

O/o the Appellate Deputy Commissioner(ST),
Goods and Service Tax,
Coimbatore
Dated: 01.07.2021



GST State Appeal No: 17/2021

The State of Tamil Nadu

Versus

Tvl. Cheran Steel Rolling Mills,
342/2, Mettupalayam Raod,
Coimbatore -641 029

...Respondent

To
The above named appellant

Through the DR,GST Appeal

This appeal filed by the Department (the order passed by the State Tax Officer (Adjudication-II), Intelligence, Coimbatore Proc No. 33AABFC2952Q1ZA / 2017-18, Dt: 29.01.2021) before the Appellate Deputy Commissioner (ST), GST, Coimbatore stands posted for hearing on 20.07.2021 at 11.00 A.M at the O/o the Appellate Deputy Commissioner (ST), GST, Coimbatore.


Please take notice that if you do not appear on the above date either in person or by pleader or by authorized agent in support of your appeal, it will be disposed of on merits ex-parte.

Given under my hand and the seal of the Appellate Authority.

(By order)

Date:
Seal:




1.7.21
Appellate Deputy Commissioner (ST),
Goods and Service Tax,
Coimbatore.

Copy to:

The respondent (with copies of the appeal memorandum and the order appealed from)RPAD

FORM GST APL - 03



Application to the Appellate Authority under sub-section (1) of section 107

1. Name and designation of the appellant :
Name : Thiru P. Murugakumar, M.Com, M.Phil, MBA
Designation : Deputy Commissioner (ST)(Int.),
Coimbatore.
Jurisdiction : Coimbatore, Pollachi, The Nilgiris.
State/Center : State
Name of the State : Tamilnadu
2. GSTIN/ : 33AABFC2952Q1ZA
Tvl. Cheran Steel Rolling Mills
3. Order No. 33AABFC2952Q1ZA /2017-18 Dated 29.01.2021.
4. Designation and address of the officer : State Tax Officer (ST) (Adjudication-II)
O/o the Joint Commissioner (ST) (Int.),
Coimbatore.
5. Date of communication of the order
appealed against : 02.02.2021
6. **Details of the case under dispute** :
 - i) **Brief issue of the case under dispute** : The place of business of Cheran Steel Rolling Mills was inspected by the Officers of the Coimbatore Intelligence wing on 14.09.2020. At the time of inspection, the place of business was closed. Because the registration certificate of the tax payer was cancelled with effect from 01.01.2018. Hence a summon was issued by the inspecting officers to the tax payer to produce records related to business. The taxable person has produced inward and outward supply invoices, Balance sheet, Trading and profit & loss account and income tax statement for the assessment year 2017-2018, under the GST Act, 2017.
 - ii) The proper officer had passed orders and determined the tax with penalty worked out in the adjudication orders as below.



ABSTRACT

Nature of Defect	CGST Due	SGST Due	Total Tax Due	CGST Penalty	SGST Penalty	Total Penalty
Non Maintenance of Records				Rs.10000	Rs.10000	Rs20000
Tax Difference between GSTR 1 and GSTR3B	Rs.19,40,982	Rs.19,46,991	Rs.38,87,973	Nil	Nil	Nil
Difference in claim of ITC between GSTR2A and GSTR3B	Rs.57,960	Rs.57,960	Rs.1,15,920	Nil	Nil	Nil
Circular/ Reciprocal Transaction	Rs.5,49,715	Rs.5,49,715	Rs.10,99,430	Rs.5,49,715	Rs.5,49,715	Rs.10,99,430
Total	Rs.25,48,657	Rs.25,54,666	Rs.51,03,323	Rs.5,59,715	Rs.5,59,715	Rs.11,19,430

- iii) Description and classification of Goods in dispute : Manufacturer of Ms Flats, Ms Rounds, Ms Angles (HSN.730120)
- iv) Period of dispute : 2017-18
- iv) **Amount under dispute** :

S.no	Defects	Demand raised by proper officer	Review points of view	Revenue
1	Difference in turnover and tax due between GSTR-1 and GSTR-3B	The proper officer raised only the tax portion	Demand to be raised by penalty portion As per sec74(1)	Penalty:38,87,973
	Total			38,87,973

** Additional demand to be created for the above penalty portion.

7. Statement of facts :-

Tvl.Cheran Steel Rolling Mills is a registered dealers in the books of the Assistant Commissioner(ST), Velandipalayam Circle, Coimbatore with the GSTIN. 33AABFC2952Q1ZA , and allotted to the state jurisdiction. They are dealing with iron and non-alloy steel in ingots or other primary forms (excluding iron of heading 7203) - ingots : of iron. HSN: 72061010. The registration certificate of the tax payer was cancelled with effect from 01.01.2018. The place of business of the taxable person was inspected by the Officers of the Coimbatore Intelligence wing on 14.09.2020.

The State Tax officer, Adjudication-II Intelligence wing, Coimbatore have passed the Adjudication order based on the inspection report received from the STO, Adjudication-II (Intelligence wing), Coimbatore.

8. Grounds of appeal

The adjudication files have been verified with the records handed over by the inspection officers and the data available in the departmental portal. The proper officer raised the demand based on the documents produced before the proper officer and data reflected in the departmental portal and also sent Form GST DRC-01A dated: 29.10.2020 for intimating of demand. Out of the 7 defects the following 2 defects the demand may be raised as detailed below.

1. Interest not levied by the proper officer for all defects. Interest as per section 50(3), is worked out up to the date of adjudication order passed. It may be varied depending upon the date of payment made by the taxable person.
2. Penalty not levied on difference in taxable Turnover and tax due between GSTR-1 & GSTR-3B.

For interest portion also levied on delayed payment of tax U/s 50(3) of TNGST Act 2017 to the taxable person. But the proper officer could not levied interest in this order. As per Proceeding of the Deputy Commissioner(ST) GST Appeal, Coimbatore for Tvl. Aravind Traders, Coimbatore in TNGSTMP No.293,295/2020 Dated:30.12.2020 stated that "THE ASSESSING OFFICER HAS THE POWER TO ISSUE NOTICE AND COLLECT INTEREST" and also dismissed the appeal.

Hence this portion to levy interest the file may be returned to proper officer for enhance the interest.

