मुख्य आयुक्त का कार्यालय, वस्तु व सेवाकर एवं सीमा शुल्क
OFFICE OF THE CHIEF COMMISSIONER OF GST AND CUSTOMS
हैदराबाद क्षेत्र, HYDERABAD ZONE
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GST BHAVAN, LAL BAHADUR STADIUM ROAD:
BASHEERBAGH: HYDERABAD-500 004

C. No: GCCO/TECH/Meet/15/2023-TECH Dated 14-10-2024

MINUTES OF THE MEETING OF THE STATE CO-ORDINATION COMMITTEE, TELANGANA STATE HELD ON 25.09.2024

Meeting of the State Co-ordination Committee of Telangana State for the Quarter ending September, 2024 was held on 25.09.2024 at 10.00 hrs. This was the second meeting for the financial year 2024-25 as mandated by the GST Council in its 50th Meeting. The meeting was co chaired by Shri Sandeep Prakash, IRS, Chief Commissioner, Central Tax & Customs, Hyderabad Zone and Shri S.A.M. Rizvi, IAS, Principal Secretary Revenue and Commissioner, Commercial Taxes, Government of Telangana. The list of officers who attended the meeting is as under:

Sl. No	NAME OF THE Attendees (Mr. / Ms.)	Designation
1	Ch. Venkat Reddy, IRS	Additional Director General, DGGI, Hyderabad
2	Sahil Inamdar, IRS	Additional Commissioner, Chief Commissioner's office
3	Shaifali Singh, IRS	Director, GST Council Secretariat
4	Kasi Visweswar Rao	Additional Commissioner, Legal, State Commercial Taxes Dept.
5	K. Ravi	Joint Commissioner, Policy, State Commercial Taxes Dept.
6	Mahesh Singarapu, IRS	Deputy Commissioner, Chief Commissioner's office.
7	Gomathi	Deputy Commissioner, CCW, State Commercial Taxes Dept.

The following issues were discussed in the meeting:

1. Irregular availment of IGST by masking of identity of taxpayers:

The issue of alleged masking of data of certain taxpayers which led to loss of IGST during the data analytics carried out by Telangana State Commercial Taxes Department was discussed. It was brought to the notice of the Committee that letters were addressed to the SGST authorities requesting for information of the taxpayers involved in the said evasion, and that response is still awaited. In this connection, CCT informed the Committee that the issue is presently under investigation by SGST authorities and Telangana police and also that a High-Level Committee had been formed by the Government of Telangana to examine the alleged revenue loss. It was informed that data would be shared on conclusion of the investigation and submission of High-Level Committee's report.

2. Valuation of Supply of Construction Service for buildings which are leased or not sold:

The ADG, DGGI had raised a concern regarding varying practices of valuation on the subject of valuation of supply of Construction Service, particularly with reference to commercial buildings built on development basis during the last quarterly meeting. In many a case, it was found that the constructed space is not sold, but leased to businesses. In such cases, the value of first sale would not be available for arriving at correct valuation of the constructed space allotted to the landowners. ADG, DGGI further mentioned that a note (Copy enclosed) was prepared by DGGI regarding the same.

Decision: The issue was discussed and it was decided that the procedure mentioned in the note of DGGI to be followed by the concerned authorities, i.e. the methods of valuation given in Rule 27 of the CGST Rules, 2017 would be followed sequentially and in case it is not possible to reach appropriate valuation, to resort to Rule 30 i.e., cost of provision of service (construction service) plus 10 percent as given therein.

3. GST liability on builders/developers for supply of construction service to the landowners and irregular availment of ITC after receipt of Occupancy Certificate:

It is informed by the CCT that State Commercial Taxes Department (SGST) has been coordinating with the Department of Municipal Administration of Government of Telangana for obtaining the data of Occupancy Certificates

issued to the Builders / developers either on real time basis using APIs or at certain frequency. It was also informed that once the mechanism for obtaining such data is in place, the modalities for sharing the information with DGGI and the CGST formations would be worked out. It was also agreed to conduct an awareness campaign to sensitize the industry through concerned associations before initiating preventive action against erring taxpayers.

4. Tax liability on Royalty charges (including DMF and SMET) under RCM:

It is informed by the CCT that the Commercial Taxes Department has been coordinating with the Mines and geology Department of Government of Telangana for obtaining the data of Mining permits issued to the mining companies. This data would be useful to control the evasion of GST on the royalty paid by the leaseholders to the Government, in view of the recent judgment by the Supreme Court that such Royalty does not constitute a tax and as such is liable to be taxed under GST.

