the cost of input material (which is also under reported) and very small value is shown towards service portion.

6.8.5 Restaurant services: On account of almost all of the supplies being B2C supplies, once a customer leaves the restaurant premises, the data of such customers can be easily deleted by the suppliers. The modus is simply that the invoices or bills have either duplicate serial numbers or are deleted after issuance to the customers.

6.8.6 Professional services like consultancy Services, Business Support services etc. evade GST by receiving consideration in cash and thus suppressing taxable value on their services provided in B2C mode. In B2B supplies also, they execute the contracts below the actual consideration. Rest of the consideration is received in cash.

6.8.7 Transport of Goods and passenger services: Besides under reporting the supplies made under B2C mode, where consideration is received in cash, even in B2B supplies where there is mostly tax liability on recipient under RCM, it has been observed that consignment notes are not entered in accounting books as such goods are supplied clandestinely and it is intended to leave no trail of these clandestine supplies. Further, GTA suppliers may give their bilty books to such registered persons, who are involved in clandestine supply of their goods and trucks are taken by such registered persons from market and the details of transporters are either not entered in e-way bill system or entered erroneously.



6.8.8 Job work services: These services are mainly taken by manufacturers who can take ITC and have no incentive for evasion of GST but their job workers are either not interested in GST formalities and don't get registered or principal supplier are also not interested in revealing the name of their artisans or job workers to their rivals and therefore gets the work done in cash. **This type of evasion is more prevalent in textile and Jewelry sector.**

Further, it has been observed that as there is not much emphasis on keeping proper account of job work challans, it has been gathered that finished good and wastage arising out of job work are supplied from the premises of the Job Worker without issuance of invoices. After tax period is over, job work challans are destroyed. The inputs on which ITC has already been taken are adjusted as wastage or manufacturing losses by principal supplier. Such job workers receive payment in cash and they do not report such supply in their GST returns. Thus, they also evade GST.

6.8.9 Commercial Coaching Services:- Most of the medium and small suppliers collect most of their fees in cash. They either don't show the exact number of students enrolled in their institute or show collection of much lesser fees as it is mostly collected in cash. Apart from this many ancillary charges are collected separately like coaching material, bags etc. which is part of composite supply but are not reported in GST returns. In this sector, it has been observed that various small suppliers don't get registered although they have crossed the threshold limit for GST registration.

6.8.10 Leasing and Rental services:- In this kind of services, contracts between the supplier and recipient are usually under-valued. The differential amount is paid in cash. In most of the cases, the suppliers for leasing or renting out his moveable or immovable property on condition of collecting in cash as that decrease their income tax liability also.

6.8.11 Event Management Services: Such service providers usually ask their customers to pay to their input suppliers i.e. logistics, vehicle suppliers, manual laborers etc. in cash. In this way, they undervalue their supply, which is not reported in GST returns and results in GST evasion.

6.8.12 Non Payment of GST on Royalty under RCM: Royalty is being collected by State Government for giving mining rights to extract and explore minerals, which is taxable under RCM. However, there is wide spread evasion as GST is not being paid on these

6.8.13 Tour Operator Services: These services are provided mainly for organising tours. There is wide spread undervaluation and clandestine supply in this sector also as customers book their tour mainly in cash.

6.8.14 Transfer of Development Rights (TDR Services): Prior to 01.04.2018, the liability to pay GST on the transfer of Development Rights was with the supplier under forward charge, and in such cases, the suppliers or the land owners who transferred their development rights to builder/promoter under area sharing agreement in lieu of constructed flats provided by the



builder. However, it is observed that in such cases, land owners/ suppliers of development rights have not discharged applicable GST on such supplies.

6.8.15 GST on Clinical Trail: The principal object of the clinical trials is to carry out clinical research activities to determine the safety and effectiveness (efficacy) of medications, devices, diagnostic products, and treatment regimens intended for human use. Clinical Trials services are not in connection with the diagnosis or treatment or care for illness but are related to support services for research. Hence, they are not exempted but most of the hospitals have not paid GST on these services under assumption that these services are also not liable to tax.

