

"NEGOTIABLE" INSTRUMENTS

(By S. Jaikumar, Advocate, Swamy Associates)

In 1986, when the then Finance Minister of India Shri. V.P.Singh rolled out the set-off scheme in Central Excise called the "MODVAT" scheme, he might not have thought that this scheme would become the mother of all tax evasions! Rechristened as "CENVAT CREDIT", today, this scheme stands the most abused scheme and accounts for the most and worst frauds, both in numbers as well as quantum and has put both the Harshad Mehta scam and Telgi scam to shame!!! At the age of 24, this pretty woman is being continuously raped by many notorious fraudsters in the country, that too, before her hapless husband!!!

How many types of frauds! How many ingenuous methods! How many crores of evasion? How many cases? Astronomical and mindboggling! All these would have been under a definite control if the Revenue had sincerely thought of the abuse of this scheme and had attempted certain preventive measures to check the evasion, over years.

Tell me dear netizens, is there a mechanism today available to track the CENVAT credit by the Revenue? Is it being monitored? Does the Revenue has any system in place to ascertain even the

CENVAT credit document is genuine or forged? Parallel could be drawn to the Banking Sector. The CENVAT documents are nothing less than the cheques issued by the banks. When a cheque for a meager ten rupees also is being sent to a clearing house and processed, pathetically, a CENVAT credit document carrying crores of money credit is still a stray dog, without a master!

Earlier we had a primitive scheme called Annexure D verification, whereby, a random verification was caused on the credit availed documents at the other end. But with the volume of documents have progressed geometrically, today, it may not be a viable and a practical method of verification. But while doing away with that verification scheme, the Revenue should have thought of a better mechanism to check evasion. That too, with the IT revolution in tax administration, it should have been well thought and implemented, which would have curbed evasion to a very great extent.

The Government has spent a fortune in computerization of the entire tax administration. They have wired the entire nation for ACES. With such an infrastructure, would it not be possible for the Revenue to put a system in place to track the CENVAT credit from its generation across the credit availment chain? If need be, all the assesses may also be mandated to generate invoices through a computer. When the assesses submitted themselves in the

yesteryears to get the “initials” of the officers in their gate passes, they would definitely oblige to generate invoices through computers for the larger interest. The Government can also think of providing a system for invoice generation at a subsidized price for SSI manufacturers. Once a CENVAT document is issued it may be registered in the Central Server of the Revenue and an unique identification number can be assigned to it, so that it is tracked through its entire voyage downstream. These are very raw and crude ideas but expressed with a real concern.

We have everything with us but one! A visionary leader at the top of the ladder!

Before Parting...

The essence of GST is this CENVAT credit scheme. With the advent of GST, this VAT chain would get extended till the retail point. Unless we have a tamper proof mechanism devised immediately and put it in place to check CENVAT evasion