Ministry of Finance

DGGI Bengaluru Unit uncovers six shell companies with fraudulent invoices worth Rs. 266 crore involving Rs. 48 crore fraudulently claimed Input Tax Credit; mastermind arrested

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In a follow up operation connected with investigation of a case initiated in Bengaluru, the officers of Directorate General of GST Intelligence, Bengaluru Zonal Unit, carried out searches in over six premises in Delhi, and uncovered fraudulent invoices worth over Rs 266 crore, involving availment and passing on of fraudulent Input Tax Credit (ITC) of Rs 48 crore from the shell companies.

The masterminds floated shell companies with no actual business activity, carried circular trading to inflate turnover, listed one of the companies in stock exchange and indulged in ITC fraud.

Investigation revealed that four companies, with no business activity, have shown receipt of hundreds of crores worth of goods and services. The investigation indicated that initially, the key mastermind was one of the CA/statutory auditor, who managed the transactions of these companies. Further investigation revealed that the structure of entities and shareholding pattern, along with changes in the same, the CA/statutory auditor was acting as Director in a few of these shell companies at some point of time – clearly establishing the links behind the origin of the six shell companies. During searches at the premises of these companies, original documents, such as invoices and seals, were found in the premises of the mastermind. The key mastermind of the case has been arrested.

DGGI Bengaluru Zonal Unit has initiated a comprehensive investigation into this fraud, which has implications for innocent investors in listed companies.

Having found such pattern of GST frauds by use of circular trading and fake ITC by listed companies, DGGI has shared specific inputs with SEBI in the recent past for initiating action under the SEBI Act.

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