



# भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

### DISCIPLINARY COMMITTEE [BENCH-III (2024-2025)]

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949  
READ WITH RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF  
INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF  
CASES) RULES, 2007

PR/G/40/2021/DD/77/2021/DC/1577/2022

In the matter of:

Deputy Director,  
Directorate General of GST Intelligence (DGGI),  
Visakhapatnam Zonal Unit,  
Door No.28-14-17, Suryabagh,  
Beside Melody Theatre  
Visakhapatnam - 530020

.....Complainant

Versus

CA. Akshay Jain (M. No. 241125)  
D-No.23-7-86, 2<sup>nd</sup> Floor,  
Shikhar Darshan  
Opp Rao Bahadur Meda  
GUNTAR - 522 003 (AP)

.....Respondent

MEMBERS PRESENT:

CA. Charanjot Singh Nanda, Presiding Officer  
Smt. Anita Kapur, Government Nominee  
Dr. K. Rajeswara Rao, Government Nominee  
CA. Sushil Kumar Goyal, Member  
CA. Piyush S. Chhajer, Member

Date of Hearing: 18<sup>th</sup> July 2024

Date of Order: 24<sup>th</sup> October, 2024

1. That vide findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 dated 7<sup>th</sup> February 2023, the Disciplinary Committee was, inter-alia, of the opinion that CA. Akshay Jain (M. No. 241125) (hereinafter referred to as the "Respondent") was GUILTY of Professional and/ or Other Misconduct falling within the meaning of Item (7) of Part I of the Second Schedule and Item (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949. /s/



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2. That charge against the Respondent was that he was grossly negligent in the conduct of his professional duties as he indulged himself in obtaining GST registration of 14 firms by using his own mobile number, user ID and other password details; facilitated in issuing fake GST sale invoices of taxable value of Rs.30.76 crores to different firms located at different places within the States of Andhra Pradesh, Telangana and Karnataka without actual supply of goods/services; fraudulently generating fake Input Tax Credit which was passed on to the tune of Rs. 7.51 Crores during the period from 2018-19 to 2020-21 (till December, 2020) thereby defrauding government revenue and had received a commission of Rs.28.5 Lakhs for such fraudulent acts of generating fake invoices and passing on fake input tax credit. Another charge that the Respondent by his fraudulent acts brought disrepute to the profession.

3. That pursuant to the said findings, an action under Section 21B(3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and a communication was addressed to him thereby granting an opportunity of being heard in person/through video conferencing and to make representation before the Committee on 18<sup>th</sup> July 2024.

4. The Committee noted that on the date of the hearing held on 18<sup>th</sup> July 2024, the Respondent was not present. The Committee further noted that during the previous hearing held on 25<sup>th</sup> June 2024, the Respondent appeared before it and sought adjournment on the ground that Hon'ble High Court of Andhra Pradesh had granted interim stay against the extant disciplinary proceedings. The Committee in that meeting directed the Respondent to submit the copy of order of the Hon'ble High Court of Andhra Pradesh granting interim relief against the extant disciplinary proceedings, along with a copy of the petition filed by him before the Hon'ble Court, within the next 10 days. The Committee noted that the Respondent vide email dated 16<sup>th</sup> July 2024 submitted copy of order 20<sup>th</sup> June 2024 passed by Hon'ble High Court of Andhra Pradesh at Amaravati in Criminal Petition no. 2922 of 2023 in case titled "Shri Akshay Jain Vs. The State of Andhra Pradesh and Ors.". However, he did not submit copy of petition. The Committee, on perusal of said order, noted that interim stay granted by Hon'ble Court was with respect to further proceedings in CC No. 0000008 of 2022 on the file of learned IV Additional District Judge and Special Judge for Economic Offence Court-cum-II Metropolitan Sessions Judge, Vishakapatnam. Accordingly, in absence of any specific interim stay against the present case and in absence of the Respondent, the Committee decided to proceed further. Accordingly, the Committee took on record the documents and representations made by the Respondent on the findings of the Committee. The Committee noted that the Respondent in his written representation dated 23<sup>rd</sup> February 2023 on the findings of the Committee inter-alia stated as under:

- a) That statement of the Respondent recorded on 04.12.2020 before Additional Assistant Director of DGGI – VZU, relying on which the finding was arrived, was taken forcibly and under pressure.
- b) That it was the duty of GST officers granting the license to verify the authenticity of the documents submitted for registration before granting the license.
- c) That there is always an option to change the registered office, so the initial mobile number/ email id given did not have any special significance. /s/



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- d) That the role of the Respondent was limited to filing of returns and preparation of invoices in some cases. He was not authorised signatory for any firm and was not holding any drawing rights in bank accounts of respective concerns.
- e) That the proprietors and end beneficiaries are all trying to escape from their personal liability and trying to put the whole blame on the Respondent.