6.8.16 Import and Export of Services: Large number of registered persons are importing services on which they are liable to pay tax under RCM but not paying GST under assumption that these services are not taxable. Further, in case of some services specified in section 13 of IGST Act, 2017, the place of supply is location of supplier instead of recipient of services and therefore some of the services, although supplied to a person located outside India are not export of services and are taxable in India.

6.9 New Emerging Trends

6.9.1. Evasion by Film Production houses: The film industry, being a significant contributor to the economy, has not been immune to instances of tax evasion, including under reporting of income, manipulation of transactions, fraudulent practices, etc. Most of the actors/artists/stage actors have set up their own production houses and services provided by the artist to the production house are considered as supply and covered under GST Act. However, in many cases, no GST was being paid on such supplies by the production houses. Artists pleaded that the production house belongs to them and service to own production house is not liable to pay GST. However, Artists and production house are distinct entities and Services rendered by actors to the production house are liable to pay GST. The valuation of such supplies would have to be determined as per extant law and Rules.



6.9.2. Evasion by Builders: GST evasion by builders and real estate developers has been a concern since the implementation of the Goods and Services Tax (GST) regime. Builders have a tendency to classify smaller dwelling units under





the category of affordable housing schemes and are thereby paying GST at lower rates. Also, builders incorrectly claim exemption under affordable housing scheme, as affordable housing properties are taxed at 1% GST without ITC. For the rest, the rate of tax is 5% without ITC.

Definition of affordable residential apartment: Carpet area upto 60 sqm in metro, Carpet area upto 90sqm in non-metro and having value upto Rs. 45 lacs for both cases.

6.9.3. Non-payment of tax on import of services mainly in respect of expenses IPR, Patent, Technology & Dossiers expenses etc.:

Non-payment of tax on the import of services, particularly in relation to expenses related to Intellectual Property Rights (IPR), patents, technology & dossiers, is one of the emerging areas of evasion of GST. It has been noticed that various pharmaceutical companies and research organizations pay a huge sum to foreign Governments/Foreign Govt. Departments for approval of their drugs for export or for filing applications for Intellectual Property Rights or for filing patent or copyrights etc. Companies



and research organisations are also booking expenditure under the head of “**Regulatory Fee for Patent / Products & Plant Registration / Export**” wherein they have made payment to foreign entities. These are the services being received by the taxpayers from foreign entities and are liable to payment of GST under reverse charge mechanism. It has been noticed that taxpayers falling under such categories i.e. Pharmaceutical companies or other Research and Development units are showing such expenditures in their books of accounts and no tax is being paid on the same.



7. New Initiatives

7.1 Cyber Forensic Labs

With the rapid development of information technology, our society is firmly entrenched in the digital age. Computers, mobile devices, and related technologies have become deeply integrated into people's work and daily lives, bringing about significant enrichment and transformation. However, alongside these advancements, there has been a surge in criminal activities exploiting these technologies. This has led to the emergence of various violations and crimes that involve digital material evidence, which has become a crucial and novel form of evidence in numerous cases. Considering the increasing prevalence of digital devices, it is foreseeable that criminals, knowingly or unknowingly, will leave more and more digital traces on these devices.

In this landscape, digital forensics plays a pivotal role in investigating financial crimes through the collection and analysis of digital evidence. Financial crimes, driven by monetary gains, encompass a wide range of offenses such as fraud, embezzlement, money laundering, and GST evasion. In all these cases, digital forensics becomes an indispensable tool for gathering and examining digital evidence.

A Memorandum of Understanding (MOU) was executed between National Forensic Sciences University (NFSU) and Directorate General of GST Intelligence (DGGI), on 7th February 2023, for setting up of 5 digital forensic laboratories (1 at each SNU and 1 at NFSU).



