Press Release

22/1/2026

Fake ITC related Search Action

Directorate of Enforcement (ED), Itanagar has carried out search operations on 20.01.2026 under the Prevention of Money Laundering Act (PMLA), 2002 at 10 premises across West Bengal, Manipur & Jharkhand in connection with a Rs. 100-Crore fake Input Tax Credit (ITC) fraud.

ED initiated investigation the basis of FIR registered under various Sections of the Indian Penal Code, 1860, based on a complaint dated 03.10.2024 filed by CGST & Central Excise, Itanagar Commissionerate against M/s Sidhi Vinayak Trade Merchant, Arunachal Pradesh which was found to be non-existent at its declared address. Investigation revealed that the firm had fraudulently issued a total of 15,258 bogus/fake invoices having a taxable value of Rs. 658.55 Crore (approx.) within a span of six (06) months, to 58 recipient entities registered across 11 different States, during the period October 2023 to March 2024. These fraudulent invoices facilitated the wrongful availment of fake Input Tax Credit (ITC) amounting to Rs. 99.31 Crore (approx.) by the said 58 entities during FY 2023-24.

During the search, it has been found that Dayal Commercial, Apee Enterprises, Phoenix Hydraulics, Ram Awatar Bansal & Co. and Bhima Shankar Industries having principal business at Kolkata, were solely engaged in generating bills and passing on Input Tax Credit (ITC). These entities generated bogus bills worth Rs. 450 Crore, along with corresponding fake ITC claims fabricating records of vehicle manufacture and sales through bogus invoices, and fraudulently claiming GST refunds which were siphoned off and shared among promoters, suppliers, and professional facilitators, with fake e-way bills and kickbacks to officials also detected.

In Manipur, M/s FEMA Marketing’s principal place of business is under construction and no business activity is being carried out therefrom. However, as per the GST portal, the entity has shown the said premises as its place of business and is purportedly operating from there for the last three years. It declared fictitious turnovers of Rs. 6.05 Crore and passed on fraudulent ITC to leading companies, highlighting the scale of misuse of the GST mechanism.

In Jharkhand, entity namely M/s Mahesh Prasad Gupta admitted that the said entity has availed fake ITC and wasn't able to provide the relevant invoices, e-way bills and Lorry receipt.

Most of the entities involved in the generating Fake ITC operated for a short span of 6-8 months and generated fake ITC by issuing bogus invoices. The GSTN of these entities are cancelled by CGST later. However in the meanwhile they generated and circulated the ITC onwards which are ultimately used by some genuine entities. The entire modus resulted in huge loss to Government created Proceeds of Crime in the hands of proprietor or operators of these entities. The case originated with fake ITC claims of Rs. 99 Crore due to bogus billing of Rs. 658 Crore however, evidence uncovered during the search reveals a significantly larger amount of fake ITC involving entities across multiple states. Statements from key persons were recorded during the search, in which they admitted to not conducting any business.

The searches resulted in freezing of bank balances, seizure of immovable property documents, and recovery of incriminating records exposing systematic misuse of the GST framework through bogus invoicing, fake e-way bills, and layered fund transfers. Further, Rs. 21 Lakh of amount lying in the accounts of M/s S.K construction was also frozen during the search operation.

Further investigation is under progress.