It was also informed that once the mechanism for obtaining such data is in place, the modalities for sharing the information with DGGI and the CGST formations would be worked out. It was also agreed to conduct an awareness campaign to sensitize the industry through concerned associations before initiating preventive action against erring taxpayers.

5. **Collection of data from DISCOMs**:

It is informed by CCT that the State Discoms may be advised to collect GSTIN data of their commercial consumers. It is felt that, in case of high-consumption users of electricity, obtaining data of such users would be useful for identification of unregistered persons with substantial turnover and also in identifying persons obtaining fake registrations. Further it would also help the electricity Companies in identifying their consumers who may have taken a connection for domestic purposes, for availing lesser charges, but instead carrying out commercial transactions. The Committee decided to obtain the data from the Discoms and to take up this activity on pilot basis in a particular geographical region.

6. **Evasion in Iron & Steel Sector**: CCT stated that while examining the collection data available, it was seen that the ITC-to-Cash ratio in GST

payments by taxpayers in the Iron & Steel sector is more than 90% and that the same may be indicating possible tax evasion by use of fraudulent ITC. Chief Commissioner mentioned that a study of the Sector was being undertaken by Principal Commissioner, Rangareddy Commissionerate. CCT requested that Committee of officers from Commercial Taxes Department, DGGI and Rangareddy Commissionerate may be formed to study the industry further and suggest suitable remedial action.

7. **Aadhar Based registration through Suvidha Kendras**: In continuation of the decisions taken in the Committee meeting on 25.07.2024 regarding setting up of Biometric based Aadhar Authentication of GST Registration, it was decided that a Broadband of suitable capacity similar to the Aadhar Enrollment Centres, should be provided in all the 14 Suvidha Kendras proposed to be set up by SGST and CGST and uniformity should be maintained in signage and the design of these Suvidha Kendras.

8. **Blocking of credit under Rule 86A of the CGST Rules, 2017**:
The rule 86A authorizes Commissioner or any officer authorized by him, not below the rank of Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible, to disallow the taxpayer to debit their Electronic Credit Ledger for a period up to one year. In the case of M/s Bhavani Oxides and Others vide WP No: 10930,10425, 10459 & 12733/2024, Hon'ble High Court of Telangana held that 86A(2) does not provide for any statutory remedies and that principles of natural justice must be observed while taking an action under Rule 86A of the Rules and a speaking order must be issued. The aforesaid Order has been passed by the Hon'ble High Court in the cases initiated by the State GST. However, as this Order has wide ranging implications, the matter was examined and it is noted that the purpose of Rule 86A is to protect the Revenue pending investigation, and such purpose would be defeated if action under Rule 86A has to be preceded by issuance of a SCN as the errant tax payer can utilize and exhaust the ITC believed to have been obtained fraudulently while the SCN is being adjudicated. Hence, it appears that if the order of the Hon'ble High Court is to be implemented in-toto, it would render the said Rule redundant. It was mentioned by Chief Commissioner CGST, that a letter dated 10.09.2024 has been addressed to GST Policy Wing suggesting that sub-rule (2) of Rule 86A may be amended to incorporate provisions similar to Section 83 read with Rule 159(5) of the Rules, so as to provide for an efficacious remedy to the tax payer in case of blocking of credit under Rule 86A; and for post-facto

disclosure of reasons for blocking. The CCT Telangana assured that a uniform stand will be taken by both the authorities in this regard.

9. **DIN System**: A concern was raised by the ADG, DGGI that when the officers of CGST are visiting the premises of taxpayers registered with SGST, few taxpayers are showing the letters issued by SGST authorities about a possible violation of Section 6(2) of the GST Act. It is observed that the information sought for in the notices issued by the SGST authorities is general in nature and that it is not possible to discern the objective/scope of the investigation. It is also stated that the authenticity of the letters issued by SGST authorities could not be verified immediately in the absence of any DIN number similar to the letters issued by CGST authorities. CCT informed that in case the taxpayers mention such existing proceedings, the matter may immediately be notified to him and that they would provide immediate clarification to the DGGI and CGST formations. He also requested that a suitable officer from CGST formation may familiarize the State authorities about the design and working of the functionality of the DIN portal. In this context it was also noted that in Writ Petition (Civil) No. 320 of 2022 in case of Pradeep Goyal Vs Union of India, the Supreme Court of India impressed upon the States to consider to implement the system for electronic (digital) generation of a DIN for all communications sent by the State Tax Officers to taxpayers and other concerned persons so as to bring in transparency and accountability in the indirect tax administration at the earliest.

Signed by
Sahil Vilas Inamdar
Date: 14-10-2024 17:59:18

(SAHIL INAMDAR)
ADDITIONAL COMMISSIONER