

ALL INDIA INDUCTION FURNACES ASSOCIATION



AIIFA

INDUCTION FURNACE NEWSLETTER

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What's Inside

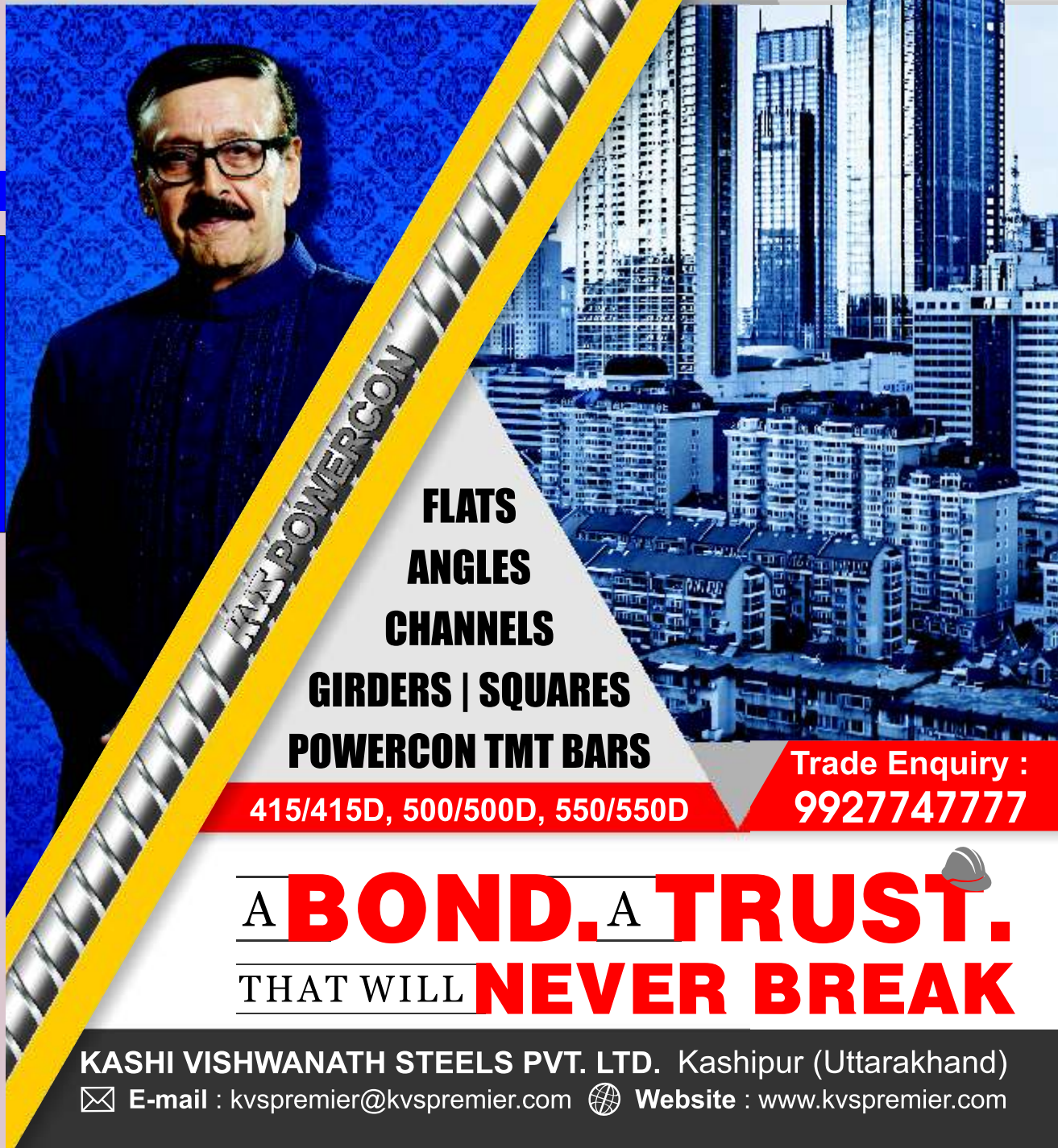
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- Request Letter for Charging GST on Steel Scrap
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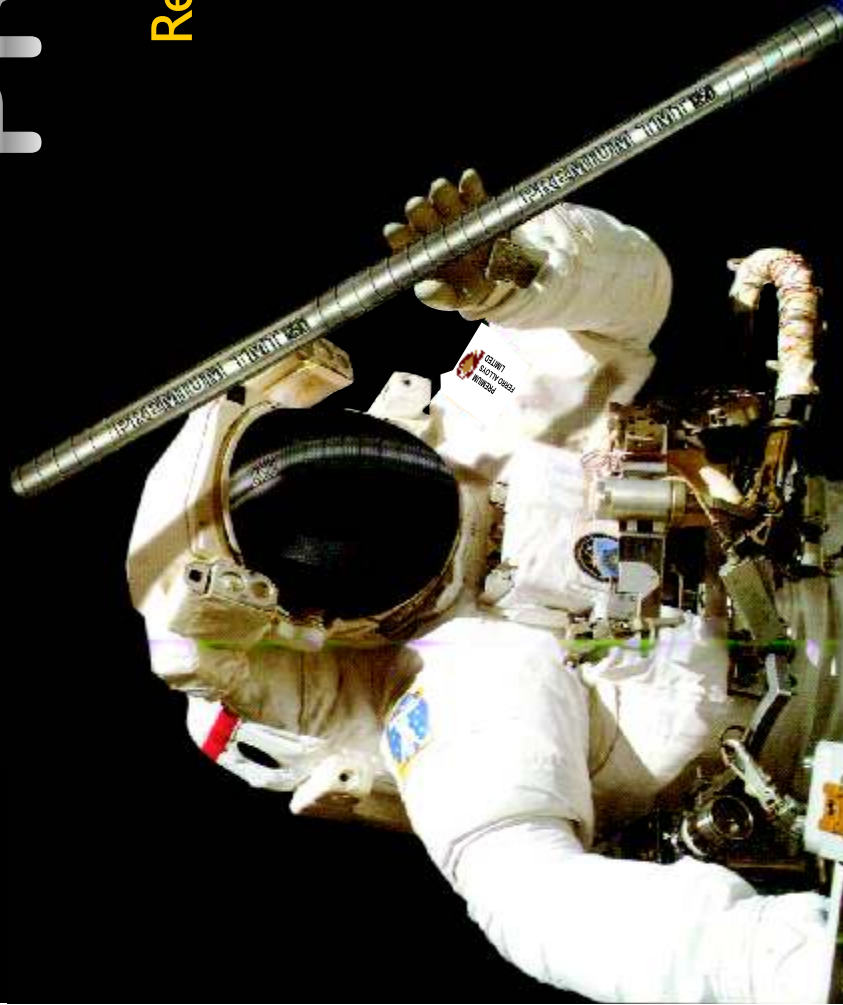
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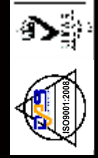