9. Prayer :

It is hereby requested to enhance the penalty demand to safeguard the revenue in favour of Government

10. Amount of demand in dispute, if any :

Particulars of demand/ refund, if any	Partiuculars		Central tax	State/ UT tax	Integrated tax	Cess	Total
	Amount of demand created if any (A)	Tax/Cess	2548657	2554666	Nil	Nil	Nil
Interest		Nil	Nil	Nil	Nil	Nil	Nil
Penalty		559715	559715	Nil	Nil	Nil	Nil
Fees		Nil	Nil	Nil	Nil	Nil	Nil
Other charges		Nil	Nil	Nil	Nil	Nil	Nil
Amount under dispute (B)	Partiuculars		Central tax	State/ UT tax	Integrated tax	Cess	Total
	Tax/Cess	Nil	Nil	Nil	Nil	Nil	Nil
	Interest	Nil	Nil	Nil	Nil	Nil	Nil
	Penalty	1943987	1943987	Nil	Nil	Nil	Nil
	Fees	Nil	Nil	Nil	Nil	Nil	Nil
	Other charges	Nil	Nil	Nil	Nil	Nil	Nil

Date: 06.2021

v. *P. Murugakumar*
29/6/21

Name of the Applicant Officer: P. Murugakumar
Designation: Deputy Commissioner (ST)(Int.), Cbe.
Jurisdiction: Coimbatore, Pollachi, The Nilgiris

Ad. Rev.
22/6/21

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**Proceedings of the State Tax Officer (Adjudication-II),
Intelligence, Coimbatore
Present: Thiru.K.Boopathi**

GSTIN : 33AABFC2952Q1ZA /2017-18

Dated :29.01.2021

Sub:-	Tamilnadu Goods and Service Tax Act 2017- Coimbatore Intelligence-Surprise Inspection conducted U/s.67 of the Act- Tvl.Cheran Steel Rolling Mills , Coimbatore (GSTIN: 33AABFC2952Q1ZA) – Manufacturer of MS Flats, MS Rounds, MS Angles - Notice issued for the year 2017-18- Orders passed Regarding.
Ref:-	1)This office DRC-01A Notice No: GSTIN:33AABFC2952Q1ZA/ 2017-18 dated:29.10.2020 2)This office Notice No: GSTIN : 33AABFC2952Q1ZA/2017-18 dated:09.11.2020 3)The Tax Payers reply dated 24.11.2020,10.01.2021 and 27.01.2021.

An Appeal against this order lies before the Appellate Deputy Commissioner(GST), Coimbatore within three months of receipt of this order.

The place of business of Tvl.Cheran Steel Rolling Mills (GST:NO.33AABFC2952Q1ZA) located at 342/2, Mettupalayam Road, Coimbatore was inspected by the State Tax Officer, Adjudication-II on 14.09.2020. The taxpayer is a manufacturer of MS Flats, MS Rounds, MS Angles and MS Squares etc. The registration certificate of the taxpayer was cancelled with effect from 01.01.2018. As the place of business was closed, a summon dated 16.09.2020 was issued to the taxpayer to produce records related to business. The taxable person has produced inward and outward supply invoices, Balance sheet, Trading and Profit and Loss account and Income tax statement for the year 2017-18 on 10.10.2020. Based on the inspection and perusal of records, the following defects were noticed, for which notice was issued to the taxpayer as per the reference 1st and 2nd cited. Against the notice, the taxpayer filed reply vide reference 3rd cited. After perusal of the reply, the following adjudication order is passed for the year 2017-18.

DEFECT NO.1: Non Maintenance of Records :

The taxable person has not produced the following records which are required to be produced at the time of inspection.

- 1.) GSTR -9, 9C for the year 2017-18
- 2.) Delivery Challan Register (01.07.2017 to 31.03.2018)
- 3.) Day to Day Stock Account (01.07.2017 31.03.2018)
- 4.) Day book ledger from (01.07.2017 to 31.03.2018)

They have not produced the above records relating to the business activity for verification. Non maintenance of records and stock account is in violation of provision of the act U/s 35 of the CGST/ SGST Act 2017 and liable for Penalty U/s 122(xvi) of sub section 1 of CGST/SGST Act 2017 .

Hence it was proposed to levy penalty of Rs.10,000/- per Act as it is an offence Under sub section 1 of section 122(xvi) of the CGST/SGST Act 2017.

The taxable person has not filed reply for the defect. Hence levy of penalty of R.10,000/- under CGST and Rs.10,000/- under SGST Act is confirmed.

DEFECT NO.2: Meager Cash Payment and Tax paid Ratio:

Verification of turnover reported, tax due and tax paid details revealed the following:

Year	Taxable Turnover	Tax Due	ITC Adjusted	Tax paid	Tax paid ratio
2017-18 (Upto Nov 17)	Rs.12,69,44,394	Rs.2,28,49,989	Rs.2,27,83,295	Rs.66,694	0.29%

From the above it is come to light that, they have paid very meager cash payment.

Reason for meager cash payment may be produced.

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Reply of the Taxpayer:

We submit the following reply in response to **Defect No.2** of Notice, wherein it is alleged that we have paid more tax through ITC and less tax in cash as detailed below:

YEAR	TAXABLE TURNOVER (Rs)	TAX DUE (Rs)	ITC ADJ	TAX PAID (Rs)	TAX PAID RATIO
2017- 18 (UPTO NOV'17)	12,69,44,394	2,28,49,989	2,27,83,295	66,694	0.29%

In this regard, we submit that as we had already stated that in order to survive and overcome the financial problems, we have resorted to sell the finished goods at low price to the dealers from whom we had purchased raw-material ingot/billets, adding only conversion charges to the raw-material cost, where we are required to pay less tax in cash. In addition to the above, we had sold the finished goods at a lower price due to market condition than the purchase price by which, we had accumulated excess credit in our credit ledger. In addition to the above, we are still required to pay tax due of Rs.33,54,887/-, as mentioned in Defect No.3, in cash, which may increase the cash ratio. We have financially struggled a lot and our bankers' have issued auction notice to recover our loan and hence, we have no other go but to sell our machineries, raw materials etc., to clear our bank loan. These are the main reasons for lesser credit ratio. We hope that this would suffice to drop this point.

Conclusion: The taxable person has replied that they have sold finished products at lower price due to financial problems. In addition as per defect no.3, they have to pay tax of Rs.33,54,887 which will increase the cash payment and tax paid ratio. The reply of the taxable person is accepted and this defect is dropped.

