ABSTRACT
The Maharashtra Sales Tax department have recently conducted the raids and found tax evasion of Rs. 1,000 crore, involving 2059 hawala dealers and 37,000 beneficiaries. Out of this an amount, Rs. 400 crore had already been collected and the process to collect the remaining amount is geared up.

Three years ago the Sales Tax Department had formed a special cell called Economic Intelligence Unit. This unit has found out the cases of dealers claiming false credits, hiding turnover, and even hawala transfers.

The meaning of Hawala is making bogus invoices to allow a dealer to claim tax credits. In this chain, the hawala operator, posing as the ‘seller’, exists only on paper and gets a financial cut in return.

After this operation of the department some beneficiaries had dragged the department to the Bombay High Court challenging the provisions of VAT Act, but the transparency and handling of voluminous transactions with precise accuracy, as a result of the IT initiative, led to the court confirm the actions of the department. The department has sent final reminders to the dealers and has offered them an opportunity to make payment and escape actions like prosecution.

This paper highlights the impact of this hawala episode and its negative impact on the overall growth and development of the state and the country as a whole.

Keywords: Sales Tax Evasion; Sales Tax Department; Hawala Dealers; Computerisation in Sales Tax Department; Economic Intelligence Unit; www.mahavat.gov.in

INTRODUCTION
The resent hawala operation under Maharashtra Value Added Tax reveled that Hawala dealers are registered dealers. These dealers do not carry on real business, but they provide false bills signed by them. For their financial benefits they issue ‘C’ forms and other required documents required under the act. Such dealers, not only show that the goods mentioned in such bills are resold by them but also they do not bother about the facts that they are being liable to pay the tax by providing bogus bills or ‘C’ forms. It can be said that sale of BOGUS bills and ‘C’ forms is their only business.

Such dealers never deal in goods but merely issues bogus sales bills, accept payments by cheques or bank transfer (RTGS) and pay back the cash to beneficiary after deducting their commission. The department found no possibility of recovery of taxes from such hawala dealers. The department of MVAT found the only way out is to chase them and to take confession from them by recording their statements on affidavit regarding facts of the case, acquire information about their Sales Bills, delivery challans, bank accounts, and other documents prepared for showing bogus business as their true business. With the help of these details, the dealers who have taken the benefits of such hawala transactions (who has used hawala dealer to evade sales tax) can be brought under the tax net and made liable to pay the tax, through getting proper evidence, speedy and tactful investigation.
OBJECTIVES OF THE STUDY

1. The primary goal of this study is to examine the nature of Hawala Transactions that took place under MVAT.

2. The secondary objectives are
   - To study the need for statutory restrictions on Hawala Transaction in the Country.
   - To create awareness amongst various stakeholders about the Hawala Transactions.

LIMITATIONS

This is a conceptual study. It is supported more by facts than by numerical data. The study is further limited to the discussion of the need to restrict such hawala transactions in the Indian Economy.

HYPOTHESIS

H1: Hawala episode in MVAT had caused the great loss of revenue of the state and the country as a whole.

METHODOLOGY

This study is based on secondary data’s. The information has been collected from Acts, books, journals, magazines, newspaper and websites.

STATEMENT AND SIGNIFICANCE

Statement & Significance of the Problem under Study:

The official website of Maharashtra Government for Maharashtra Value Added Tax (Sales Tax) Department www.mahavat.govt.in flashed the List of Suspicious Dealers (Hawala Dealers) who have issued bogus bills, without actual delivery of goods. This list is frequently being updated by the MVAT Department to add the fresh names of such more and more suspicious dealers. Of course there are some few deletions from the list being found genuine. Such instances of deletions are however very few. But till today, there are about 2,059 names mentioned in the latest list of Suspicious Dealers. Out of these suspicious dealers some are notified as the ‘confirmed hawala dealers’.

The category of the cases found can be summarized as follows:-

1. Some dealers have actually issued 1005 false sales invoices without any delivery of goods.

2. Certain dealers have partly issued false sales invoice without delivery of goods and partly genuine sales to his customers.

3. Certain dealers have actually made genuine sales to other dealers, but have not deposited the tax into the government treasury.

Further the Sales Tax Department has shared the data of such hawala dealers with the Income Tax Department who on receipt has issued the notices to such assesses for assessment or re-assessment of the incomes of such assessee on the count that they instead of purchasing the goods have acquired the hawala bills and understated the profit for the concerned Financial years.

In many cases the dealers have surrendered and stated that they have acquired the accommodation bills and claimed the false set off of the hawala purchases. Many of such suspicious dealers are not traceable as the addresses given by them are based on forged documents. For example, some Mr. XYZ had obtained Vat registration by giving the false proof of address of Mr. ABC. He further had opened a Bank account in his name and printed Sales Bills, Delivery Challans etc. He further started issuing accommodation bills to the parties as per his own wish and will. The banking transactions also handled through a series of Cheques signed by ABC. In return Mr. ABC receives his commission. The periodical returns as prescribed under the Act are also filed under this bogus name.
In the special operation the department interrogated Mr. ABC, who recorded the above facts before the department under an affidavit.

In all the cases the department has disallowed the Set Off against such bogus purchases. As per the rules the dealer can avail the set off of VAT paid on purchases only if the seller has paid the VAT collected to the government treasury.

Many consultants and dealers rushed to the High Court, who in many cases ad decided that such set off cannot be allowed in respect of bogus purchases.

**Action and Recovery**

After carrying the raids at many dealers the list of such defaulting dealers was prepared and published. The pressure was created by the special amendment and many dealers were warned to revise their VAT returns by eliminating such bogus purchase and make good the set off claimed originally. Many dealers’ registration certificated have been cancelled and police prosecution was ordered. The definition of dealer was also amended saying registration is granted only to a ‘dealer’ in goods. A person who issues only accommodation bills cannot thus be considered a ‘dealer’ in goods. Even some of the registration certificates are cancelled retrospectively.

Further after the revision of returns and payment of taxes, heavy penalty and interest is also being levied on such hawala dealers.

**Financial Impact**

The Maharashtra Sales Tax department have recently conducted the raids and found tax evasion of Rs 1,000 crore, involving 2059 hawala dealers and 37,000 beneficiaries. Out of this an amount, Rs 400 crore had already been collected and the process to collect the remaining amount is geared up.

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After this operation of the department some beneficiaries had dragged the department to the Bombay High Court challenging the provisions of VAT Act, but the transparency and handling of voluminous transactions with precise accuracy, as a result of the IT initiative, led to the court confirm the actions of the department. The departments has sent final reminders to the dealers and have offered them an opportunity to make payment and escape actions like prosecution.

**CONCLUSION**

From the above information it can be concluded that, whole system of the MVAT was disturbed due to his hawala episode, which had evaded heavy amount of Value Added Tax. The beneficiary dealers must be brought under the tax net and stern action need to be taken against such dealer to make the loss to the revenue good. The cooperation must also be solicited form such dealers to get the list of beneficiary dealer. The evidences against the beneficiary need to be collected quickly and independently. The quick and strict action for the recovery is also a need of an hour by attaching bank accounts, impounding the books of accounts and if necessary police prosecution action shall be taken against such dealers. Stern action against the hawala dealer and beneficiary who are not ready to disclose the fact should be taken.

The MVAT Act has its self-polishing system, wherein no credit of input or set-off is granted unless the selling dealer pays the tax collected and furnish the proof of payment. The IT system shall be used to detect tax evasion and trace such black ships. The process of cross check and internal control shall be reassessed to stop the evasion. The beneficiaries shall be heavily penalized. And a due care shall be taken that such incidences many not occur in.
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