

**OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES:  
ORISSA: CUTTACK.**

No.III(I)38/09-22626/CT.,

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**CIRCULAR**

**Sub: Measures to counter tax evasion in iron and steel sector.**

On receipt of reports on large scale tax evasion in iron and steel goods including sponge iron by setting up dummy dealers in different localities, comprehensive guidelines were issued vide this Office letter No.2339 dt.10.02.09. The common modus operandi adopted in the scheme of tax evasion was –

- to set up some dummy dealers in different locations of the State,
- to obtain registration followed by waybills and other statutory forms and
- to despatch interstate consignments using the bills and waybills issued to those dummy dealers.

The process goes on for a few months within which period the fraudsters succeed in dispatching a larger number of interstate consignments. When enquiry into the conduct of such dealers is initiated, they vanish into thin air, but by then the damage is already done and huge amount of tax already evaded. Therefore, all the tax authorities involved in the process of tax administration were suitably alerted about the modus operandi adopted by the fraudsters and guidelines were issued to be followed at the time of registration and issue of waybills. It was also instructed to maintain a separate data base containing the profiles of all the dealers in the iron and steel trade in a circle for proper monitoring of their business conduct and tax compliance.

In spite of issue of such clear guidelines, it is unfortunate to note that some of the dummy dealers are still flourishing and perpetuating the act of tax evasion in iron and steel goods. In some cases, some of the known fraudsters have succeeded in obtaining registration in a different circle after being caught in the old station which implies that the registering authorities have not taken adequate care while granting registration. Such dealers are also succeeding

in obtaining waybills at ease which implies that waybills are being issued without the desired enquiry into the business credibility of the dealers and their actual conduct. This can simply be read as a case of complicity on the part of the registering authority and the officials in charge of issuing waybills.

It is also noticed that the dummy dealers who are actively abetting in tax evasion by lending their name, TIN and documents including waybills are manipulating their accounts by showing purchase from other dummy dealers and booking sale against similar other dummy dealers, thus making the enquiry process cumbersome. It was therefore impressed upon all concerned to weed out such elements in the circulars issued vide this office letter No.8479 dt.27.04.09 and 21150 dt.06.11.09. The issue was also discussed in the state level review meeting held on dt.26.10.09. But the problem still persists and the dummy dealers are still flourishing at ease due to inaction on the part of the authorities working at the circle level.

Henceforth, if any such report on tax evasion by any dealer in iron and steel goods is received, that will be read as a case of negligence in duty on the part of the officer and other officials concerned in furthering tax evasion and will be reflected in the Performance Appraisal Report, apart from initiation of disciplinary action.

**NIKUNJA B. DHAL, I.A.S**

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