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To,

Shri Faggan Singh Kulaste
Hon'ble Minister of State
Ministry of Steel, Government of India
Udyog Bhawan, New Delhi – 110011

Sub: Request to bring Electric Induction Furnace (EIF) based units/plants having EIF-Continuous Casting (CC)- Direct Rolling (DR) from out of the purview of Environment Clearance (EC), producing steel ingots/billets up to 1 lakh tonne per annum.

Respected Sir,

The iron and steel sector are a strategically important sector for the developing economy of India as it contributes **2% to the overall national GDP**. Also, this sector provides abundant opportunities for employment in India. India has already been the **2nd largest producer** of steel in the world. At present, the per capita steel consumption in India is still quite low i.e., around **68kg** as compared to the global average of **208 kg**. This shows that the country has to go in a long way to achieve a reasonable level of steel consumption. To reach per capita consumption of around **160 kg**, India has set an ambitious target of steelmaking capacity of **300 MT** by year **2030-31**

As you are kindly aware that, India is a unique country in the world where almost 60% steel is produced from the secondary steel sector which include Electric arc Furnace, Induction Furnace and Re-Rolling mills. There are **288 sponge iron producers and 40 pellets producers** that use iron ore/ pellets and non-coking coal/gas providing feedstock for steel production; **36 Electric Arc Furnaces & 833 Induction Furnaces** that use sponge iron/Pellets and/or melting scrap to produce semi-finished steel and around **1052 re-rollers** that rolls out semi-finished steel into finished steel products for consumer end use. Therefore, the secondary steel producers are equally important in Indian scenario. (**JPC AR 2021-22**)

Induction Furnace industry has been contributing very significantly in the overall production of steel in the country, both in quantitative terms and as percentage of total steel production. Crude steel production through induction Furnace route has been continuously increasing from about **4.3 MT (16%)** to **22.6 MT (32%)** in **2010-11** and finally to **33 MT (30%)** in **2019-20**. Contribution of the Induction Furnace sector is likely to be significant in years to come in making available quality steel at competitive price to the consumers in different geographical locations in the country.

Since, it has a number of advantages such as **low investment cost, land intensive** as compared to integrated steel producer, **agility to produce various profiles** of steel within a short time span, **low operating Cost**, providing greater **opportunity of employment** in rural areas to prevent un-necessary

migration of people towards Metropolitan city etc., Moreover, the main advantage of the induction furnace is **a clean, energy-efficient and well-controllable melting process compared to most other means of metal melting**. Only air pollution occurs and **no water or noise pollution takes place** in induction furnace, therefore, a special thrust is required to be given to look in to the barriers which are coming on the way for increasing the production from this sector.

Today, the Indian Steel Sector is in a position where continued positive actions in terms of investments and Government interventions bringing it to a position of global leadership yielding accelerated GDP, industrialization and massive employment opportunities.

With such an immense potential to be tapped and with flagship initiatives like Make in India which forms the key impetus for enhanced steel demand across sectors from Infrastructure, Construction, Power & Energy, Defence and Aerospace, the Indian Steel Sector is soon expected to achieve new heights.

It is informed that, **standalone Induction Furnace units** used **electricity** which is the cleanest source of Energy as against use of fuel such as coal, furnace oil, gas etc., in other type of furnaces which emits enormous amount of pollutants both solid as well as gaseous material in to the environment. For production of liquid steel from Induction furnaces, only solid charge materials such as scrap, sponge iron, pig iron etc., are used which does not contain any carbonaceous material.