DEFECT NO.3: Difference in turnover and tax due between GSTR 1 and GSTR 3B

Year	Turnover reported in GSTR 3B	Turnover reported in GSTR 1	Difference	Tax due as per GSTR 3B	Tax due as per GSTR 1	Difference
2017-18 (July 2017 to November 2017)	Rs.12,69,44,394	Rs.12,69,44,394	0	Rs.2,28,49,989	Rs.2,28,49,991	Rs.2
2017-18 (December 2017 to March 2018)	Not filed	Rs. 2,47,50,476	Rs.2,47,50,476	Not filed	Rs. 44,55,086	Rs.44,55,086

From the above table, it was noticed that, they have not filed GSTR 3B from December 2017 to March 2018. But they have filed GSTR 1 for the period December 2017 to March 2018 and reported outward supplies to a value of Rs.2,47,50,476/- for which tax liability is Rs.44,55,086. They are not eligible to claim ITC from December 2017 to March 2018.

Hence they have to pay tax of Rs.22,27,543/- under CGST and tax of Rs.22,27,543/- under SGST along with penal interest @18% U/s 50(1) of CGST/SGST Act. Penalty of Rs.22,27,543 under CGST and Rs.22,27,543 under SGST was also proposed to be levied as per section 74 of CGST Act.

Reply of the Taxpayer:

It is alleged in the aforesaid Defect No.3, that there is a difference in turnover and tax due between GSTR-1 and GSTR-3B and we have not filed GSTR-3B from December' 2017 to March'2018.

In this regard, we admit that we have neither filed GSTR-3B nor paid the GST for the period from December 2017 to March'2018 due to financial constraint. But the amount of tax to be paid by us is incorrectly shown as Rs.44,55,086/- without taking into account the opening balance of credit available in December '2017 and the Input Tax Credit earned during the month of December'2017. The correct amount of tax to be paid is Rs. 33,54,887/- only and the details are given below:

MONTH	TAXABLE VALUE	CGST	SGST	IGST	TOTAL TAX TO BE PAID
DECEMBER'17 TAX PAYABLE	1,28,51,526	11,56,638	11,56,638	0	23,13,276
CREDIT AVAILABLE IN DECEMBER'2017 AS OPENING BALANCE IN CREDIT LEDGER		2,25,043	2,80,552	61,518	5,67,113
INPUT TAX CREDIT AVAILABLE IN DECEMBER 2017 ON PURCHASE		2,97,299 29665 = 644 - 218	2,97,299	0	59459
TOTAL TAX PAID IN DECEMBER 2017		5,22,342	5,77,851		
BALANCE TAX TO BE PAID IN DECEMBER' 2017		6,34,296	5,78,787		12,13,083
JANUARY'18	21,12,185	1,90,097	1,90,097		3,80,194
FEBRUARY'18	60,62,584	5,45,631	5,45,631		10,91,262
MARCH'18	37,24,163	3,35,174	3,35,174		6,70,348
TOTAL BALANCE TAX TO BE PAID FROM DECEMBER 2017 TO MARCH'2018		17,05,198	16,49,689		33,54,887

We submit that due to severe financial constraint we are not able to run the business and stopped production activities in November 2017 itself. We have been issued with Notice by our Bankers M/s Federal bank, Coimbatore on 18.05.2017 to recover our huge loan amount and thereafter with several Notices to recover our huge loan. In order to avoid insolvency, we have sold out all the machineries and equipment to settle the loan obtained from the bank. The last installment of the loan amount was paid in December 2020 and the settlement letter is yet to be received from bank. Copy of all Notices issued by the Bank is enclosed herewith.

In view of the above, we request that we may be permitted to pay the above tax dues along with interest in six installments and granted time till March 2021 to pay the dues.

Conclusion: The reply of the taxpayer was perused. As per Section 16(4) of CGST Act-2017, A registered person shall not be entitled to take input tax

credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return whichever is earlier. As per the above section, the taxable person is not entitled to take input tax credit for the months of December-2017 to March-2018. But the opening input tax credit available in credit ledger for the month of December-2017 is acceptable and the tax due payable by the taxpayer is worked out as below:-

Month	Taxable Value	CGST Due	SGST Due	Total Tax Due	CGST ITC	SGST ITC	IGST ITC	Total ITC Adjusted	Balance Tax to be paid
Dec 17	Rs.1,28,11,536	Rs.11,56,638	Rs.11,56,638	Rs.23,13,276	Rs.2,25,043	Rs.2,80,552	Rs.61,518	Rs.5,67,113	Rs.17,46,163
Jan 18	Rs.31,12,189	Rs.1,90,097	Rs.1,90,097	Rs.3,80,194	Nil	Nil	Nil	Nil	Rs.3,80,194
Feb 18	Rs.60,62,584	Rs.5,45,634	Rs.5,45,634	Rs.10,91,268	Nil	Nil	Nil	Nil	Rs.10,91,268
Mar 18	Rs.37,44,161	Rs.3,35,174	Rs.3,35,174	Rs.6,70,348	Nil	Nil	Nil	Nil	Rs.6,70,348
Total Tax Payable									Rs.38,87,973

Act wise tax payable by the taxable person is detailed below:-

Month	CGST Tax Due	CGST & IGST ITC Adjusted	CGST Tax Payable	SGST Tax Due	SGST ITC Adjusted	SGST Tax Payable
Dec-17	Rs.11,56,638	Rs.2,86,561	Rs. 8,70,077	Rs.11,56,638	Rs.2,80,552	Rs. 8,76,086
Jan-18	Rs. 1,90,097	Nil	Rs. 1,90,097	Rs. 1,90,097	Nil	Rs. 1,90,097
Feb-18	Rs. 5,45,634	Nil	Rs. 5,45,634	Rs. 5,45,634	Nil	Rs. 5,45,634
Mar-18	Rs. 3,35,174	Nil	Rs. 3,35,174	Rs. 3,35,174	Nil	Rs. 3,35,174
Total	Rs.22,27,543	Rs.2,86,561	Rs.19,40,982	Rs.22,27,543	Rs.2,80,552	Rs.19,46,991

Since the taxable person has not paid the tax till the date of order, they are instructed to pay the tax along with penal interest @18% U/s 50(1) of CGST/SGST Act. As there was no suppression of facts, misstatement or fraud committed by the taxable person, penalty proposed under section 74 is dropped.

