

EY Tax Alert

CBIC issues guidelines for processing of applications for registration under GST

Executive summary

This Tax Alert summarizes the recent Instruction¹ issued by Central Board of Indirect Taxes and Customs (CBIC) prescribing guidelines for processing of applications for registration under Goods and Services Tax (GST).

It was observed that fake registrations under GST were obtained in certain cases to defraud the Government exchequer. Vide Instruction No. 01/2023-GST, CBIC had issued guidelines for field verifications of the place of business in the form of a Special All-India Drive against fake registrations.

In view of the above, CBIC has now issued guidelines to strengthen the process of scrutiny and verification of applications for registration. The procedure *inter alia* includes:

- ▶ Close scrutiny of details of the places of business and the corresponding documents uploaded to verify completeness and correctness of such address.
- ▶ Special attention to be provided to the cases where “High” risk rating has been assigned to an application by Directorate General of Analytics and Risk Management based on data analytics and risk parameters.
- ▶ Where the applicant has either failed to undergo authentication of Aadhaar number or has not opted for the same, the proper officer shall initiate the process for physical verification of the place of business.
- ▶ The proper officer must ensure that the entire process relating to registration is completed within the prescribed timeline and no application is approved on deemed basis for want of timely action on the part of tax officers.
- ▶ In case registration is granted in specified cases without physical verification of the place of business, the jurisdictional Commissionerate shall conduct such verification of the place within 15 days of registration.

¹ Instruction No. 03/2023-GST dated 14 June 2023

Background

- The Central Board of Indirect Taxes and Customs (CBIC) have noticed various instances of people obtaining fake registration under Goods and Services Tax (GST) and defrauding the Government exchequer. Such bogus registrations are being used to fraudulently pass on input tax credit (ITC) by issuing invoices without any underlying supply.
- To address the above problem, Instruction No. 01/2023-GST dated 4 May 2023 was issued to provide guidelines for a Special All-India Drive against fake registrations.
- In this context, it was felt that verification of applications for registration by the proper officers is one of the most crucial steps in the direction of preventing the menace of fake or bogus registrations. Accordingly, guidelines are issued for strengthening the process of verification of registration applications in a uniform manner.

Guidelines

- On receipt of registration application, the proper officer shall initiate the process of scrutiny and verification of the details filled and documents uploaded by the applicant.
- The details of the places of business and the corresponding documents uploaded may be closely scrutinized to verify completeness and correctness of such address.

Further, the authenticity of the documents furnished as proof of address may be cross verified from the publicly available sources, such as websites of the land registry, electricity distribution companies, municipalities, and local bodies, etc.
- Based on data analytics and risk parameters, the Directorate General of Analytics and Risk Management (DGARM) is conducting risk rating for each application for registration (ARN). Accordingly, the proper officer shall check the said risk rating made available to them while verifying and processing the application. Special attention needs to be paid to the cases where "High" risk rating has been assigned to an ARN.
- In case where registration has been obtained on the same PAN earlier in any of the States, the proper officer may also check the status and compliance record of the said PAN from the portal. Due consideration and special attention need to be given to the cases involving the following circumstances:
 - Registration obtained on the PAN of the applicant has been cancelled previously.
 - Registration obtained on the PAN of the applicant is suspended at the time of verification of a new application of registration.
- Application for registration on the PAN of the applicant has been rejected previously.
- Place of business of the applicant appears to be risky based on local risk parameters.
- Proof of address *prima facie* appears to be suspicious/ doubtful basis the scrutiny of the application and the documents.
- Where the application is found to be deficient, or where the proper officer requires any clarification, he shall issue a notice to the applicant within the prescribed time limit.
- The proper officer may seek clarification or information or document *inter alia* in the following cases:
 - Where any document is incomplete or not legible, he may seek complete or legible copy for the same.
 - Where the address of place of business does not match with the document uploaded by the applicant, or where such uploaded document does not appear to be a valid proof of the address, he may seek additional documents to confirm the address details.
 - Where the address of place of business is incomplete or vague, he may seek complete and unambiguous details of the address along with corresponding documents.
 - Where any GSTIN linked to the PAN of the applicant is found cancelled or suspended, he may seek clarification or reasons for the same from the applicant.
- The proper officer shall carefully examine the clarification, information or documents furnished by the applicant in response to the notice issued. In case he is satisfied with the reply, he may approve the grant of registration within the prescribed timelines.

In other cases, for reasons to be recorded in writing, he may reject such application and inform the applicant electronically.
- Where the applicant has either failed to undergo authentication of Aadhaar number or has not opted for the same, the proper officer shall initiate the process for physical verification of the place of business.
- Even in cases where the applicant has undergone authentication of Aadhaar number, if the proper officer is of the opinion that physical verification of the place is essential to check the authenticity of the applicant, he may get such physical verification conducted in a time bound manner.
- While processing the applications, the proper officer must ensure that the entire process is completed within the prescribed time limit and no application is approved on deemed basis for want of

timely action on the part of tax officers. Strict view may be taken where any gross negligence is observed on part of the concerned officers.

- Wherever the registration is granted:
 - on deemed approval basis;
 - in cases relating to registration obtained on same PAN earlier in circumstances covered above; or
 - to ARN assigned as "High" risk by the DGARM;

and without physical verification of the place of business, the Centralized Processing Centre (CPC) officer shall communicate the details of such cases to the concerned jurisdictional Commissionerate.

Such Commissionerate shall conduct physical verification of the place of business within 15 days of registration in the manner prescribed.

- Wherever the registered person is found to be non-existent or fictitious, subsequent remedial actions may be taken without any delay.

Comments

- a. CBIC has provided a clear and comprehensive framework for verification of applications for GST registration.
- b. Persons seeking new registration under GST may need to ensure that all the parameters laid down by CBIC in terms of proper documentation and other related compliance, particularly, relating to the place of business, are fulfilled.

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