Therefore, it may kindly be appreciated that production of Ingot/Billet from the above furnaces will not cause any appreciable pollutants. However, very small amount of pollution may be generated for which there is provision in design of the furnace to provide a hood on the top of the furnace with exhaust arrangement through the chimney and even the small amount of the pollutants is thus release in to the atmosphere only through a very tall chimney of sufficient height around 30 meter as per the Central Pollution Control Board (CPCB) norms.

Steel production from electrical induction furnace saves about 62% of the energy compared to the conventional steel making units significantly reducing carbon dioxide emissions. Because of cleaner eco-friendly process without carbon addition during melting, there is no possibility of emissions of any harmful gases which are generated from other steel making process like BF+BOF and even EAF where graphite electrodes used for arcing and supply carbon in melt as well as lancing oxygen.

It is also informed that, Induction furnace route of steel making adopting latest steel making and processing technologies namely hot charging of steel scrap/sponge iron in induction furnace, **continuous casting of steel** in place of conventional ingot casting, **direct rolling of continuous cast of billets**, the steel making through this would be the most efficient in terms of very low GHG emission. In both cases, electricity is used as a fuel therefore there is no question of concerned about the environment.

Furthermore, as per the Steel Policy 2017, announced by Ministry of Steel, Government has decided that the present capacity of crude steel production should be enhanced to **300 MTPA** by the **year 2030**. Since share of steel production through EIF units/plants is **30%**, the EIF based units of **30000 TPA** are not economically viable in today's scenario. In view to achieve **300 MTPA** capacity of Steel production, minimum size of EIF steel making unit, which are presently in the range of **25000 TPA to 30000 TPA** must

be **100000 TPA and above** and such unit may be either standalone units or integrated with continuous and Rolling mill to produce final rolled product through the **Direct Rolling Technology**. If the Environmental Clearance (**EC**) of EIF units/plants is continued in the same range, the EIF units will grow like mushroom. This will require huge land, infrastructure, logistics etc and would be difficult for them to meet out the target according to **National Steel Policy 2017**.

However, in case of **standalone Re-rolling Mills**, its generally uses Pusher Type Reheating Furnaces. Three types of fuels are generally used in Reheating Furnace namely Solid fuels like Pulverised coal, liquid fuels like low sulphur heavy stock (LSHS) and Gaseous Fuels like PNG. Moreover, these Re-Rolling units are also very concerned about the environment & have already upgraded technology to overcome the environmental problem. They have installed most efficient Air Pollution Control devices likes Wet Scrubbers/ De- Sulphuration Equipment's in their unit to control the Air Emission. By installation of these Air Pollution Control equipment's the smoke emission from the stack/Chimney is non-visible & negligent.

It is also informed that, in view of the economic viability, these standalone rolling units are now being gradually shift to direct rolling technology or switch over to cleaner fuel like PNG which has also been a priority of the Government to reduce GHG emission.

Based on the various representations made by the industry to increase capacity of steel industry from 30000 TPA to 100000 TPA for EIA, Ministry of Environment, Forest and Climate change has taken a serious note on these issues and issue a notification vide no. 1071 dated 23.03.2020 published in the official Gazette of India vide CG-DL-E-11042020-219035. This notification was uploaded on the website of Ministry of Environment and Forest (MOEF) on dated 24.08.2020. And subsequent notification date 12.10.2021 extending date for objections to 15.12.2021 along with translated version of Draft EIA Notification 2020.

It is more than 10 months since the translated version and 2 years since the original notification was published but steel industries are still waiting for final notification. The issuing of Final notification will give a big boost to steel industry and will also help in achieving the Indian Government's target of 300 Million TPA of steel production by 2030. It will also help the projects hanging in the air to start production and add to country's economic growth.

We would like to request you kindly take necessary action for issuing of final EIA notification 2020.

Hope our request is duly considered by you,

Thanking You,

Kamal Aggarwal

Hon. Sec. General

To,
Shri Faggan Singh Kulaste
Hon'ble Minister of State
Ministry of Steel, Government of India
Udyog Bhawan, New Delhi – 110011

Sub: Request to exempt existing Steel Plants from Public Hearing located in RIICO Industrial Area, Bhiwadi, Rajasthan

Respected Sir,

This has reference to the letter issued by Ministry of Environment, Climate and Forest Change on **13th April, 2022** addressed to **Member Secretary, Rajasthan State Pollution Control Board (RSPCB)** wherein it has been clarifying that even **stand-alone re-rollers** using the Hot rolling Process (previously applicable to cold rolling process, pickling, annealing or any such highly polluting processes) have to obtain Environmental Clearance as per EIA Notification 2006.

It is informed that, prior to receive this clarification by the RSPCB, they were reluctant to renew the CTO's of such rolling mills but when it was received by the RSPCB, the units have been asked to obtain EC. In response to such clarification, all of the units operated in RIICO Industrial area, Bhiwadi, Rajasthan have applied for an Environmental clearance.