DEFECT NO.4: Difference in claim of ITC between GSTR 3B and GSTR 2A :

As per GSTR-3B filed for the period from July 2017 to November 2017, they have claimed and adjusted ITC to a tune of Rs.2,26,32,220. But

ITC auto populated as per GSTR 2A for the period July 2017 to November 2017 is Rs.2,25,16,304. Hence the excess availed ITC of Rs.1,15,919 was proposed to be reversed along with penal interest at 24% U/s 50(3) of CGST/SGST Act 2017 and penalty of Rs.1,15,919 u/s 74 of CGST/SGST Act 2017.

Reply of the Taxpayer: wherein it is alleged that there is difference between in claim of ITC between GSTR-3B and GSTR-2A. As per GSTR-3B filed for the period from July 2017 to November 2017, an amount of Rs.2,26,32,220/- has been adjusted but as per the ITC auto populated statement for the said period is Rs.2,25,16,304/-. Hence we have availed excess ITC of Rs.1,15,919/- and it is proposed to reverse the excess credit of Rs.1,15,919/- along with penal interest @24% under Section 50(3) of GST Act,2017 and propose to impose equal penalty under Section 74 (1) of GST Act, 2017.

In this regard, we would like to submit that it is not the 'excess input tax credit' availed as stated in the Notice. The difference in ITC availment between GSTR-3B and GSTR-2A arises due to the reason that we have availed some of the ITC pertains to October and November 2017 during the respective months, which were reflected in GSTR-2A for the month of December 2017. Since the concerned suppliers falls under "Quarterly Return" filers category, the aforesaid ITC were not reflected in GSTR-2A for the months of October and November 2017. Hence, there is difference in availment of ITC. We herewith enclosed a copy of GSTR-2A for the month of December 2017 for your perusal. Further, we have stopped production during the month of December 2017 and sold all our machineries and equipments due to financial problems.

From the above, it may be seen that *we have not availed excess ITC* as alleged in the Notice. We have availed only eligible ITC and hence the question of reversal ITC and demand of interest @24% under Section 50(3) and imposition of equal penalty under Section 74(1) of GST Act,2017 does not arise.

As per Section 50 (3), "A taxable person who makes an undue or excess claim of input tax credit under sub-section (10) of section 42 or undue or excess reduction in output tax liability under sub-section (10) of section 43, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding twenty-four per cent."

In our case, we have neither claimed undue or excess input tax credit nor made undue or excess reduction in output tax liability and hence no interest can be demanded under Section 50(3) of GST Act,2017. Similarly, in as much as we have not availed any excess ITC, no equal penalty can be imposed under Section 74(1) of GST Act,2017.

In view of the above, the aforesaid point may be dropped.

Conclusion: The taxable person has replied that they have claimed Input Tax Credit of Rs.1,15,919 based on purchases effected during the months of October-2017 and November-2017. In taxpayer's GSTR-2A, the Input Tax credit related to the above purchase is reflected in the month of December-2017. The Input Tax Credit of Rs.1,15,919 reflected in the GSTR-2A of the taxpayer is already lapsed as the taxpayer has not filed GSTR-3B for the month of December-2017. Therefore the Input Tax Credit of Rs.1,15,919 claimed by the taxpayer based on invoice is rejected. Hence the taxpayer is ordered to pay the excess Input Tax Credit claim of Rs.1,15,919 along with penal interest at 24% U/s 50(3) of CGST/SGST Act 2017 while making payment. Since the taxpayer has claimed Input Tax Credit based on invoice which was also reflected in GSTR-2A in later month, there was no willful claim. Hence penalty proposed under Section 74(1) is dropped.

DEFECT NO.5: Tax on Sale of Asset:

On Verification of Trading and Profit and Loss Account for the year 2017-18, it was noticed that they have sold the following asset which are not reported in GST monthly returns for which tax was proposed as below:-

S. No	Nature of Asset	Asset Disposal value	HSN Code	Rate of Tax		Tax	
				CGST	SGST	CGST	SGST
1	Machinery	Rs.92,45,033	8419	9%	9%	Rs.8,32,053	Rs.8,32,053
2	Electrical fittings	Rs.34,95,120	8547	9%	9%	Rs.3,14,561	Rs.3,14,561
3	Furnace	Rs.16,95,562	8417	9%	9%	Rs.1,52,601	Rs.1,52,601
4	Mon bloc Pump	Rs.2,54,080	8413	9%	9%	Rs.22,867	Rs.22,867
5	Generator	Rs.6,33,414	8503	9%	9%	Rs.57,007	Rs.57,007
6	Conveyor	Rs.61,822	4010	9%	9%	Rs.5,564	Rs.5,564
7	Fire Extinguishers	Rs.4,650	8424	9%	9%	Rs.419	Rs.419
8	Office Equipment's	Rs.80,915	8304	9%	9%	Rs.7,282	Rs.7,282
9	Welding Machine	Rs.1,05,996	8419	9%	9%	Rs.9,540	Rs.9,540
10	Computer	Rs.1,36,108	8471	9%	9%	Rs.12,250	Rs.12,250
11	Crane	Rs.11,62,360	8703	14%	14%	Rs.1,62,730	Rs.1,62,730
Total						Rs.15,76,874	Rs.15,76,874

Interest was also proposed to be levied at 18% U/s 50(1) of CGST/SGST Act 2017 and penalty of Rs.15,76,874 under CGST and Rs.15,76,874 under SGST as per section 74 was also proposed.

Reply of the Taxpayer:

With reference to the above cited Notice, which contains the defects detected in our books of accounts during the inspection conducted by the department on 14.09.2020, we would like to submit that we have stopped production activities after November 2017 due to financial problems and we have sold most of the machineries and equipments during the month of December 2017.

As we have stopped our production activities and sold our machineries, almost all staff had left our company and now we are handling the issues relating to disputes and financial problems through our Auditor, who is also deprived of staff due to COVID-19.

With reference to Defect No.5 of the above cited Notice, wherein it is alleged that we have sold asset which are not reported in GST Monthly Returns for which CGST of Rs.15,76,874/- and SGST of Rs.15,76,874 is proposed to demand along with interest @18% under Section 50(1) and equal penalty under Section 74 of CGST/SGST Act, 2017, we submit that

the above allegation is baseless and not acceptable as the same is raised on the **book value** shown in the Depreciation Schedule of Profit & Loss Account/Balance Sheet filed along-with the Income Tax Return for the financial year 2017-2018 (Assessment Year 2018-2019). The details of value of machineries and equipments shown in the Schedule are only for **book purpose** and not **actual value** of the machineries and equipments shown in the schedule as per the Auditor's statement.