5. Keeping in view the facts and circumstances of the case, along with the material on record, the Committee noted that, as regards the plea of the Respondent that his statement was recorded forcibly and under pressure, the Respondent has not brought on record any retraction statement or any other proof to support his claim. As regards other plea that it was the duty of GST officers granting the license to verify the authenticity of documents before granting registration, it was noted that such a plea cannot sustain in the extant matter, as the Respondent, as a professional was expected to strictly adhere to the framework of GST system and not to find ways to bypass it. The Committee further viewed that other pleas raised by the Respondent were already dealt with in detail in its findings report.

6. The Committee noted that the Respondent had himself admitted before it at hearing stage that he had obtained GST Registration of various firms based on the clients credentials viz Aadhar Card, PAN, rental agreement which were provided to him at his office and he never visited client's business place ever. He further admitted to have used his mobile number for registration of firms to ease the process and the proprietors of the said firms were not having any other business. He also submitted to have met his client at Badminton Court. It was also accepted by the Respondent that the invoices were being prepared at his office in his absence by his clients. The Committee further noted that out of the 13 firms, 11 firms were being controlled by Surya Prakash Reddy who used to send the data through what'sapp/e-mail or by hand to the Respondent.

7. The Respondent also admitted at hearing stage to have received the said Rs. 28.50 lac from his client account. Further when details were sought from him regarding his assistant/ employees at office, it was noted that the Respondent took contrary stand. On one hand he submitted that he had no assistant/employee at his office. However, while submitting with respect to quantum of commission received, he stated that he had paid Rs. 10 lakhs to his assistant out of total Rs. 28 lacs he received from his client.

Hence, in view of the documents/ information available on record as well as submissions of the Respondent, it was apparent that the Respondent was instrumental in the act of getting the firm registered, raising fake invoices, filing wrong GST returns and thereafter passing fake ITC credit to enable beneficiary companies to pay off their GST liabilities by availing fake ITC credit procured from the Respondent through intermediaries. The Respondent received commission of Rs.25.8 lacs as evident from the credit entries in his bank account from Mr. Virupakhi, an intermediary, for passing fake ITC credit.

It was viewed that the amount of ineligible ITC availed/passed on was running into Crores and that the Respondent had totally deviated from the righteous path and indulged in nefarious financial activities. His acts ultimately led to the contravention of the applicable



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provisions of the CGST Act and Rules made thereunder causing wrongful loss to Government exchequer. Such an act not only proves intentional gross negligence towards responsibilities expected from Respondent, but also a lead player in a tax fraud and such an act had also brought disrepute to the profession. This conduct of the Respondent constitutes Professional and/ or Other Misconduct within the meaning of Item (7) of Part I of the Second Schedule and Item (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

8. The professional misconduct on the part of the Respondent is clearly established as spelt out in the Committee's findings dated 7<sup>th</sup> February 2023 which is to be read in conjunction with the instant Order being passed in the case.

9. The Committee, hence, viewed that the ends of justice will be met if appropriate punishment commensurate with his professional misconduct is given to him.

10. Accordingly, the Committee, upon considering the nature of charge and the gravity of the matter ordered that the name of **CA. Akshay Jain (M. No. 241125)** be removed from Register of Members for a period of 5 (five) years and a fine of Rs. 5,00,000/- (Rupees Five Lakhs only) be imposed upon him, to be paid within 90 days of the receipt of the order and in case of failure in payment of fine as stipulated, the name of the Respondent be removed for a further period of 1 month from the Register of Members.

7/

Sd/-

(CA. CHARANJOT SINGH NANDA)  
PRESIDING OFFICER

Sd/-

(SMT. ANITA KAPUR)  
GOVERNMENT NOMINEE

Sd/-

(DR. K. RAJESWARA RAO)  
GOVERNMENT NOMINEE

Sd/-

(CA. SUSHIL KUMAR GOYAL)  
MEMBER

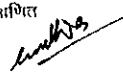
Sd/-

(CA. PIYUSH S CHHAJED)  
MEMBER

DATE: 24<sup>th</sup> October, 2024

PLACE: New Delhi

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

  
गीता अनिरुद्ध कुमार / GEETHA ANIRUDHA KUMAR  
कार्यकारी अधिकारी / Executive Officer  
अनुशासन-प्रदेश निर्देशालय / Disciplinary Directorate  
भारतीय सनदी लेखाकार संस्थान  
The Institute of Chartered Accountants of India  
अहमदाबाद, गुजरात, भारत / Ahmedabad, Gujarat, India  
ICAI Registration, Welfare & Training Department, Ahmedabad-380032