As you are kindly aware that, the world has seen a massive transformation in the past few years due to the COVID 19 pandemic. Lives and livelihoods have been affected tremendously across the globe. The industrial sector has been hit hard and impacts may take years for recovery. The Secondary steel sector in India was no exception. However, the secondary steel sector showed immense dedication and will power to combat the difficult situation (like inadequate raw material supplies, the rising price of energy and high transportation cost, Manpower, lack of finance etc.,) and still struggling to emerged as winner.

As per the Air Pollution Commission, since the CTO of units has not been renewed therefore the units are in violation of the Act. Here it may be noted that prior to renewal of CTO, SPCB requires an EC. In this context, the units have been applying for EC and subsequently the units have received same multiple replies verbatim:

"As per the records submitted, the project is located in Critically Polluted Area (CPA). It has been decided by the Competent Authority in the Ministry that as per directions of Hon'ble Supreme Court expansion/new industry cannot be set up in SPAs/CPAs."

It is also informed that, one of the units from RIICO industrial area had applied for EC and 3 months have been passed and still this unit haven't received any TOR, let alone given time for Presentation, Public Hearing or the EC. According to EC consultants, the MoEFC recently updated their portal to allow for “**Regularisation of Existing Unit**”. The units operated in **RIICO industrial area**, Bhiwadi are in turmoil and feel stranded amongst all this and hoping the Ministry's intervention in this matter urgently.

Moreover, the concept of Public Hearing was introduced for the first time in the Environment Impact Assessment vide Notification S.O. 60(E) dated 27.01.1994 and subsequently formalized vide Notification S.O. 318 (E) dated 10.04.1997 making amendment in the Environmental Impact Assessment Notification, 1994. Whereas, the Industrial Estates were added in the Schedule to the EIA Notification mandating the requirement of environmental clearance vide notification S.O. 801 (E) dated 7.07.2004.

In between, the above two notifications, another notification No. S.O. 737 (E) dated 1st August, 2001 introducing the concept of exemption from public hearing for certain category of projects and activities in the process of environmental clearance was published.

Since these units are operating for a long time and are situated in recognised Industrial Areas, which have an Environmental Clearance of their own, therefore, it appears that the process of a public hearing for such units is not only time consuming but also unnecessary.

Keeping in view of the above, Ministry of steel is requested to kindly intervene in this matter and make a dialogue with concerned Ministries:

1. To exempt the existing units operated in RIICO Industrial Area from Public hearing as being a part of the EC Process or
2. To treat CTO of the existing unit operated in RIICO Industrial Area valid till the unit get EC whichever is possible in this case

We hope that our request is duly considered by you

Thanking You,

Kamal Aggarwal
Hon. Sec. General

To,

Shri Faggan Singh Kulaste
Hon'ble Minister of State
Ministry of Steel, Government of India
Udyog Bhawan, New Delhi – 110011

Sub: Request for kindly make a dialogue with competent authority of Ministry of Petroleum and Natural Gas/Commission for Air quality Management in connection with permissible fuels for industrial applications in Delhi NCR under Direction number 64

Ref: CAQM Notice dated 02. 06. 2022, F. No. A-110018/01/2021-CAQM/8045-8071

Respected Sir,

This has reference to the Direction No. 64 issued by Commission for Air Quality Management in National Capital Region and adjoining areas vide F. No. A-110018/01/2021-CAQM/8045-8071 dated 2nd June in connection with permissible fuels for industrial applications in NCR.

Whereby as per point no.2 para (i) of the said direction, it has been stated that the industries operated in NCR shall be completely switch over to **PNG or Biomass** fuels latest by 30th September, 2022 (where PNG infrastructure/ supply is available) and the areas where such facilities is not available, they shall be permitted to **31st December, 2022** failing which such industries shall be closed down and not permitted to schedule their operation.

We would like to inform you that, the association has received a request from Corporate Debtor namely Rathi TMT Saria Pvt Ltd., RIICO Industrial Area, Khushkhera, Dist- Alwar, Rajasthan which is currently undergoing Corporate Insolvency Resolution Process vide order **dated 16.04.2019** being **CP(IB) No. 938 of 2018** passed by the **Hon'ble NCLT, Principal Bench, at New Delhi**. Accordingly, Shri Ajit Kumar was appointed as IRP in the said matter.

Furthermore, the Resolution Plan has been approved by the Committee of Creditors and subsequently, the application for approval of Resolution of Plan is pending before the Hon'ble NCLT, New Delhi.

In this context, it may be noted that, the Corporate Debtor has the infrastructure of GAIL installed in the plant of the Corporate Debtor. However, the gas connection is not active as the officials of GAIL have stated that since the agreement was terminated in December '2015 and as per present arrangement new connections in **khushkhera** region will be provided by another agency.

Further, Shri Ajit Kumar, IRP has already requested GAIL to restart the said services in accordance

with the direction of CAQM. In the meantime, the concerned personnel from GAIL have visited the plant of the Corporate Debtor for routine inspection and checked the pressure safety valve and taken 4 numbers for calibration purposes.

Considering the peculiar situation of the Corporate Debtor, wherein the officials of GAIL have not reverted and tried to address their grievances and at the same time the Corporate Debtor is undergoing CIR process.

However, in the meantime, Shri Ajit Kumar is taking proactive steps and measures to keep the Corporate Debtor as going concern in accordance with the law and complying with the directions of the respective authorities.

