

Detecting Tax Evasions: Case Studies from J&K

J&K State Taxes Department
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Best Practices and Technology Use – UT of J&K

Sectoral analysis of Brick Kilns to identify production suppression

- Multi-year analysis of the dealers of this sector was carried on
- Production estimates based on the cess ITC was analysed
- Analysis of E-way bill data of these dealers to arrive at the actual of inward cess amount
- Value of inward cess amount was divided by 400 to arrive at the inward tonnage of the dealers

Analyzing and Follow up of payments to work contractors engaged with Government

- Track and monitoring of Payment made to GST dealers by the DDOs
- Monitoring of GST return compliance by the dealers and DDOs
- Identification of payments made to the cancelled dealers
- Guidelines to DDO for checking the status of dealer before remitting the payments

01



02

01- Sectoral analysis of Brick Kilns to identify dealer suppressing turnover (1/4)

Case Study on Brick manufacturing (Brick Kilns)- Approach by the State Tax Department

STAGE-1 (DATA COLLATION)

- ✓ Analysis of suppression in output tax by Brick Kilns based on inward coal supplies
- ✓ The data available in the E-way bill reports and GSTR2A/2B was collated for these dealers to arrive at the inward cess amount
- ✓ Cess amounting to Rs 400 is levied per tonne of coal. *(As per the S.no 39 of Notification No.1/2017-Compensation Cess (Rate) dated 28th June 2017)*
- ✓ To arrive at the inward quantity of coal in tonnes the amount of cess was divided by 400
- ✓ A study by Planning Department (J&K) has estimated that 14 tonnes of coal is used to produce 1 Lakh bricks.
- ✓ For our desk analysis, we have considered the production of 1 Lakh brick on consumption of 18 tonnes of coal
- ✓ The sales price of the bricks was also arrived based on the market survey of prevalent rate
- ✓ Sales price of previous years was adjusted over the years to account for annual inflation in costs

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
4.5/brick	4.75/brick	5.00/brick	5.25/brick	5.50/brick	5.75/brick	6.00/brick

01- Sectoral analysis of Brick Kilns to identify production suppression (2/4)

Case Study on Brick manufacturing (Brick Kilns)- Approach by the State Tax Department

STAGE 2 (DESK ANALYSIS)

- ✓ No of dealers identified in this sector: 404
- ✓ Estimated suppression of Tax Liability: 54.91 crores
- ✓ Taxable value and GST tax on bricks was calculated beginning from FY 2017-18 till August 2023
- ✓ Tax was calculated based on the applicable rate which was 5% till FY 2021-22 and 12% or 6% post FY 2021-22
- ✓ Comparison of the liability declared by the dealers in their 3B vis-à-vis the liability on account production estimated revealed suppression in many cases

STAGE 3 (TARGETED INTERVENTIONS)

- ✓ A team of officers was constituted to further analyze specific dealers
- ✓ Top 10 dealers were selected for Physical inspection
- ✓ Working on the dealers shared with circles to scrutinize dealers under their jurisdiction

01- Sectoral analysis of Brick Kilns to identify production suppression (3/4)

Case Study on Brick manufacturing (Brick Kilns)- Suppression in liability by specific dealers

- ✓ In one of the case an estimated liability suppression of Rs 42.54 Lakhs on account of suppression in the production (Rajouri Based Dealers)

Total Cess amount as per GSTR2A data of the dealers over the years	2046081.00
Coal in tonnes (Cess amount/400)	5115.20 tonnes
Estimated Brick production @ 18 tonnes/Lakh	28417789 bricks (284 Lakh)
Taxable Value of bricks after calculation	Rs 154453467.00 (1544.53 Lakh)
Estimated GST Liability as per the coal consumption over the years	Rs 9873842.00 (98.73 Lakh)
GST liability declared by the dealer over the years	Rs 5619359.00 (56.19 Lakh)
Suppression in GST liability by the dealer	Rs 4254483.00 (42.54 Lakh)

01- Sectoral analysis of Brick Kilns to identify production suppression (4/4)

Case Study on Brick manufacturing (Brick Kilns)- Suppression in liability by specific dealers

- ✓ In another case a liability suppression of Rs 20.26 Lakh has been identified (Akhnoor Based Dealer)

Total Cess amount as per GSTR2A data of the dealers over the years	4189814.00
Coal in tonnes (Cess amount/400)	10474.50 tonnes
Estimated Brick production @ 18 tonnes/Lakh	58191861 bricks (581 Lakh)
Taxable Value of bricks after calculation	Rs 308918951.00 (3089.18 Lakh)
Estimated GST Liability as per the coal consumption over the years	Rs 16516402.00 (165.16 Lakh)
GST liability declared by the dealer over the years	Rs14489554.00 (144.89 Lakh)
Suppression in GST liability by the dealer	Rs 2026848.00 (20.26 Lakh)

02 - Analyzing and Follow up of payments to work contractors engaged with Government

- ✓ Implementation of In-house Portal to track payments made by DDOs
- ✓ Improved monitoring of the payments made to works contractors by the DDOs
- ✓ SoP framed for DDOs to check the registration status and return compliance before remitting payments
- ✓ Creation of intelligence reports based on the payment made to the GST dealers such as:
 - ✓ Identification of cases where payments are made to cancelled/suspended dealers
 - ✓ Data triangulation with other GSTN reports such 3B data dump to identify the cases of mismatch in turnover reporting by the dealers
 - ✓ Monitoring of the cases of non-filers resulting in the revenue leakage
 - ✓ Monitoring of GSTR7 filings by the DDOs and ensuring timely compliance
 - ✓ In Pipeline- Direct data linking with PAYSYS system to ensure real time data sharing

03- Analysing Potential from Data Integration through RFID with E-way Bill Portal

Limitation of Existing RFIDs at Toll Plaza at NHAI

- ✓ Limited data capturing and sharing since the RFID scanners are installed at the Toll Plaza under NHAI
- ✓ Only one single point covered under the existing system to guard inter-state movement (Lakhanpur)
- ✓ No mechanism to relay the data of the vehicles with no or inoperative fast tags to the E-Waybill system
- ✓ Lack of coverage on the internal routes results in non-capturing of intra-state movement

Strengthening the existing system and upcoming initiatives

- ✓ Proposal to install and implement RFID scanners at the key location to capture the vehicle data missing the existing system
- ✓ NIC team taken on board for intelligence reports based on the captured data
- ✓ DPR with respect to same has been prepared for actions and approval
- ✓ Key entry points to monitor the inter-state movement to be guarded with the RFID system (Battal More)
- ✓ Data of intra-state movement will get captured which was missing from the reports

Thank you