We have sold our worn-out old machineries and equipments 'as such' and also in 'dismantled/broken condition' for scrap value as they were bought way back during 1990s and as they would not fetch more value than the scrap value. The old machineries and equipments were sold to M/s Balaji Steels, Coimbatore on 15.12.2017 and the details are given below:

INVOICE & DATE	DESCRIPTION OF GOODS SOLD	TAXABLE VALUE(Rs)	CGST (Rs)	SGST (Rs)
454/15.12.2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	2,40,840	21,676	21,676
455/15.12.2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	2,33,760	2,33,760	2,33,760
456/15.12.2017	USED HEAVY MOTORS & SMALL MOTORS	5,00,000	45,000	45,000
457/15.12.2017	USED PANEL BOARD/ USED CABLES	3,00,000	27,000	27,000
458/15.12.2017	USED LATHE/USED SHAPING MACHINE/USED DRILLING MACHINE	5,00,000	45,000	45,000
459/15.12.2017	USED MILL STAND WITH GEAR BOX/USED FLY WHEEL /USED CONVEYORS	7,00,000	63,000	63,000
460/15.12.2017	USED HEAVY TRANSFORMERS/USED GENSET	6,50,000	58,500	58,500
461/15.12.2017	USED FURNACE CUTTING MACHINE/USED STRAITENING MACHINE/CHIMNEY/USED OIL TANKS	9,50,000	85,500	85,500
462/15.12.2017	MS CONDEMNED MACHINERY PARTS-SOLD AS SCRAP	4,79,520	43,157	43,157
463/15.12.2017	MS CONDEMNED MACHINERY PARTS-SOLD AS SCRAP	4,80,840	43,276	43,276
464/15.12.2017	MS CONDEMNED MACHINERY PARTS- SOLD AS SCRAP	4,80,120	43,211	43,211
465/15.12.2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	4,81,080	43,297	43,297
466/15.12.2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	4,81,200	43,308	43,308

467/15.12.2017	MS CONDEMNED MACHINERY PARTS- SOLD AS SCRAP	4,80,360	43,232	43,232
468/15..2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	3,44,040	30,964	30,964
469/15.12.2017	MS CONDEMNED MACHINERY PARTS - SOLD AS SCRAP	2,98,260	26,843	26,843
	TOTAL	76,00,020	6,84,002	6,84,002

The above transactions were reported in our GSTR-1 for the month of December 2017 and the same can be verified by the department. Hence, the allegation that we have not report the transactions in GSTR-1 is incorrect. However, we have not filed GSTR-3B due to financial problems.

It appears that the proposed demand is based on the book value, which is assumed one and not actual value. The CGST and SGST can be demanded only on the **taxable value shown in the invoice** and not on the assumed value/book value. Hence, the allegation raised in the Notice is **not sustainable** under law and the GST cannot be demanded on the 'book value' shown in the Profit & Loss Account/Balance Sheet. Therefore, no action to demand interest and impose penalty under Section 50 and 74 respectively of the CGST/SGST Act, 2017 can be taken by the department. In view of the above, it is requested to drop further proceedings in this issue.

Conclusion: The Taxpayer's contention is that, the value of machineries and equipments shown in the schedule of Profit & Loss/Balance sheet are only for book purpose and not actual value of the machineries and equipments sold. They have sold worn-out old machineries and equipments 'as such' and also in 'dismantled/broken condition' for scrap value. They have sold old machineries and equipments to M/s Balaji Steels, Coimbatore on 15.12.2017 for a value of Rs.76,00,020(Invoice no. 454 to 469) and reported the transactions in GSTR-1 for the month of December-2017 which was verified and found to be correct. But they have not filed GSTR-3B for the month of December-2017 and not paid tax. The defect of nonpayment of tax for the above transaction is already covered in Defect no.3. Hence the reply of the taxable person is accepted and the tax, interest and penalty proposed in this defect are dropped.

DEFECT NO.6: Circular / Reciprocal transaction with certain dealers:

They are a manufacturer of MS Squares, MS Flats, MS Angles ad MS Rounds which are finished products and supplied them to taxable persons. On verification of inward/outward supply for the year 2017-18 with reference to monthly (GSTR 1 and GSTR 2A) returns filed by them, it was noticed that they have effected both inward and outward supplies of finished products with certain taxable persons.

Being a manufacturer of finished products, the inward supply of finished products such as MS Squares, MS Flats, MS Angles and MS Rounds effected by them from certain taxable persons to whom they have supplied such finished products is in the nature of circular/reciprocal, in order to avail input tax credit and thereby to reduce output tax liability. In the absence of transport documents and bank transactions on such purchases, Input Tax Credit claimed by them on such inward supply of finished products was proposed to be reversed under section 16(2)(b) of the TNGST Act and CGST Act. Penalty of Rs.7,61,107 under CGST and Rs.7,61,107 under SGST as per section 74(1) was also proposed. The amount of Input Tax Credit proposed to be reversed is detailed below,

S. No	Dealer Name	GSTN NO	Taxable Value	CGST Proposed to be reversed	SGST Proposed to be reversed	Total ITC proposed to be reversed
1	Hindustan Hardware	33AABFH6578F1ZE	Rs. 4,17,413	Rs.37,567	Rs.37,567	Rs.75,134
2	Pioneer Steel	33AABFP6358D1ZO	Rs. 3,61,059	Rs.32,495	Rs.32,495	Rs.64,990
3	CHEENU AMMA ALLOY P. LTD	33AADCC7429F1ZV	Rs.20,58,247	Rs.1,85,242	Rs.1,85,242	Rs.3,70,484
4	R.P.STEELS	33AAIFR0067J1Z8	Rs.2,11,630	Rs.19,047	Rs.19,047	Rs.38,094
5	APOLLO STRUCTURAL I.P. LTD	33AAKCA2628K1ZO	Rs.20,99,783	Rs.1,88,980	Rs.1,88,980	Rs.3,77,960
6	TEXLAND INDUSTRY	33AALPT2908H1Z6	Rs.1,59,380	Rs.14,344	Rs.14,344	Rs.28,688
7	CHERAN STEELS P. LTD	33AAMCS5504L1Z5	Rs.31,49,249	Rs.2,83,432	Rs.2,83,432	Rs.5,66,864
	TOTAL		Rs.84,56,761	Rs.7,61,107	Rs.7,61,107	Rs.15,22,214

Reply of the Taxpayer: wherein it is alleged that we have effected inward/outward supplies of finished goods with certain taxable persons, which is in the nature of circular/ reciprocal transaction in order to avail input tax credit and thereby reduce the output tax liability. In the absence of transport documents and bank statements on such purchases, ITC of Rs. 7,61,107/- claimed on such inward supply of finished goods is proposed to be reversed under Section 16(2) (b) of GST Act,2017 and propose to impose equal penalty under Section 74(1) of GST Act,2017.