In view of the above, the association has also contacted another gas supply agency (Haryana gas ltd) to supply gas to this unit. They have stated that, we are ready to supply gas to this unit based on the condition that the infrastructure facility in connection with supply of gas shall be independently installed by Haryana Gas Ltd. When we talked about expenses what to be incurred for the same, they have stated that it may be in tune of Rs. 60 lakhs and it will take time for at least 3-6 months for establishment of infrastructure.

Keeping in view of the facts and circumstances of the present matter wherein the Corporate Debtor is undergoing CIRP and the application for approval of the Resolution Plan is pending before the Hon'ble NCLT., we would like to request you kindly make a dialogue with **Ministry of Petroleum and Natural gas to issue a directive to concerned authority of GAIL:**

- To restart the supply of gas in this unit or,
- Concerned authority shall permit Haryana gas ltd to use the infrastructure of GAIL or make a dialogue with **Commission for Air Quality Management** to grant such waiver/Relaxation in time period to Rathi TMT Saria (P) Ltd., whichever is possible in this case, to keep the corporate Debtor as going concern.

We well understand that, in the new environment, the industry has to be steered with appropriate policy support in respect of environmental friendliness, mineral conservation, quality of steel products, use of technology to ensure that the country can, over time, reach global efficiency benchmarks to become a world leader in steel production technology.

Hope our request is duly considered by you,

Thanks & Regards

Kamal Aggarwal

Hon. Secretary General

To,

Shri Faggan Singh Kulaste
Hon'ble Minister of State
Ministry of Steel, Government of India
Udyog Bhawan, New Delhi – 110011

Sub: **Proposal for charging GST on Steel Scrap procure from domestic market on RCM basis**

Respected Sir,

As you are kindly aware that, India is a unique country in the world where almost 60% steel is produced from the secondary steel sector which include Electric arc Furnace, Induction Furnace and Re-Rolling mills. There are **292 sponge iron producers** that use iron ore/ pellets and non-coking coal/gas providing feedstock for steel production; **27 electric arc furnaces & 833 induction furnaces** that use sponge iron and/or melting scrap to produce semi-finished steel and around **1098 re-rollers** that rolls out semi-finished steel into finished steel products for consumer end use. Therefore, the secondary steel producers are equally important in Indian scenario. **(JPC AR 2021-22)**

According to the data published by Joint Plant Committee, Ministry of Steel, Government of India (Annual Statistics Report-**2021-22 prov.**), India produced over **120.00 million** tonnes of steel through **BF-BOF (45.14%), DRI-EAF (26.84%) & Scrap/DRI-EIF (28.01%) route**. In other words, **54.17 MT** of steel produced through oxygen route (**BF-BOF**) and remaining **65.83 MT** of steel produced through electric route (**DRI-EAF & Scrap/DRI-EIF**).

Out of **65.83 MT**, about **30.33 million tonnes** was supported by **sponge iron** as feed material. This leaves about **35.5 million tonnes** of steel to be served by way of **steel scrap**. At **1.1 tonnes** of scrap per tonne of crude steel, one may expect that to produce **35.5 million** tonnes of steel, one would need **39.05 million** tonnes of scrap. India imports about close to **7 million tonnes** of scrap and domestic generated scrap is around **15 million tonnes** which would leave us with a need to internally generate **over 17million tonnes** of steel scrap annually and subsequently this figure is growing to grow three-fold by **2030**.

Since, scrap is one of the key factors in fostering a circular economy as well as its also reduces reliance on virgin raw materials for steel production, mitigating production costs and eliminating waste accumulation therefore, it's become a primary raw material for the recyclers, especially in the Induction Furnace route.

We would like to bring to your kind notice that, the Scrap Generators and Consumer are mainly Integrated Steel Plants, Electric Arc Furnaces, Induction Furnaces, Captive Foundries in Automobile Segments, Foundries producing steel casting and consuming steel scrap. Moreover, there are some other Scrap Generators like Re-Rolling Units, Railway Yards and Workshops, Ship breaking Yards, Port Trusts, Engineering Industries, Automobile Industries and Ordnance Factories etc., already falls under the HSN Code 7204. However, there is no HSN code for the Household scrap procure from domestic scrap suppliers (Kabaddi)

Further, out of the total GST collection from the domestic scrap market, the ferrous scrap segment is the largest contributor to the GST collection of the Government. At present the share of ferrous scrap in total domestic scrap market is more than **INR 10,000 crores**. Considering the target set in the NSP-2017 and the trend to increase the steel production through scrap, it is anticipated that such amount would

increase to **INR 35,000 crores by 2030**. Therefore, this sector is a significant contributor to the overall GST collections for the Government. The following table shows the raw materials generally used in IF route with HSN Code and tax thereon:

| Product | HSN Code | Tax |
|--------------------------------|----------|-----|
| Iron ore lumps, fines, pellets | 2601 | 18% |
| Sponge Iron | 7307 | 18% |
| Ferrous waste and scrap | 7204 | 18% |

Now, the major constraints being faced by these industries are procurement of scrap from domestic/local market. While making the purchase from domestic scrap suppliers (Kabaddi), the Buyer (either standalone Induction Furnace or composite rolling mill as the case may be) with their due diligence, have verified the genuineness and identity of the suppliers and found that the names of those suppliers as registered taxable persons were already available at the government portal, showing their registrations as valid and existing at the time of transactions.

