

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

RAJYA SABHA
UNSTARRED QUESTION NO. 1847
ANSWERED ON 05/08/2025

Fake GST Firms and Input Tax Credit Fraud

1847. Shri Randeep Singh Surjewala:

Will the Minister of FINANCE be pleased to state:

- (a) the number of fake firms detected under the GST regime during the last five years;
- (b) the total amount of fraudulent Input Tax Credit (ITC) claimed by such fake firms during these two years;
- (c) the amount of ITC recovered during this period and the number of arrests made in connection with ITC frauds;
- (d) the revenue loss due to such fraudulent ITC claims on the overall GST revenue collection;
- (e) the steps taken by Government to prevent fraudulent GST registrations and ITC claims; and
- (f) the system in place to track repeated offenders or mastermind networks behind these fake firms?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (d): The details of cases of ITC fraud detected by the central tax formations are given below:-

Total Number of ITC Fraud Cases				
April 2022 to March 2025				
Period	No. of cases	Detection (Rs. in Cr.)	Voluntary Payment (Rs. in Cr.)	No. of arrests
2020-21	7268	31233	2232	429
2021-22	5966	28022	2027	292
2022-23	7231	24140	2484	153
2023-24	9190	36374	3413	182
2024-25	15283	58772	2675	178

(e): As steps taken by Government to prevent fraudulent GST registrations and ITC claims, amendments in GST laws, rules and procedures have been made to provide that:

- Input tax credit can only be availed in respect of such invoices or debit notes which have been furnished by the supplier in FORM GSTR-1 and details of which have been communicated to the registered person in FORM GSTR-2B.
- A registered person is not allowed to furnish FORM GSTR-1, if he has not furnished return in FORM GSTR-3B for the preceding tax period.
- Filing of FORM GSTR-1 is made mandatory before filing of FORM GSTR-3B for a tax period and filing of FORM GSTR-1 has been made mandatorily sequential.
- Electronic invoicing system (e-invoice) has been made mandatory for all B2B transactions for businesses with turnover exceeding Rs. 5 crore.
- OTP based verification of PAN on mobile number at time of registration and email address linked with PAN. This will help in preventing GST registration using PAN of other persons, without their knowledge.
- Risk based biometric-based Aadhaar authentication of registration applicants.
- An applicant who has not opted for Aadhaar authentication, will also be required to visit GST Suvidha Kendra for taking of photograph and for document verification.
- Physical verification in high-risk cases, even when Aadhaar has been authenticated.
- Details of bank account will be required to be furnished within 30 days of grant of registration or before filing of FORM GSTR-1/ IFF, whichever is earlier.
- System-based measures like:
 - suspension of the registration in respect of such registered persons who do not furnish the details of valid bank account within the time period prescribed.
 - suspension of registrations pertaining to registered persons who default in timely filing of returns is carried out in terms of provisions of rule 21A of the CGST Rules, 2017.
 - the requirement of Geo-tagging of the place of business of the applicant for the new registrations has been provided on the portal.
 - Automated notices under Rule 88C/88D in form of DRC-01B and DRC-01C are being issued.
- Offence of fraudulent availment of ITC without invoice or bill is now cognizable and non-bailable offence.

- Beneficiary, who retains benefit or at whose instance a supply has been made without the issuance of an invoice, or invoice has been issued without supply, or excess ITC has been availed/distributed, has been made liable for penalty.
- The Invoice Management System (IMS) is a functionality introduced on the GST portal in late 2024, designed to help recipient taxpayers manage incoming invoices more effectively. It allows recipients to accept, reject, or mark invoices as pending when these are saved or filed by their supplier taxpayers. With the implementation of IMS, registered recipients can now cross-verify and reconcile invoices reported by suppliers in their GSTR-1, thereby streamlining and strengthening the ITC claim process.
- To weed out fake/bogus registrations, a special drive against fake Input Tax Credit and fake registration was launched during the period from 16th May, 2023 to 15th July, 2023 and 16th August, 2024 to 15th October, 2024 in coordination between State and Central GST administrations.

(f): As a measure to track down and take action against repeated offenders or mastermind networks behind fake firms, there are sufficiently deterring legal provisions in the CGST Act which are as under:

- i. Punishment for tax evaded or the amount of ITC wrongly availed or utilised or the amount of refund wrongly taken;
- ii. Suspension / Cancellation of registration of taxpayers involved in fake ITC cases;
- iii. Blocking of ITC in electronic credit ledger;
- iv. Provisional attachment of property / bank accounts, etc. for the recovery of Government dues;

Further, risk profiling and risk categorization is being undertaken in a near real time manner on the basis of 360-degree profiling of the taxpayers. Intelligence generation tool based on data analysis have been deployed and is shared with tax administrations. Moreover, Non- Genuine Tax Payer module has been implemented by GSTN to flag bogus/high risk taxpayers.
