



DGGI Ahmedabad Zonal Unit officials apprehend mastermind of the biggest GST refund fraud of around ₹1,825 crore at IGI Delhi airport

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Mr. Kapil Chugh the mastermind of GST refund fraud wanted in many other economic criminal cases was arrested by the DGGI, AZU, Ahmedabad, on 19th April 2026 from IGI Airport upon returning from Dubai.

Mr. Kapil Chugh had evaded investigation and did not respond to multiple summons (22 in all) issued by DGGI, AZU, Ahmedabad and never joined investigations. He had fled to Dubai after committing GST refund fraud amounting to approximately ₹1,825 crore across multiple jurisdictions.

Investigation conducted in the instant case has revealed that Mr. Kapil Chugh, along with his associate Mr. Vipin Sharma, devised and operated a well-structured arrangement for fraudulent availment of Input Tax Credit (ITC) and subsequent encashment through refund claims on account of zero-rated supplies. Mr. Kapil Chugh emerges as the key mastermind and habitual economic offender who controlled the entire network through dummy firms, employees and close associates. The entities were created using borrowed KYC documents and were found to be non-functional or lacking infrastructure, manpower and genuine business activity at the declared premises. The dummy proprietors/directors were merely name lenders and were compensated with fixed monthly cash payments. All operational activities including GST registration, invoice generation, banking operations, filing of returns and submission of refund claims were handled centrally by the masterminds.

The masterminds generated fraudulent ITC by arranging fake purchase invoices without actual receipt of goods. High-value tobacco products were shown in invoices to create substantial ITC. These invoices were circulated through multiple intermediary firms forming a layered chain of transactions. The ITC so generated was passed from one entity to another through paper transactions, thereby creating an artificial trail of trading activity. This layering enabled the masterminds to introduce ineligible ITC into the GST chain and subsequently accumulate the same in selected entities which were projected as exporters, particularly from Kandla Special Economic Zone (KASEZ).

Parallel to the above paper transactions, low-value tobacco, inferior smoking mixtures and other tobacco products were procured locally at nominal prices, often without invoices. These goods were subsequently misdeclared as high-value products such as Kimam/Jarda and exported at artificially inflated values. No manufacturing facility or infrastructure existed to justify such conversion. The inflated turnover declared in GST returns was primarily on account of fake billing, thereby enabling fraudulent ITC accumulation and refund claims. The masterminds thereafter showed zero-rated supplies under Letter of Undertaking (LUT) without payment of tax and claimed refund of accumulated ITC. Investigation revealed that the exports were largely fictitious or grossly exaggerated. E-way bills were generated using doubtful or repeated vehicle numbers and transportation documents were fabricated to support paper transactions.

Financial trail analysis revealed negligible or circular fund movement despite large-value transactions. Payments received were routed through related entities or withdrawn in cash shortly thereafter. There was no corresponding commercial pattern such as genuine supplier payments or logistics expenses. Multiple firms shared common contact numbers, IP addresses and accounting personnel, evidencing centralized control by the masterminds.

Mr. Kapil Chugh also misrepresented and inflated turnover of his export business to siphon off approximately ₹11 crore from Yes Bank. He has also been charge-sheeted by CBI in another case involving fraudulent availing of credit facilities through forged documents. Further, SEBI vide order dated 30.03.2026 has taken action against Mr. Vipin Sharma, MD of M/s Elitecon, for inflating company valuation through fake turnover generated by bogus billing linked to GST fraud.

NB/KMN

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