After that, the Buyer has placed the order to scrap suppliers to supply the scrap and accordingly, paid the amount of purchases as well as tax there on to suppliers for purchase. All the transaction has made through banks and reflects on GST portal in **GSTR-2A** at the relevant period of transaction which is matter of record. Now, after having transacted a sizable business within a very short period of time these scrap suppliers go missing and it becomes very difficult to caught him under the hand of law.

The genuine buyer who avails ITC for the amounts paid to his suppliers (both invoice amount and tax) will be denied credit with a reason that the suppliers has not remitted tax with the appropriate State / Central Government authorities and disclosed in his **GSTR-1 return**. Now, after completion of a quarter, the **Input tax credit** (ITC) will be reversed automatically in buyers **GST Ledger** and now it will be **Buyer's responsibility to pay this GST with interest**.

In order to curb the extent of evasion, the GST department had recently cancelled the registrations while running a campaign against the traders for issuing fake bills and not getting them at the address. Under this, notices were sent for refund of all traders who bought goods from them by withholding the Input Tax Credit (ITC). Passing the judgment in favour of such honest traders, the **Calcutta High Court** has told the department that it is not right to demand ITC back from the trader who is buying the goods after thorough investigation on his behalf. Unless it is proved that the buyer was also involved in fraud with the suppliers.

Keeping in view of the facts stated above, we would like to request you kindly take notice of the above hardships faced by the manufacturers in the secondary steel industry and if possible, create a separate HSN code for the ferrous scrap procure from domestic scrap suppliers (kabaddi) and charge duty on steel scrap procure from these suppliers on RCM (Reverse Charge Mechanism) basis. This measure will go a long way to curb tax evasion, boost revenue and provide relief to bonafide sections of the industry.

We well understand that successful implementation of any system is collective responsibility of both sides and we are always ready to do our part. But at the same time, we look upon to the Government to safeguard our interests from the mal-practices of junk dealers whose main motive is to exploit the provision of GST to their advantage.

Hope our request is duly considered by you,

Thanking You,

Kamal Aggarwal

Hon. Sec. General

F.No. CBIC-20001/2/2022-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
GST Policy Wing

New Delhi, Dated the 6th July, 2022

To,

The Principal Chief Commissioners/ Chief Commissioners/ Principal Commissioners/ Commissioners of Central Tax (All)/

The Principal Directors General/ Directors General (All)

Madam/Sir,

Subject: Clarification on various issues relating to applicability of demand and penalty provisions under the Central Goods and Services Tax Act, 2017 in respect of transactions involving fake invoices–Reg

A number of cases have come to notice where the registered persons are found to be involved in issuing tax invoice, without actual supply of goods or services or both (hereinafter referred to as “fake invoices”), in order to enable the recipients of such invoices to avail and utilize input tax credit (hereinafter referred to as “ITC”) fraudulently. Representations are being received from the trade as well as the field formations seeking clarification on the issues relating to applicability of demand and penalty provisions under the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “CGST Act”), in respect of such transactions involving fake invoices. In order to clarify these issues and to ensure uniformity in the implementation of the provisions of law across the field formations, the Board, in exercise of its powers conferred by section 168 (1) of the CGST Act, hereby clarifies the issues detailed hereunder.

| Sl No | Issues | Clarification |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | <p>In case where a registered person “A” has issued tax invoice to another registered person “B” without any underlying supply of goods or services or both, whether such transaction will be covered as “supply” under section 7 of CGST Act and whether any demand and recovery can be made from ‘A’ in respect of the said transaction under the provisions of section 73 or section 74 of CGST Act.</p> <p>Also, whether any penal action can be taken against registered person ‘A’ in such cases.</p> | <p>Since there is only been an issuance of tax invoice by the registered person ‘A’ to registered person ‘B’ without the underlying supply of goods or services or both, therefore, such an activity does not satisfy the criteria of “supply”, as defined under section 7 of the CGST Act. As there is no supply by ‘A’ to ‘B’ in respect of such tax invoice in terms of the provisions of section 7 of CGST Act, no tax liability arises against ‘A’ for the said transaction, and accordingly, no demand and recovery is required to be made against ‘A’ under the provisions of section 73 or section 74 of CGST Act in respect of the same. Besides, no penal action under the provisions of section 73 or section 74 is required to be taken against ‘A’ in respect of the said transaction.</p> <p>The registered person ‘A’ shall, however, be liable for penal action under section 122 (1)(ii) of the CGST Act for issuing tax invoices without actual supply of goods or services or both.</p> |