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – III (2022-23)]**  
**[Constituted under Section 21B of the Chartered Accountants Act, 1949]**

**Findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007**

Ref. No. PR-G-40/2021/DD-77/2021/DC-1577/2022

**In the matter of:**

Deputy Director,  
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.....Respondent

**MEMBERS PRESENT:**

CA. Aniket Sunil Talati, Presiding Officer  
Smt. Anita Kapur, Member (Govt. Nominee)  
Dr. K Rajeswara Rao, Member (Govt. Nominee)  
CA. Vishal Doshi, Member  
CA. Sushil Kumar Goyal, Member

Date of Final Hearing: 13<sup>th</sup> January, 2023 through Video Conferencing

**PARTIES PRESENT:**

- (i) CA Akshay Jain – Respondent  
(ii) Shri Ranka Rahul Kumar Jain – Counsel for Respondent

**Charges in Brief:**

1. The Committee noted that in the *Prima Facie* Opinion formed by Director (Discipline) in terms of Rule 9 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Respondent was held *prima facie* guilty of Professional and Other Misconduct falling within within the meaning of Item (7) of Part I of Second Schedule and Item (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.

Item (7) of Part I to the Second Schedule and Item (2) of Part IV of First Schedule states as under: -

**Part I of Second Schedule:**

*PART I: Professional misconduct in relation to chartered accountants in practice  
A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-*

...

*"(7) Does not exercise due diligence, or is grossly negligent in the conduct of his professional duties"*

**Part IV of First Schedule:**

*PART IV: Other misconduct in relation to members of the Institute generally  
A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he-*

...

*"(2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work"*

**Brief background and the allegations against the Respondent**

2. In the extant case, the Complainant Department under Section 70 of CGST Act, 2017 had conducted a preliminary inquiry including search, against the involved business entities, persons and the Respondent. During such enquiry, statements of the Respondent and others have also been recorded and since the offences as alleged have been found to be cognizable and non-bailable under Section 132(1)(b) of the said Act, the Respondent was arrested on 05.12.2020 under Section 132 (5) of CGST Act, 2017 however, he was released later on under conditional bail. Against the above backdrop, it is alleged that the Respondent indulged himself in:

- (i) Obtaining GST registration of 14 Firms by using his own mobile number, user ID and other password details.
- (ii) Facilitated in issuing fake GST sale invoices of taxable value of Rs.30.76 crores to different firms located at different places within the States of Andhra Pradesh, Telangana and Karnataka without the knowledge of the owner of these 14 firms by using their GST portal login credentials to set off the duty liability of the ultimately

end beneficiaries, without actual supply of goods/services which was stated to be in contravention of Section 16 of CGST Act, 2017 and a punishable offence under CGST Act, 2017.

- (iii) Fraudulently generated and passed on fake input tax credit to the tune of Rs. 7.51 Crores during 2018-19, 2019-20 & 2020-21 (till December, 2020) thereby defrauding government revenue in Contravention of Section 132(1)(b) of the Central Goods and Service Tax Act, 2017 (hereinafter referred to as CGST Act, 2017) and a punishable offence under Section 132(1)(i) CGST Act, 2017.
- (iv) The Respondent has been alleged to have received a commission of Rs.28.5 Lakhs for such fraudulent acts of generating fake invoices and passing on fake input tax credit.

**Proceedings:**

3. During the hearing held on 13<sup>th</sup> January 2023, the Committee noted that the Respondent appeared through videoconferencing before it for hearing. Thereafter, the Respondent gave the declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form.

Being first hearing, the Respondent was put on oath. Thereafter, the Committee asked the Respondent whether he wished the charges to be read out or it could be taken as read. The Respondent stated that he was aware of the allegations raised against him and that the same might be taken as read. On being asked, as to whether the Respondent pleaded guilty, he pleaded not guilty and opted to defend the case against him.

The Committee, thereafter, asked the Respondent to make his submissions on the matter. The Respondent made his submissions in the matter. Meantime, the Counsel for the Respondent appeared through videoconferencing before it for hearing. He gave the declaration. The Respondent continued to make submissions in the matter. The Respondent was examined by the Committee at length on the submissions made. Thereafter, the Respondent made final submissions in the matter.

Based on the documents available on record and after considering the oral and/or written submissions of the parties concerned, the Committee concluded hearing in the matter.

**Findings of the Committee:**

4. At the outset, the Committee noted that it is alleged against the Respondent that he indulged in obtaining GST registration of 14 Firms by using his own mobile number, user ID and other password details and facilitated in issuing fake GST sale invoices of taxable value of Rs.30.76 crores to different firms located at different places within the States of Andhra Pradesh, Telangana and Karnataka without actual supply of goods/services, thus, fraudulently generating fake Input Tax Credit which was passed on to the tune of Rs. 7.51 Crores during the period from 2018-19 to 2020-21 (till December, 2020) thereby defrauding government revenue.