The MoU aims to facilitate the exchange of information and knowledge, technological advancements, and skills development between NFSU and DGGI in the field of training, research, and forensics capability development. NFSU and DGGI have agreed to exchange information on research and education programs, jointly organize seminars, conferences and workshops, collaborate in research and training programs, establish labs and provide technical assistance to each other. **The total project cost is of Rs. 16.06 crores approx.** All the Five labs will be manned by 1 Scientific Officer and 2 Scientific Assistants each.

The MoU recognizes the importance of digital forensics in the 21st Century and the need for law enforcement agencies to be technologically advanced. Central Board of Indirect Taxes and Customs (CBIC) by setting up digital forensic lab will use technology in a "more potent



way” to detect tax evasion by using online data. NFSU has the capability to study and analyze digital evidence and has state-of-the-art technology in the field of digital forensics. DGGI faces challenges in dealing with digital evidence and requires the ability to retrieve, analyze and adduce digital evidence. This MoU is aimed at strengthening the forensic capabilities of both institutions and providing mutual benefits in research and education. Hence, the **MoU between NFSU and DGGI will encourage collaboration in the field of forensic sciences and contribute to the development of forensic and technological capabilities in India.**



A Detailed Project Report (DPR) was submitted by NFSU outlining the following:

- i) Setting up of in-house digital forensics labs
- ii) Proficiency in data retrieval and handling of digital devices during operations
- iii) Capacity building

for setting up Labs at 05 locations i.e. at Delhi, Chennai, Mumbai and Kolkata and fifth dedicated laboratory at NFSU Headquarters Gandhinagar, the proposal was accorded approval in December 2022 under 1% Incremental Revenue Scheme for the said project and immediately the process for setting up the labs was started. MoU and MoA was signed between DGGI and NFSU on 07.02.2023 at NFSU at Gandhinagar. The process of preparation of sites and procuring the equipment etc. as well as recruitment of contractual staff for proposed five DFLs has been initiated. NFSU is onboard to handhold the DGGI for establishing and running the Digital Forensic Labs and capacity building by also training the officers of the Directorate for next 5 years.



7.2 E Waste Disposal Campaign

The special Campaign 2.0 for “Swachhta” (Cleanliness) was organized from 2nd October 2022 to 31st October 2022 in DGGI and all its Zonal and Regional Units spread across the country. Shri Vivek Johri, Chairman, CBIC launched E-Waste Disposal Campaign at DGGI (Headquarters), New Delhi.

Cleanliness drives with special focus on space management and enhancing work place experience of field Offices were conducted in DGGI formations which focused on improvement of record management, categorisation, recording, review and weeding out of physical records, overall cleanliness of Government offices by removing redundant scrap material and obsolete items thereby enhancing work place experience.

Under the e-waste disposal drive **688 kg of e-waste** which included printers, computers, scanners and their parts were identified and Chairman CBIC handed over the e-waste to the designated agency for disposal in compliance with the E-Waste (Management) Rules, 2016.





7.3 Training and Capacity Building among officers of DGGI

Introduction: Training, capacity building and knowledge sharing are crucial for any organization for being abreast with the latest development in the field, having uniformity in approach and empowering and guiding the officers. Keeping this in view, training and capacity building remains a key focus area for DGGI.

DGGI has a working strength of approx. 124 officers in AD/DD level out of total working strength of about 197 Group 'A' officers. These officers come from diverse backgrounds and have different experiences and skill sets. During the period, DGGI initiated an **“Internal Capacity Building Programme”**, wherein DGGI officers and other external resources including retired senior officers, with domain expertise in various fields, conducted intensive interactive sessions with young officers. An attempt was made to harmonize the different skill sets and ensure that all officers at the cutting edge level of ADs/DDs are able to contribute to and derive benefits from this common pool of knowledge. The unique feature of this programme is that largely ADs/ DDs themselves among others are used as resource person for skill upgradation. However, other resource persons, both within CBIC as well as outside were also tapped to augment these efforts.