| Sl No | Issues | Clarification |
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| 2. | <p>A registered person "A" has issued tax invoice to another registered person "B" without any underlying supply of goods or services or both. 'B' avails input tax credit on the basis of the said tax invoice. B further issues invoice along with underlying supply of goods or services or both to his buyers and utilizes ITC availed on the basis of the above mentioned invoices issued by 'A', for payment of his tax liability in respect of his said outward supplies. Whether 'B' will be liable for the demand and recovery of the said ITC, along with penal action, under the provisions of section 73 or section 74 or any other provisions of the CGST Act.</p> | <p>Since the registered person 'B' has availed and utilized fraudulent ITC on the basis of the said tax invoice, without receiving the goods or services or both, in contravention of the provisions of section 16(2)(b) of CGST Act, he shall be liable for the demand and recovery of the said ITC, along with penal action, under the provisions of section 74 of the CGST Act, along with applicable interest under provisions of section 50 of the said Act.</p> <p>Further, as per provisions of section 75(13) of CGST Act, if penal action for fraudulent availment or utilization of ITC is taken against 'B' under section 74 of CGST Act, no penalty for the same act, i.e. for the said fraudulent availment or utilization of ITC, can be imposed on 'B' under any other provisions of CGST Act, including under section 122.</p> |
| 3. | <p>A registered person 'A' has issued tax invoice to another registered person 'B' without any underlying supply of goods or services or both. 'B' avails input tax credit on the basis of the said tax invoice and further passes on the said input tax credit to another registered person 'C' by issuing invoices without underlying supply of goods or services or both. Whether 'B' will be liable for the demand and recovery and penal action, under the provisions of section 73 or section 74 or any other provisions of the CGST Act.</p> | <p>In this case, the input tax credit availed by 'B' in his electronic credit ledger on the basis of tax invoice issued by 'A', without actual receipt of goods or services or both, has been utilized by 'B' for passing on of input tax credit by issuing tax invoice to 'C' without any underlying supply of goods or services or both. As there was no supply of goods or services or both by 'B' to 'C' in respect of the said transaction, no tax was required to be paid by 'B' in respect of the same. The input tax credit availed by 'B' in his electronic credit ledger on the basis of tax invoice issued by 'A', without actual receipt of goods or services or both, is ineligible in terms of section 16 (2)(b) of the CGST Act. In this case, there was no supply of goods or services or both by 'B' to 'C' in respect of the said transaction and also no tax was required to be paid in respect of the said transaction. Therefore, in these specific cases, no demand and recovery of either input tax credit wrongly/ fraudulently availed by 'B' in such case or tax liability in respect of the said outward transaction by 'B' to 'C' is required to be made from 'B' under the provisions of section 73 or section 74 of CGST Act.</p> <p>However, in such cases, 'B' shall be liable for penal action both under section 122(1)((ii) and section 122(1)(vii) of the CGST Act, for issuing invoices without any actual supply of goods and/or services as also for taking/ utilizing input tax credit without actual receipt of goods and/or services.</p> |

2. The fundamental principles that have been delineated in the above scenarios may be adopted to decide the nature of demand and penal action to be taken against a person for such unscrupulous activity. Actual action to be taken against a person will depend upon the specific facts and circumstances of the case which may involve complex mixture of above scenarios or even may not be covered by any of the above scenarios. Any person who has retained the benefit of transactions specified under sub-section (1A) of section 122 of CGST Act, and at whose instance such transactions are conducted, shall also be liable for penal action under the provisions of the said sub-section. It may also be noted that in such cases of wrongful/ fraudulent availment or utilization of input tax credit, or in cases of issuance of invoices without supply of goods or services or both, leading to wrongful availment or utilization of input tax credit or refund of tax, provisions of section 132 of the CGST Act may also be invocable, subject to conditions specified therein, based on facts and circumstances of each case.
3. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.
4. Difficulty, if any, in implementation of the above instructions may please be brought to the notice of the Board. Hindi version would follow.

(Sanjay Mangal)
Principal Commissioner (GST)

Steel Sector News July 2022

India's long-term growth prospects embedded in public capital expenditure programmes

July 15, 2022

Nirmala Sitharaman, while attending the third G20 Finance Ministers and Central Bank Governors (FMCBG) meeting hosted by Indonesia in Bali, also said evidence-based policy making is vital for resilient economic systems.

Finance Minister **Nirmala Sitharaman** on Friday said India's long-term growth prospects are embedded in public capital expenditure programmes. Sitharaman, while attending the third G20 Finance Ministers and Central Bank Governors (FMCBG) meeting hosted by Indonesia in Bali, also said evidence-based policy making is vital for resilient economic systems.

The government has laid emphasis on capital expenditure to push economic growth hit by the pandemic. It is expected that the increase in public spending would crowd in private investment.

Sitharaman raised capital expenditure (capex) by 35.4 per cent for the financial year 2022-23 to Rs 7.5 lakh crore to continue the public investment-led recovery of the pandemic-battered economy.

The capex last year was Rs 5.5 lakh crore. Sitharaman raised capital expenditure (capex) by 35.4 per cent for the financial year 2022-23 to Rs 7.5 lakh crore to continue the public investment-led recovery of the pandemic-battered economy.

"Reflecting on India's #growthstory, FM shared that India's long-term growth prospects are embedded in public #CapitalExpenditure programmes, & #EvidenceBased #PolicyMaking is vital for resilient economic systems," the finance ministry said in a tweet.

The finance minister also highlighted that sustainable global recovery should be pivoted on climate actions and the focus needs to be on scaling up climate finance and propelling green transitions.