4.1 The Committee further noted that the Complainant in his further written rejoinder appraised the Committee about the status of the action taken by the Department in the matter. It was stated that Directorate General of GST Intelligence had filed complaint against the Respondent before the Honorable Court of the Special Judge for Economic Offences – Cum II Additional Metropolitan Sessions Judge Cum-IV, Additional District & Session Judge, Vishakhapatnam under Section 16 & 132 of the Central Goods and Services Tax Act, 2017. Further, it is noted from the Order dated 4<sup>th</sup> January, 2021 that the Respondent was under remand since 5<sup>th</sup> December, 2020 and that he was allowed bail on execution of the bond with two sureties with conditions imposed that he would not make any attempt to influence witness and shall not interfere with the investigation. He shall cooperate for smooth conducting of trial and that he shall appear before the Additional Director of the Department on 15<sup>th</sup> and 16<sup>th</sup> of every month for six months. It was noted that later vide Order dated 30<sup>th</sup> April 2021 the date of appearance changed to Monday of First week in every month but the other conditions remain unchanged and that he shall not leave Andhra Pradesh except with the permission of Additional Director of the Department..

4.2 The Committee noted that the Complainant Department, in order to recover the fake Input Tax Credit generated without supply of goods and passed on to various business entities by the Respondent, had initiated the investigation against the end users. As a part of investigation, statements of 17 business entities (including end beneficiaries), and that of three accomplices of the Respondent were brought on record as detailed below:

- i. **Statement of Direct Accomplices of the Respondent :** Sh. Bonotho Ram Charan Nayak, Assistant of the Respondent (who had assisted him in generating the fake invoices), Sh. Pilli Virupakshi Reddy and Sh. A. Deva Prasad Reddy, who provided the data of purchaser/end beneficiaries of the ITC, were recorded in the matter.



- ii. **Statements of five Proprietors of entities whose GST registrations was done by the Respondent and the Fake Invoices of such entities were generated:** Sh. Kasina Surya Prakash Reddy, Proprietor of M/s Favorite Enterprises (C-15 to 22), Sh. Shaik Nagoorbabu, Proprietor of M/s N S Centring Works (C-23 to 26), Sh. Mallipeddi Ravi, Proprietor of M/s Honey Advertisers (C-27 to 30), Sh. Ganupalli Victor, Proprietor of M/s Dream, Timber & Wood Works (C-31 to 34), Sh. Manubhotula Ramu, Manager of M/s V R Hydraulics , (D-12 to 23).
- (i) **Statements of end user/beneficiaries of fake ITC generated on the basis of fake GST bills -** Sh. Gottipati Krishna, Managing Partner of M/s Sri Srinivasa Constructions, (D-33 to 37), Sh. Ravindra Babu Battu, Proprietor of M/s Sreekrupa Infra Projects, (D-38 to 45), Sh. Busireddy Prakash Reddy, Authorised Representative of Smt. Korapati Sakamma (D-46 to 51) Sh. Giri Kumbe Gowda A M (D-62 to 67) and that of Proprietor of M/s Omkar Enterprises (D-56 to 61), Sh. Raviteja Vendekari , Director of M/s Bhavani Teleservices Pvt. Ltd. (D-52 to 55).

4.3 It is noted that the Respondent admitted to have obtained GST Registration of various entities except one using his mobile number and created email id/password for them. The said registration was done based on their proprietors' credentials viz. PAN, Aadhar, rental deed etc. He even admitted that the majority of the said entities were not running any genuine business. As per him, the said firms were floated only with an intention to obtain overdraft facility/credit facility from banks, for which he was instructed to inflate sale value/turnover of each firm by recording fake sales value. He used to inflate sales based on data received through whatapp or physically which used to be incorporated in the periodical GSTR3B returns of the firms. Accordingly, he filed periodical GSTR3B return of the eleven firms with fake outward supply/sales value, without actually doing any business transaction. There was no outward supply invoices (GSTR1), only money transfers took place amongst these 11 firms. Similarly, there were firms with surplus ITC balance which was utilized by raising outward supply invoices without physical movement goods/ rendering of services. The said invoices were either raised by him from his laptop or he used to give instructions to his assistant Shri B Ramcharan Naik, who generated invoices and send them to him. There were intermediaries - Mr. Pilli Virupakshi Reddy and Mr. Deva Reddy who provided to him the details of the recipient firms/companies who took benefit of fake ITC.