Sl.No.	Name of the Dealer	Total ITC proposed to be reversed (Rs)
1	Hindusthan Hardwares	75,134
2	Pioneer Steels	64,990
3	Cheenu Amma Alloy Ltd.,	3,70,484
4	R.P.Steels	38,094
5	Apollo Structural (P) Ltd.,	3,77,960
6	Texland Industry	28,688
7	Cheran Steels (P) Ltd.,	5,66,864
	TOTAL	15,22,214

In this regard, we would like to submit that there is no bar to purchase and sale of finished goods under GST regime as the concept of payment of tax shifted from manufacture to sale. In the erstwhile Central Excise regime, the concept of payment of duty/tax arises on own manufactured goods at the time of sale of goods. But after introduction of GST with effect from 01.07.2017, the concept of payment of GST arises on sale of any goods whether it is own manufactured goods or traded goods. The issue is 'GST' (both Central GST and State GST) should be discharged at the time of sale by any 'dealer'. In GST regime both manufacturer and trader falls under one category, called DEALER. There is no difference/separate set of rules for 'manufacturer' and 'trader'. Both are covered under same rules and procedures and there is no restriction to purchase and sale of similar finished goods of a manufacturer. It is not known how the

department came to a conclusion that trading of similar goods between two 'dealers' amounts to 'circular/reciprocal' transaction.

Nowhere in GST Law, either State Law or Central Law, sale of goods to a supplier from whom such goods are purchased. Further, purchase and sale of similar goods between two set of dealers is nothing but conventional one and it is also not barred in new GST regime. In no stretch of imagination, it can be said that same goods were (purchased and sold) traded between us. If need arises, we used to buy some of our finished goods then and there from the dealers mentioned above to fulfill /complete our commitment to our customers. Likewise, if the aforesaid dealers need any of such goods they used approach us and we would sell the same to them. At no point of time we had purchased and sold the same goods with same quantity. It may be seen from our transactions with the aforesaid dealers that our purchase quantity and sale quantity were always varies and it would not be same goods with same quantity. If it is so, then only it can be construed, to some extent, as circular/ reciprocal trading. Unless it is proved beyond doubt that only invoices alone traded between the two dealers without movement of goods, it cannot be alleged that it is circular / reciprocal trading with intention to avoid payment of tax by claiming wrongful ITC. The department has not provided any proof that we had indulged in bill trading activity. We would like to point out that no incriminating records were recovered at the time of inspection which strengthens our claim of genuineness. All the transactions are taken place well within the ambit of the provisions of the Act and no clandestine transactions are taken place.

Further, it may be seen from the above table that the amount of ITC involved is less than one lakh in respect of four dealers and the ITC involved in remaining three dealers is also less than 5.0 lakhs except in one case, where also the amount of ITC involved is less than 6.0 lakhs. No prudent dealer would indulge in such activity of 'bill trading' for such a skimpy benefit of ITC as claimed by the department. Further, we have stopped production during the month of December 2017 and sold all our machineries and equipments due to financial problems. Further, in respect

of some dealers, goods were supplied through the customer's vehicle and in some cases the rate was inclusive of freight and hence no freight charges were paid by us. In all the above-mentioned transactions, payment was received/paid for purchase and sale of goods through bank only.

We have rightly claimed ITC based on the Input available in our GSTR 2A and we have not violate any provisions of section 16 of the GST of the Act.

In this regard, we would like to inform you that you have issued the show cause notice with the predetermined mindset that the return supply happens only due to evade tax without verification of any records submitted by us.

We once again reiterate that we are not **bill traders** and kindly understand our modus operandi and consider our submission which is constructed based on the facts and figures.

In our case, we have raised/ received proper invoices, weightment slips and e-way bills for movement of goods and made/received payment for such transactions respectively. Hence, the question of invoking of provisions of Section 16(2) (b) and Section 74(1) of GST Act,2017 does not arise.

As per Section 16 (2) (b) of GST Act, 2017, "Notwithstanding anything contained in this section, **no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—** (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed; **(b) he has received the goods or services or both.** *[Explanation.— For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services— (i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise; (ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person;]*

We have **not taken credit without receipt of either goods or service or both**. Hence, the question of reversal of ITC does not arise and no penalty can be imposed for the same under Section 74(1) of GST Act, 2017.

The question of imposition of penalty equivalent to the tax demanded in the Notice under Section 74(1) of GST Act arises only if any tax has not been paid or short paid or **when input tax has wrongly been availed or utilized by reason of fraud or any wilful misstatement or suppression of facts to evade tax**.

In view of the above, it is requested to drop the aforesaid point.

Conclusion: The reply of the taxpayer was verified. The crux of the reply is that, they are manufacturer of finished products such as MS Flats, MS Rounds, MS Angles and MS Squares etc. If need arise, they used to buy some of their finished goods then and there from the dealers to fulfill/complete their commitment to their customers. At no point of time they had purchased and sold the same goods with same quantity. It may be seen from their transactions with the aforesaid dealers that their purchase quantity and sale quantity were always varies and it would not be same goods with same quantity. Unless it is proved beyond doubt that only invoices alone traded between the two dealers without movement of goods, it cannot be alleged that it is circular/reciprocal trading with intention to avoid payment of tax by claiming wrongful ITC. Further, in respect of some dealers, goods were supplied through the customer's vehicle and in some cases the rate was inclusive of freight and hence no freight charges were paid by them. In all the above transactions, payment was received/paid for purchase and sale of goods through bank only.

The tax payer has produced copies of Electricity Bill for the months July-2017 to December-2017, Central excise return copies for the months of April-17 to June-2017, original copies of inward and outward supply invoices, certified balance sheet and Trading & Profit loss account for the year 2017-18, Income tax return filed for the year 2017-18 and bank statement for the period of July-2017 to March-2018. On verification of the above documents it is noted that they are a manufacturer of finished products such as MS Flats, MS Rounds, MS Angles and MS Squares etc.

Further the following transporters and taxpayers were randomly summoned to verify whether the tax payer has actually moved goods or not.