Participating in the second session of the ongoing G20 FMCBG, Sitharaman shared views on G20's Health Agenda, including pandemic preparedness and response mechanisms. She also highlighted the need for immediate mobilisation and deployment of resources for health emergencies.

"FM Smt. @nsitharaman called for a global coordination mechanism with @WHO at its centre. FM also said that India is committed to supporting all efforts to #protect and #prepare against any future #pandemic," another tweet said.

Source: Moneycontrol News



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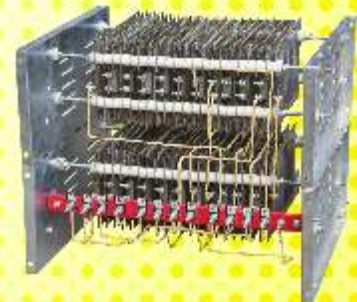
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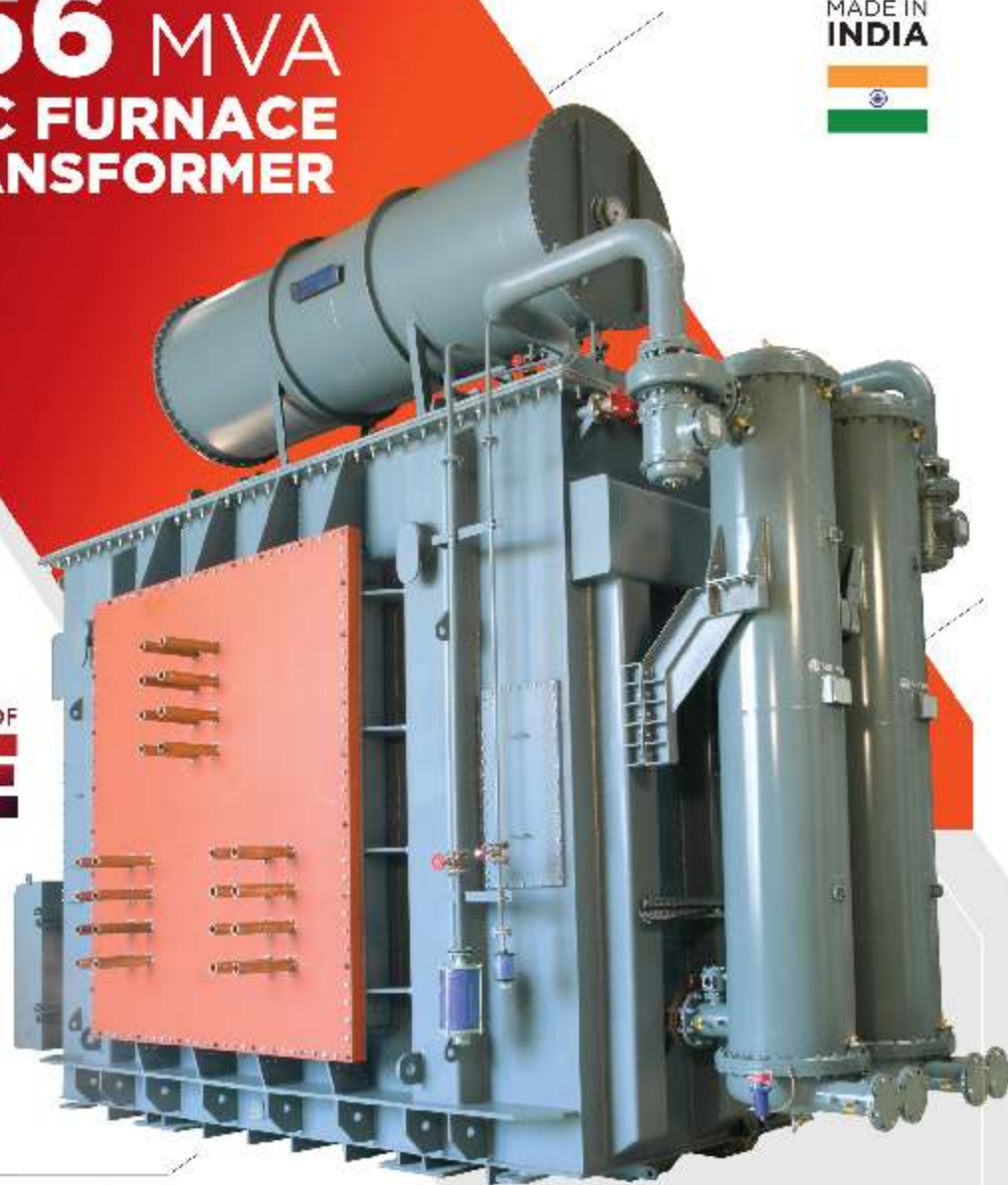


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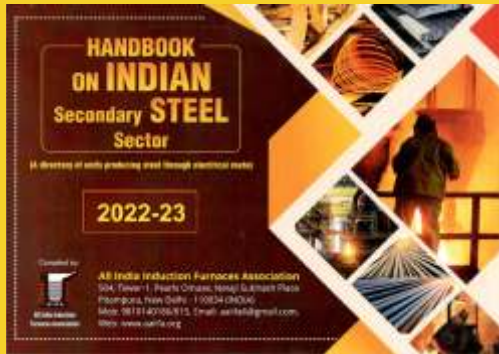
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