4.4 Some of the relevant extracts of the Statement of Respondent recorded on 04-12-2020 before Additional Assistant Director, of DGGI – VZU, as noted by the Committee are given below:

**Q.4** Kindly go through the list of eight GST registrations, in which, your mobile number is given as the registered mobile number. Based upon the search proceedings conducted at the registered premises, except, one mentioned at S.No.4, the firms are not found to be conducting any business activity from the registered address. But, as per GST return, there is huge sale turnover in all of them. Kindly explain?

SNo.	Trade Name	GSTIN
1	Favorite Enterprises	37BJEPK2164H2Z8
2	Favorite Flex	37BJEPK2164H1Z9
3	Dream Timber & Wood Works	37ARXPG5900H1ZH
4	Favorite Led Displays	37DDJPS5888B2ZX
5	Universal Enterprises	37BLZPB5561N2Z8
6	Sakshi Impex	37EVAP58798L1ZD
7	Honey Advertisers	37AMBPM4906G2Z4
8	N S Centring Works	37DPOPS2993E1Z6

**A.4** The said GST registrations are maintained by me. These owners entrusted the registrations with me for artificially inflating their turnover to get overdraft/credit benefit from banks."

**Q.5** Apart from the abovementioned registrations are you maintaining any other person GST registration for the abovesaid purpose? if so, give the details?

**A.5** I am providing the details of GSTN as mentioned below. Among which, 11 registrations belongs to Shri Kasina Surya Reddy, his friends and known persons . W.r.t. remaining 3 other firms as detailed below at S.No. 12 to 14 , they belong to my other clients:

SNo.	Trade Name	GSTIN
1	Favorite Enterprises	37BJEPK2164H2Z8
2	Favorite Flex	37BJEPK2164H1Z9
3	Dream Timber & Wood Works	37ARXPG5900H1ZH
4	Favorite Led Displays	37DDJPS5888B2ZX
5	Universal Enterprises	37BLZPB5561N2Z8
6	Sakshi Impex	37EVAP58798L1ZD
7	Honey Advertisers	37AMBPM4906G2Z4
8	N S Centring Works	37DPOPS2993E1Z6
9	Lakshmi Flex Materials	37DDJPK7602B1ZQ
10	Classic Constructions	37CHWPS1871G1ZL
11	Red Roses Spices	37ADOPL1731A1ZV
12	VR Hydraulics	37APMPT4601D1ZV
13	R S Srigdha Projects, Andhra Pradesh	37AAUFR1727K1ZL
14	R S Srigdha Projects, Telangana	36AAUFR1727K1ZN

**“Q.7 Why did you use your mobile number and email ids created by you instead of the registrant’s mobile number and email id?”**

**A.7 During GST registration, as asked by them, I asked my mobile no.. and email id as it would speed up the process”**

**“Q.8, Please state, that while applying for GST registration for the above mentioned firms, did you verify the authenticity/correctness of documents furnished for taking GST registration?”**

**A.8 The concerned parties sent me the required documents through whatsapp and I have uploaded them while taking GST registration. I have not verified the authenticity/correctness of documents furnished by the above mentioned registrants.”**

**“Q.10 As your mobile and email id created by you was given during the course of taking GST registration, who has operational control of all the registrations mentioned at A.5 above and who receives the OTP?”**

**A.10 I have the operational control of all the registrations mentioned at A.5 above and I receive OTPs for resetting the password.”**

**“Q.11 What are the business activities of the firm as mentioned in A.5 above?”**

**A.11 The firms mentioned at S.No.1 to 11 as mentioned in A.5 above are not into any genuine business. They are only into circular trading, so as to inflate turnover of each firm, whereby, they can defraud bank by availing overdraft/credit facility. The firms mentioned at S.No. 12 to 14 as mentioned in A.5 above are into construction business, however, the transactions recorded by me as their outward supply of goods /services are not genuine.”**

**“Q.13. Please explain the entire spectrum of activities/services rendered by you to Shri Kasina Surya Prakash Reddy and others as mentioned at A5. above?”**

**A.13 Shri Kasina Surya Prakash Reddy approached me with his credentials viz. PAN, Aadhar, rental deed etc. and also introduced other persons with their credentials and asked me to apply for GST registration on their names. As per his request, I had applied and obtained GST registration of all the nine firms as mentioned at S. No. 1 to 11 in A.5 above except the firms mentioned at S.No. 1 & 4. The registrations of firms at S.No. 1 & 4 are migrated registration. They mentioned to me that the said firms were floated only with an intention to get overdraft facility/credit facility from banks, for which they instructed me to inflate sale value/turnover of each firm by recording fake sales value. They also asked me to record inflated sales value of each firm in the periodical GSTR3B returns, so that each one has inflated turnover. I filed periodical GSTR3B return of the eleven firms with fake outward supply/sales value, without actually doing any business transaction. Further, I also state that there was no outward supply invoices (GSTR1) raised for the circular trading done amongst these eleven firms as mentioned S.no. 1 to 11 in the table at A.5 above. There were only money transfers amongst most of these 11 firms, which were not backed by any supply invoices. For the firms**

mentioned at S.No.12 of the table at A.5 above, I had issued outward supply invoices, without actual supply of goods. Similarly for the firms mentioned at S.No.13 & 14 in the table A.5 above as, there was surplus ITC balance in their credit ledger, Shri K Sunil Kumar, Managing Director asked me to utilize the same by raising outward supply invoices without physical movement goods/ rendering of services."