Objectives: This effort aims at disseminating best practices, while also enabling officers to learn from one another and adapt and thrive in the fast-changing environment. The outcome of this initiative covers the following aspects:

Features: This interactive **“Internal Capacity Building Programme”** series was held online with DGGI (HQ) coordinating this initiative. Specific topics were identified to supplement the

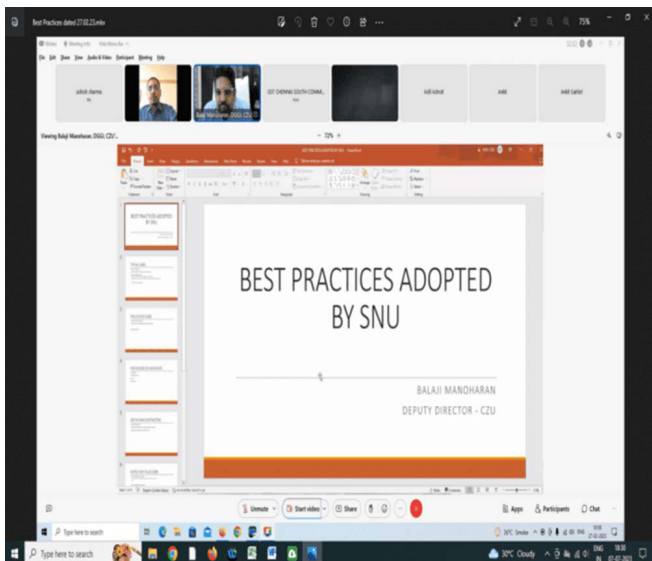


knowledge of the officers of DGGI in the relevant fields. The interactive sessions were recorded for subsequent larger dissemination and for building up a e-learning library and reference intended for use by officers and other functional requirements.

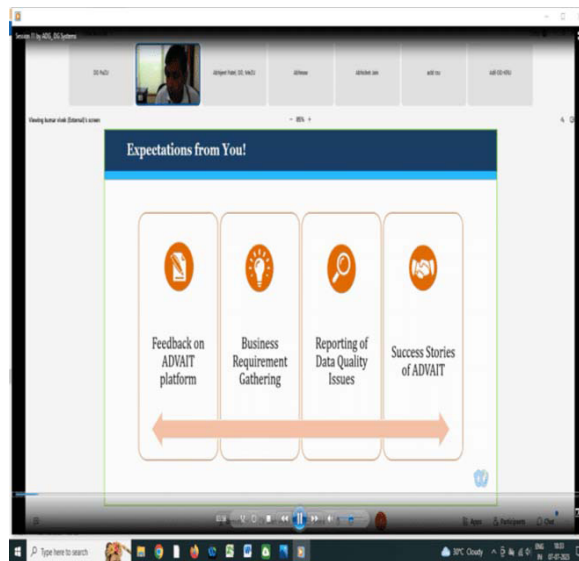
A list of such 13 sessions alongwith their recordings and PPTs in DVD form has been prepared and disseminated among 4 SNUs and 26 ZUs for training and information purpose. The moderated interaction also included **reciprocal feedback review** wherein both training participants and resource persons provided app based online feedback, largely to improve this exercise further. These feedbacks were analyzed and will be used for improvements in future for such training sessions. Some of the key topics/sessions covered during this programme are briefly as given below.

Sessions on data mining/ analytics were held to augment abilities of officers to understand and use available tools such as ADVAIT, NETRA, e-way bill portal, BIFA and others on a regular basis.