1.Ramavilas Transport, Salem:

Thiru.K Senthilkumar owner of Ramavilas Transport appeared before me on 05.01.2021 and replied that he owns seven goods carrier vehicles.(TN30AM4399,TN30Y5090,TN31P4757,TN47A7389,TN52J2011,TN52W1035,TN54H8322). During the year 2017-18, he transported goods for Cheran Steel Rolling Mills, Coimbatore. But he has not maintained Lorry receipts and Trip sheet. He received lorry freight by cash from Cheran Steel Rolling Mills for which he has not received voucher. He also produced photo copies of Registration certificate of vehicles belong to him.

2.Ramvilas Transport, Salem

Tmt.S.Bhuvaneshwari owner of Ramvilas Transport appeared before me on 05.01.2021 and replied that she owns four goods carrier vehicles.(TN52Z4752,TN28AF6798,TN01V8320,TN41AD4176). During the year 2017-18, she transported goods for Cheran Steel Rolling Mills, Coimbatore. But she has not maintained Lorry receipts and Trip sheet. She received lorry freight by cash from Cheran Steel Rolling Mills for which she has not received voucher. She also produced photo copies of Registration certificate of vehicles belong to her.

3.S.L.Syad Ismail, Coimbatore

Thiru.S.L.Syad Ismail appeared before me on 05.01.2021 and replied that he owns three goods carrier vehicles.(TN52K3765,TN28K9976,TN05U5725). During the year 2017-18, he transported goods for Cheran Steel Rolling Mills, Coimbatore. But he has not maintained Lorry receipts and Trip sheet. He received lorry freight by cash from Cheran Steel Rolling Mills for which he has not received voucher. He also produced photo copies of Registration certificate of vehicles belong to him.

4.Sri M.S.T. Smelters Private Limited, Sankari

Thiru.G.Venkatesh, Managing Director of M.S.T Smelters Private Ltd appeared before me on 11.01.2021 and replied that their company own three goods carrier vehicles.(TN30R0538,TN52B9327,TN52F1852) They had

only outward supply transactions with Cheran Steel Rolling Mills. They had direct outward supply transaction as well as bill to ship to mode transaction through JB Traders. In both transactions they transported goods on their own company vehicle. Since they have transported goods on their own vehicle, they did not collect freight charges from Cheran Steel Rolling Mills. They have enclosed bank statement for the transactions. They also produced photo copies of Registration certificate of vehicles belong to the company.

5.Cheenu Amma Alloy P Ltd, Coimbatore

Thiru.S.Mylsamy, Manager of Cheenu Amma Alloy P Ltd appeared before me on 06.01.2021 and replied that they had effected purchase and sales of raw materials with Cheran Steel Rolling Mills. For the entire purchase and sales transactions effected with Cheran Steel Rolling Mills, they have not received any freight charges from them. The entire transport cost was borne by them. They have also produced voucher copies for the freight charges paid. The goods were transported by the following vehicles, 1.TN37CD0129, 2.TN37CD0211, 3.TN37R4200, 4.TN37CJ8300, 5.TN37BK1400, 6.TN37BK1300.

6.Hindustan Hardwares, Coimbatore

Tvl.Hindustan Hardwares has replied that their company own twelve goods carrier vehicles. The transport cost was borne by Hindustan Hardwares for the purchase and sales effected with Cheran Steel Rolling Mills through their own vehicle.(1.TN38V7158, 2.TN38AC1299, 3.TN664100, 4.TN38AR6199, 5.TN38V7157, 6.TN66B0019, 7.TN38M4100, 8.TN381299, 9.TN66K6882, 10.TN38AF1299, 11.TN37A0299, 12.TN37B4199). The purchase and sales effected through third party vehicles, the transport cost was borne by Cheran Steel Rolling Mills.

7.Sri Vigneswara Steels Pvt Ltd, Sankari

They did not appear and requested time to file reply.

8.Sri Vinayaga Alloys Pvt Limited, Sankari.

They did not appear and requested time to file reply.

On verification of the replies of the above transporters, it is noticed that the taxpayer has actually moved goods in respect of inward and outward supplies. Hence, the Input Tax Credit claimed by the taxpayer on such purchase of finished products for which transport details and bank transactions available is allowed as below:-

S. No	Dealer Name	CGST ITC Claimed	SGST ITC Claimed	CGST ITC allowed	SGST ITC allowed	Balance CGST ITC payable	Balance SGST ITC payable
1	Hindustan Hardware	Rs.37,567	Rs.37,567	Rs.10,582 ✓	Rs.10,582 ✓	Rs.26,985	Rs.26,985
2	Pioneer Steel	Rs.32,495 ✓	Rs.32,495	Rs.15,568 ✓	Rs.15,568 ✓	Rs.16,927	Rs.16,927
3	Chocnu Amma Alloy P Ltd	Rs.1,85,242	Rs.1,85,242	Rs.1,85,242	Rs.1,85,242	Nil	Nil
4	R P Steels	Rs.19,047	Rs.19,047	Nil	Nil	Rs.19,047	Rs.19,047
5	Apollo Structural P Ltd	Rs.1,88,980	Rs.1,88,980	Nil	Nil	Rs.1,88,980	Rs.1,88,980
6	Texland Industry	Rs.14,344	Rs.14,344	Nil	Nil	Rs.14,344	Rs.14,344
7	Choran Steels P Ltd	Rs.2,83,432	Rs.2,83,432	Nil	Nil	Rs.2,83,432	Rs.2,83,432
	Total	Rs.7,61,107	Rs.7,61,107	Rs.2,11,392	Rs.2,11,392	Rs.5,49,715	Rs.5,49,715

Therefore the taxpayer is ordered to pay CGST tax of Rs.5,49,715 and SGST tax of Rs.5,49,715 and penalty of Rs.5,49,715 under CGST and Rs.5,49,715 under SGST Act.