**Q.14** In the absence of any outward supply invoice raised amongst the eleven firms mentioned at S.No. 1 to 11 in the table A.5 above, what was the basis of availing input tax credit in the periodical GSTR3B return of each recipient firm? Similarly, what was the basis for raising outward supply invoices for the firms mentioned at S.No. 12 to 14 of the table at A.5 above?

**A.14** There was no sales invoice raised amongst each of the firms mentioned S.No.1 to 11 in the table A.5 above. The entire sales value and input tax credit availed as recorded in the GSTR3B return was fake, as same was done without any genuine transaction. I entered input tax credit availed wrongly in the GSTR3B returns filed, without receipt of any inward purchase invoice amongst the above mentioned eleven firms mentioned at S.No. 1 to 11 in table A.5 above in order to meet the outward GST liability of the said eleven firms. As such the entire outward supply value/sales value and input tax credit availed as recorded in GSTR3B returns filed by me for the firms mentioned in at S.No. 1 to 11 in the table at A.5 above is wrong/fake. I had only issued outward supply invoices without actual supply of goods/services."

**Q.15** As seen from the periodicals GSTR1 return filed for the above mentioned fourteen firms during the financial years 2017-18 to till date, it is observed that you have recorded certain transactions towards outward supplies. Please state, as to what these transactions are and whether they are genuine transactions and whether for the said transactions outward supply invoices were actually issued?

**A.15** The details of outward supply invoices recorded in the periodical GSTR1 return for the abovementioned fourteen firms are fake transactions, wherein I had issued fake invoices without actual supply of goods/services. I had done that in order to pass on fraudulent input tax credit. I had raised outward supply invoice on certain infrastructure firms located in the states of Telangana and Andhra Pradesh."

**Q.16** For all the invoices mentioned in GSTR1, is there any bank/cash transaction between the supplier and the recipient? Is there any e-way bills generated for such invoices?

**A.16** No, there was no bank/cash transactions and for some of the invoices we raised e-way bills. Invoices were simply raised from my laptop and issued."

**“Q.17 What is the total fake input tax credit and utilized for passing on to the infrastructure firms from the fourteen firms mentioned at A.5 above during the period July, 2017 to till date? Please furnish the details?”**

**A.17 During July,2017 to till date, I have availed Rs.20.97 Crores ITC without any documentary support through filing GSTR-3B returns generated invoices valued at Rs.30.76 Crores and the total fake input tax credit passed on by me from the fourteen firms mentioned as A.5 above is Rs.75127905/-. Further, there is a balance of Rs.13.46 Crores ITC remained unutilized for passing on to others.”**

**“Q.18 Please state, whether the invoices raised from the firms mentioned at A.5 above are done on the instructions of the Proprietors/partners of the respective firms? If not on whose instructions the said invoices were raised and what was the mode of communication?”**

**A.18 The Proprietor/partners are not aware of the issuance of fake invoices to various Construction and Infra firms /companies. The details of the recipient firms/companies are given by a person named Shri Virupakshi and Shri Deva Reddy over phone and whatsapp. Based on their instructions I generated fake invoices in my laptop or I give instructions to my assistant Shri B Ramcharan Naik, who generate invoices and send back to me. I forwarded soft copy of those invoices mostly through whatsapp and at times they were sent physically through courier.”**

**“Q.20 Did you receive any monetary benefits for issuing fake outward supply invoices to Infra Companies? If so, how did you receive and from whom?”**

**A.20 Till date I have received a total amount of Rs.28.50 lakhs towards commission and I am yet to receive Rs.13.20 Lakhs. I received the said amount in my savings account with Kotak Mahindra Bank (A/c No. 4412473834), Vidyanagar branch, Guntur. All the commission amounts were sent by Shri Virupakshi via account transfer or through Google pay/Phone Pe....”**