Best Practices session by the Deputy Director, DGGI Chennai ZU



Analytics using ADVAIT Session by the Pr. ADG, DG Systems

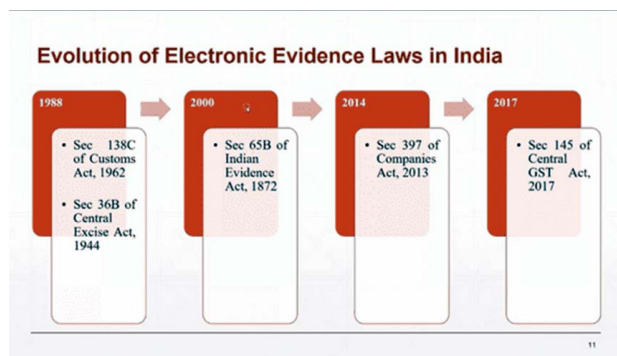


Financial Accounting and ERPs was another key area that enables investigating officers to understand intricacies involved therein, including concepts like balance sheets, income, cash flow, audit, bank reconciliation, International Financial Reporting Standards, valuation, Ledger, Costing Assets, Liabilities, auditor related documents.

Litigation Management is a natural corollary of the enforcement activities of DGGI. The officers need to be in tune with the view taken by Courts in matters of arrest, anticipatory bail, prosecution, filing of SLPs, etc. Efficacious actions at the appropriate judicial fora significantly reduces the need to agitate the issue at higher courts.



Cyber Forensics Session by Deputy Director, DG Systems, Mumbai



Capacity Building Session by Pr. ADG, DGTS

DGGI (hqrs)	Vivekanand M...	Subhas Chand...	Kannav Sharma
DD, VRU	Mayank Sharm...	Shivi Sangwan	Suneetiner Sin...
Balaji Manohar...	D S S SUBRA...	Dharamvirsinh ...	hitendralm.g0... sandeep payal...
Raviraj Kalshet...	Ashutosh Kr Si...	SNU WEST	DD, PZU
siva kumar n	Swapnil S Baw...	Aravind Viveka...	Sanjeev Singh.... Adil - DD KRIL...

During the financial year 2022-23, 20 sessions of one to two hours each in this series have been conducted covering various domains.

Feedback Mechanism: A reciprocal feedback review mechanism was developed wherein feedbacks from the participants regarding the sessions and the speaker have been taken after completion of every session. Majority of the participants have appreciated this initiative of DGGI and also suggested that these sessions are very informative that have not only cleared their doubts but have also opened new horizons. It was also requested to continue this initiative and extend such sessions to SIO/IO level to be organized at the Zonal Unit end. The feedback of the sessions has also been communicated to the speaker of the sessions for learning and understanding the need of the participants.

Other trainings: Officers and staff of DGGI were also nominated and trained in regular training programs organized by NACIN, other training institutes and departments from time to time.

An ADAIT boot camp for DD/AD level officers of DGGI had been organized by DG Systems ADAIT Team headed by ADG Systems at Zonal Training Institute, NACIN, New Delhi on 17th & 18th October, 2022. The programme has given insight into use of ADAIT tool for holistic approach in revenue investigations. This training has given a boost to use of data analytics in revenue investigations.

The continued training and capacity building has indeed strengthened the knowledge base of the officers which is helping in investigations done by DGGI team.



7.4 Infrastructural Development

Delhi Zonal Unit shifted from old building at R. K. Puram to a new building at Dwarka, New Delhi.





8. Presidential Awards

On the occasion of Republic Day, 2023, the following Officers of DGGI were conferred for the Presidential Certificate of Appreciation for “**Specially Distinguished Record of Service**”:

- (i) Shri R. Govindan, Senior Intelligence Officer, Directorate General of Goods & Services Tax Intelligence (DGGI), Chennai Zonal Unit.
- (ii) Shri Riwanj Dorjay, Senior Intelligence Officer, Directorate General of Goods & Services Tax Intelligence (DGGI), Guwahati Zonal Unit.





9. Memoirs : DGGI Annual Conference 2022

The Annual Conference of DGGI for the year 2022, was held in Chandigarh, on 17-18 November, 2022.





Directorate General of GST Intelligence
Wing No. 6, West Block-8, R.K. Puram
New Delhi-110066