DEFECT NO.7: Sale of Raw materials:

They have effected outward supply of raw materials such as ingots and billets (which are inputs for their manufacturing activity) to certain taxable persons during the year 2017-18. Being a manufacturer of finished products, supply of raw materials to taxable persons from whom they have effected inward supply of raw materials is circular/reciprocal in nature. In the absence of transport documents and bank transactions on such outward supplies, Input Tax Credit claimed by them on corresponding inward supply of raw materials was proposed to be reversed under section 16(2)(b) of the TNGST Act and CGST Act. Penalty of Rs.16,46,970 under CGST and Rs.16,46,970 under SGST as per section 74(1) was also

proposed. The amount of Input Tax Credit proposed to be reversed is detailed below:-

S.No	Dealer Name	GSTN NO	Taxable Value	CGST Proposed to be reversed	SGST Proposed to be reversed	Total ITC proposed to be reversed
1	CHEENU AMMA ALLOY P. LTD	33AADCC7429F1ZV	Rs.64,84,153	Rs.5,83,574	Rs.5,83,574	Rs.11,67,148
2	CHERAN STEELS P. LTD	33AAMCS5504L1Z5	Rs.1,18,15,514	Rs.10,63,396	Rs.10,63,396	Rs.21,26,792
	TOTAL		Rs.1,82,99,667	Rs.16,46,970	Rs.16,46,970	Rs.32,93,940

Reply of the Taxpayer: wherein it is alleged that we have effected outward supply of raw materials such as ingots and billets to certain taxable persons. Further, being a manufacturer of finished goods, supply of raw materials to taxable persons from whom we have effected inward supply of raw materials is circular / reciprocal in nature. In the absence of transport documents and bank transactions on such outward supplies, ITC claimed by us on corresponding inward supply of raw material is proposed to be reversed under Section 16(2)(b) of GST Act,2017 and proposed to impose equal penalty under Section 74(1) of GST Act, 2017.

Sl.No.	Name of the Dealer	Total ITC proposed to be reversed
1	Checnu Amma Alloy (P) Ltd.,	11,67,148
2	Cheran Steels (P) Ltd.,	21,26,792
	TOTAL	32,93,940

In this regard, it is submitted that we have purchased a total of **3,948.070MT** of raw material M.S.Ingots/ Billets during the year 2017-18, out of which we have sold a total of **645.570MT** of M.S.Ingots /Billets to the aforesaid dealers (copy of invoices enclosed), which works out to **16.35%** of total raw materials purchased. It may be seen that the total quantity of raw materials sold *as such* is very meagre when compared to the total volume of raw materials purchased. We resort to sale the raw materials then and there

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when we are financially struggling to run the business. Moreover, it is common and acceptable one in trade. In the course of trade, *raw materials* can be sold *as such* and there is **no bar** to sell raw materials under the GST Act, 2017. Nowhere it is restricted in GST Act, 2017. Hence, our transaction of sale of raw materials with the aforesaid dealers is in order. Copy of Raw Material Account, concerned invoices and e-way bills issued to the aforesaid dealers are submitted herewith for perusal. Further, our company is a financially sick, having huge financial crisis. Our financials viz., Balance Sheet and Income-Tax Returns will exhibit the same. Loss incurred continuously due to market situation. We had one more company viz. Tvl. Cheran Steels Private Limited. The said company was auctioned by the Banker due to non-payment of loan and kept the company idle for 2 months. Since we were struggled for finance, we have sold out all our raw materials/finished goods for want of funds. Further, in respect of M/s Chenu Amma Alloy (P) Ltd., goods were supplied through their own vehicles and in the case of M/s Cheran Steels (P) Ltd., we have used our own vehicle and hence no freight charges were incurred by us in the aforesaid transactions. In all the above-mentioned transactions, payment was received/paid for purchase and sale of goods through bank only.

As per Section 16 (2) (b) of GST Act, 2017, "Notwithstanding anything contained in this section, **no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—** (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed; **(b) he has received the goods or services or both.** [Explanation.— For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services— (i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

[ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person;]

We have **not taken credit without receipt of either goods or service or both**. Hence, the question of reversal of ITC does not arise and no penalty can be imposed for the same under Section 74(1) of GST Act, 2017.

26. The question of imposition of penalty equivalent to the tax demanded in the Notice under Section 74(1) of GST Act arises only if any tax has not been paid or short-paid or **when input tax has wrongly been availed or utilized by reason of fraud or any wilful misstatement or suppression of facts to evade tax.**

In view of the above, it is requested to drop the aforesaid point.

Conclusion: The contention of the reply is that they have purchased 3,948.070MT of raw materials MS Ingots/Billets in the year 2017-18, out of which they have sold 645.570MT of MS Ingots/Billets to Tvl.Cheran Steels Pvt Ltd and Tvl.Checnu Amma Alloy Pvt Ltd which works out to 16.35% of total raw material purchased and it may be noted that total quantity of raw materials sold as such is very meager when compared to total volume of raw materials purchased. When they were financially struggling, they used to sell raw materials for want of funds. The tax payer has sold major portion of raw material in the months of November-2017 and December-2017 when they were about to close the company due to financial loss. On verification statements given by the transporters, it is noticed that the taxpayer has actually moved goods in respect of inward and outward supplies. They have also filed bank transaction details. Further the taxpayer has reported the outward supply details in GSTR-1. Hence the reply of the tax payer is accepted and the tax and penalty demanded in the defect is dropped.

ABSTRACT:

S. No	Nature of Defect	CGST Due	SGST Due	Total Tax Due	CGST Penalty Rs. 10,000	SGST Penalty Rs. 10,000	Total Penalty Rs. 20,000
1.	Non Maintenance of Records						
2.	Tax difference between GSTR 1 and GSTR311	Rs. 19,40,982	Rs. 19,46,991	Rs. 38,87,973	NI	NI	NI
3.	Difference in claim of ITC between GSTR2A and GSTR 311	Rs. 57,960	Rs. 57,960	Rs. 1,15,920	NI	NI	NI
4.	Circular/Reciprocal transaction	Rs. 5,49,715	Rs. 5,49,715	Rs. 10,99,430	Rs. 5,49,715	Rs. 5,49,715	Rs. 10,99,430
	Total	Rs. 25,48,657	Rs. 25,54,666	Rs. 51,03,323	Rs. 5,59,715	Rs. 5,59,715	Rs. 11,19,430

5.12.2021
STATE TAX OFFICER -II,
ADJUDICATION CELL,
OFFICE OF THE JOINT COMMISSIONER (ST)
(INTELLIGENCE), COIMBATORE-18.

To

Tvl.Cheran Steel Rolling Mills,
342/2, Mettupalayam Road, Coimbatore.

Copy submitted to Joint Commissioner(ST), Intelligence, Coimbatore,
Copy submitted to Assistant Commissioner(ST), Velandipalayam Circle,
Coimbatore.

Copy to State Tax Officer, Collection & Arrear, Coimbatore.

Copy received.
For Cheran Steel Rolling Mills
[Signature]
Partner
[A.S. Sivakumar]

[Signature]
15/7/2021
by
RPO