4.4 It is noted that while Sh. Bonothon Ram Charan Nayak, Assistant of the Respondent, admitted to have prepared invoices, GST related returns as well as worksheets on the instructions of the Respondent but denied to have received any commission for the same. He also submitted to have no contact with any of the said entities. Further, it is noted that as per the two intermediaries - Mr. Pilli Virupakshi Reddy and Mr. Deva Reddy, the Respondent had while filing the GSTR-1 returns of the entities that have the B2C ITC, shown them as B2B ITC after which this ITC was passed on to the end beneficiaries via intermediaries. After the credit of ITC to the electronic credit ledger of the end beneficiaries, they used to pay commission to the Respondent @ 4% on the total invoice value – wherein the Respondent used to take 3.8% and remaining 0.2% by the intermediaries. It is also noted that in lieu of passing

such ineligible ITC, the Respondent had earned a commission to the tune of Rs. 28.5 Lakhs. The Committee noted that there was also Statement of few proprietors/ manager of various entities for which GST registration was done by the Respondent. They admitted to have obtain GST registration through the Respondent and also that the said firms were not carrying any business. Some of them denied to have raised any sale invoice though which the fake ITC standing in their books were transferred to various beneficiary companies. They also stated that their income tax returns were filed based on the credits and debits in bank accounts and that no invoice was issued against the said transactions. All the credits and debits in their bank accounts were between them and their friends which were considered in computing our total turnover to avail loans from bank. However, others stated that they obtained GST Registration through the Respondent and thereafter they did not conduct any business but relied upon the Respondent for maintaining books of accounts and income tax matters. Further, the Committee noted that there was also Statement of a few end user/beneficiaries of fake ITC on the basis of fake GST bills who admitted that to have paid GST liabilities through utilisation of ITC on invoices against which neither goods/services were received nor any payment was made against them. They stated that the said fake Invoices were arranged by the Respondent. As per them, said invoices were procured from the Respondent through middlemen by paying commission. It was noted that in this regard a sum of Rs. 2.38 Crores was stated to have been recovered by the Complainant Department from the end users.

4.5 In view of the above, the Committee noted that the allegations raised against the Respondent was established not only with his admission in the Statement recorded but also it was directly corroborated with the statements of his accomplices involved in the matter viz. his assistant (Mr. Banothu Ram Charan Nayak) and the intermediaries viz. Mr. Pilli Virupakshi Reddy and Mr. Deva Reddy. Further, the proprietors of business entities for which GST Registration was done by the Respondent and also end beneficiaries of the fake ITC viz. in their respective statements before the Complainant Department had admitted the fact that entities registered were not carrying any business. There were debits and credits entries in their bank statements based on which income tax return was filed and bank loan was obtained. During such episode being acted upon, one parallel episode took place, GST returns were filed for such firm by raising fake invoices on certain beneficiary companies – again without any supply of goods or involving any payment, thus, enabling such beneficiary company to pay off their GST liabilities by availing ITC on fake invoices raised. As per the proprietors, they were not aware of the said acts of the Respondent regarding raising invoices or filing GST returns. However, as per the Respondent he used to receive data from certain specific individuals who used to provide data for their firms as well as firms belonging to

their friends or family. The Committee viewed that its inquiry was limited to assessing the act of the Respondent. It is clear that the Respondent had admitted to get the firms registered, prepare fake invoices on his laptop or through his assistant, filing GST return knowing it well that such invoices in relation to which returns were being filed were fake-not backed by supply of goods/ services or payments and obtaining commission in lieu of fake ITC being passed to beneficiary company.

4.6 The Committee noted there is a bank account statement of the Respondent on record in Kotak Mahindra Bank wherein an amount of Rs.25.38 Lacs and Rs.6.6 Lacs have been found to be credited in the account of the Respondent paid by Mr. Pilli Virupakshi Reddy and Mr. Ram Charan Nayak Banoth as per the following entries:

Sl.No.	Date	Amount (Rs.)
104.	03-11-2020	2 Lacs
108.	01-11-2020	1 Lacs
117.	31-10-2020	2 Lacs
186	16-10-2020	2.60 Lacs
187	16-10-2020	1.85 Lacs
191	14-10-2020	1.00 Lacs
241	28-09-2020	0.75 Lacs
242	28-09-2020	3.00 Lacs
245	26-09-2020	2.50 Lacs
269	18-09-2020	1 Lac
294	14-09-2020	0.65 Lac
306	12-09-2020	0.48 Lac
361	31-08-2020	1.30 Lacs
364	30-08-2020	2.50 Lacs
365	30-08-2020	2.50 Lacs
382	28-08-2020	0.25 Lac
	<b>Total</b>	<b>25.38 Lacs</b>

**Amount found to have been received in Respondent bank account from Mr. Ram Charan Nayak Banoth**

Sl.No.	Date	Amount (Rs.)
133.	28-10-2020	1 Lacs
134.	28-10-2020	2 Lacs
140.	27-10-2020	1.8 Lacs
264	19-09-2020	1.8 Lacs
	<b>Total</b>	<b>6.6 Lacs</b>

It was noted that the Respondent had not mentioned any other professional or business connection with Mr. Virupakshi owing to which the above-mentioned amounts might have been transferred to the Respondent's bank account from that of Mr. Virupakshi.

5. The Committee, during the hearing, examined the Respondent based on facts available on record. It noted certain noteworthy submissions of the Respondent as given hereunder:-

- (a) That he has not retracted/ challenged/ disputed from the Statement recorded by the Complainant Department before any authority/forum.
- (b) That the Respondent had obtained GST Registration of various firms based on the clients credentials viz Aadhar Card, PAN, rental agreement which were provided to him at his office. He never visited client's business place ever. He admitted to have used his mobile number for registration of firms to ease the process.
- (c) that the proprietors of the said firms were not having any other business. He submitted to have met his client at Badminton Court.
- (d) That the invoice was being prepared at his office but he did not prepare all invoices. When he was not available, his client used to prepare them at his office.
- (e) That out of the 13 firms, 11 firms were being controlled by Surya Prakash Reddy who used to send him the data through what'sapp/e-mail or by hand. Considering the fact that there were a few invoices reported to be of very high values, he was asked whether he ever considered the fact that such huge value goods could be delivered through a single vehicle, the Respondent replied in negative.
- (f) He admitted to have received the said Rs. 28.50 lac from his client account.
- (g) When details were sought from him regarding his assistant/ employees at office, it was noted that the Respondent took contrary stand. On one hand he submitted that he had no assistant/employee at his office. However, while submitting with respect to quantum of commission received, he stated that he had paid Rs. 10 lakhs to his assistant out of total Rs. 28 lacs he received from his client.

Hence, in view of the documents/ information available on record as well as oral submissions made by the Respondent, it was apparent that the Respondent was instrumental in the act of getting the firm registered, raising fake invoices, filing wrong GST returns and thereafter passing fake ITC credit to enable beneficiary companies to pay off their GST liabilities by availing fake ITC credit procured from the Respondent through intermediaries. The Respondent received commission of Rs.25.8 lacs as evident from the credit entries in his bank account from Mr. Virupakshi, an intermediary, for passing fake ITC credit. 5.1 The Committee viewed that the Respondent was



practicing unethically while registering the alleged firms under GST regime and while issuing impugned invoices to claim Input Tax Credit on behalf of his clients, thereby caused huge loss to the Government exchequer. The said examination also points out at inconsistent stands taken by him during enquiry before the Complainant Department and before the Bench. The Respondent further accepted that he gave his mobile number and email ID for registration instead of that of proprietor which further raised serious concern for entrustment of duty on the professionals while carrying out certification work. The Committee Members further raised suspicion on the working style of Respondent as he stated that he met his client at Badminton Court. The Respondent being a Chartered Accountant and member of the Institute was expected to observe the highest standards of ethical behavior and professional integrity and not to violate any laws of the land including rules/regulations of CGST Act while providing services to various entities in their GST matters.

6. The Committee, while examining the gravity of the offence involved in the matter, noted that the amount of ineligible ITC availed/passed on was running into Crores and keeping in view facts and circumstances of the case, it was observed that the Respondent had totally deviated from the righteous path and indulged in nefarious financial activities. His acts ultimately led to the contravention of the applicable provisions of the CGST Act and Rules made thereunder causing wrongful loss to national exchequer. The professional accountants should act in a manner consistent with the reputation of the profession and refrain from any conduct which might bring disrepute to the profession. Thus, the Respondent played a significant role in evasion of GST payment to the department to the tune of Rs.7.51 Crores. Accordingly, the act of the Respondent makes him Guilty for Professional and Other Misconduct under Item (7) of Part-I of Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949 for being grossly negligent while performing professional duties and for bringing disrepute to the profession and the Institute.

**Conclusion:-**

7. Thus, in conclusion, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional as well as Other Misconduct falling within the meaning of Item (7) of Part-I of Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

Sd/-  
[CA. Aniket Sunil Talati]  
Presiding Officer

Sd/-  
[Smt. Anita Kapur]  
Member (Govt. Nominee)

Sd/-  
[Dr. K. Rajeswara Rao]  
Member (Govt. Nominee)

Sd/-  
[CA. Vishal Doshi]  
Member

Sd/-  
[CA. Sushil Kumar Goyal]  
Member

Date: 7<sup>th</sup> February, 2023  
Place: New Delhi

*Jyotika*

प्रमाणित सत्य प्रतिलिपि / Certified true copy

सीए. ज्योतिका ग्रोवर / CA. Jyotika Grover  
सहायक सचिव / Assistant Secretary  
अनुशासनात्मक निदेशालय / Disciplinary Directorate  
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032  
ICAI Bhawan, Vishwas Nagar, Shadra, Delhi-110032