

**Circular No. 5 /2022**  
**PP2/(IW3)/8975/2020**

Office of the Additional Chief Secretary/  
Commissioner of Commercial Taxes,  
Ezhilagam, Chepauk,  
Chennai – 600 005.

Dated: 07.03.2022

**CIRCULAR**

**Sub:** TNGST Act, 2017-conduct of test purchase under sub-section 12 of Section 67 of TNGST Act, 2017-certain guidelines issued - modification - Reg.,

**Ref:** 1. Principal Secretary/Commissioner of Commercial Taxes Circular No. 19/2021 (PP2/(IW3)/8975/2020), dated 25.08.2021.

2. Additional Chief Secretary/Commissioner of Commercial Taxes, Notification No 1/2022 (PP2/GST/15/20/2022), dated 07.03.2022

3. U.O. Note from ADC (Intelligence), O/o the ACS/CCT, IW3/8975/2020, dated 24.02.2022

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In supersession of the circular issued in the first cited, with regard to provisions contained in sub-section (12) of section 67 of the TNGST Act, 2017 relating to conduct of test purchase by the field officers in Intelligence Wing and in exercise of the powers conferred under section 168 of the TNGST Act, 2017, the following guidelines are issued for the purpose of uniformity in the implementation of the above said provisions of the Act.

**2. Provisions under the TNGST Act, 2017:**

i. Section 67(12) of the TNGST Act 2017 states that, the Commissioner or an Officer authorised by him may cause purchase of any goods or services or both by any person authorised by him from the business premises of any taxable person, to check the issue of tax invoice or bills of supply by such taxable person and on return of goods so purchased by such officer, such taxable person or any person in charge of the business premises shall refund the amount so paid towards the goods after cancelling any tax invoice / bill of supply issued earlier.



ii. As per Notification No. 4 dated 12-07-2017 issued by the Commissioner, the Joint Commissioners (ST) concerned have been authorised for the purpose of Section 67 of the TNGST Act, 2017.

iii. Further, Section 31 of the TNGST Act, 2017, mandates the issuance of tax invoice or a bill of supply for every supply of goods or services or both.

iv. Section 122(1)(i) of the TNGST Act, 2017, states that, a taxable person who supplies any goods or services or both, without issue of any invoice or issues an incorrect or false invoice, with regard to any such supply, shall be liable to pay a penalty of Rupees Ten Thousand or an amount equivalent to the tax evaded or the tax not deducted under Section-51 or short deducted or deducted but not paid to the Government or tax not collected under Section 52 or short collected or collected but not paid to the Government or Input Tax Credit availed of or passed on or distributed irregularly, or the refund claimed fraudulently, whichever is higher.

### **3. Purpose of Test Purchase:**

- i. To ensure compliance in issuing tax invoice / bill of supply by the taxable person.
- ii. To prevent composition taxable persons/unregistered persons from collecting tax from the customers.
- iii. Thereby prevent possible evasion of tax.

### **4. Standard Operating Procedure for Test Purchase:**

#### **I. Delegation of Powers:**

1. The Joint Commissioners (Intelligence) is designated as the Authorizing Authority for the conduct of Test Purchase.
2. Prior approval **for conducting the Test Purchase** shall be given by the Joint Commissioners (Intelligence) concerned, **in each case**, duly specifying the amount proposed to be spent on such test purchase.
3. The Joint Commissioners (Intelligence) shall ensure that, test purchase proposed is based on evidence relating to non-issuance of tax invoice / bill of supply by the taxable person. For example, from e-way bill analytics, information through informers, third party information or other sources like



complaints, petitions, etc., and also, **Test Purchase should be done on rare occasions, where there is a strong proof for evasion of tax.**

## **II. Funds Required and Controller of Funds:**

1. Taking into consideration, the various factors involved, such as the market price, nature of commodities involved and the number of units involved, an amount of Rs. 50,000/-, will be granted to each Intelligence Division, for conduct of Test Purchases.
2. The Joint Commissioners (Intelligence) is assigned the responsibility of holding control of the funds to be spent on test purchase operations. For test purchases conducted in respect of service sector, the Joint Commissioners (Intelligence) is allowed to recoup the funds accordingly.
3. The Joint Commissioners (Intelligence) shall maintain a Register for the test purchase operations and proper acknowledgement shall be obtained from the officers concerned, for receipt and return of test purchase amount. Further, the details of the denomination of cash issued for the test purchase operations and the Currency Number shall also be noted in the said Register.

## **III. Selection of Cases:**

The criteria for selection of cases shall include the following:

1. Tax Payers who are doing business in large volume, but paying very meagre amount of tax, as cash.
2. Unregistered persons who are doing business and whose turnover is suspected to be higher than the threshold mentioned in the Act, warranting registration, but, who have not obtained registration under the Act.
3. Specific complaints received from the public, if any.
4. Evasion prone commodities and retail business, for which, mostly estimation slips are issued, like, Cement, Tiles, Granite, Hardware, Paints, Electrical Goods, Electronic Goods, Iron & Steel, Timber, Jewellery, House Hold Articles, Furniture, Automobile Spare Parts, Edible Oil, Construction Materials, FMCG, Groceries, Bakery products, Medical Shops etc.,



5. All Services offered in Hotels, Restaurants, Sweet Stalls, Educational Institutions, Amusement Parks etc.,
6. Personal grooming Services, Rental Services etc.,
7. Unregistered taxable persons against whom complaints have been received, along with valid supporting documentary evidences.
8. In respect of complaints received against unregistered taxable persons, without valid supporting documentary evidences, test purchase shall be taken up, only after making discreet enquiry.

#### **IV. Officers to be Assigned:**

A team comprising of one State Tax Officer and one Deputy State Tax Officer has to be formed by the Joint Commissioner (Intelligence), for conducting the test purchase and the **State Tax Officer shall be the Team Head.**

#### **V. Procedure to be followed:**

1. The Joint Commissioner (Intelligence), shall authorize a Group consisting of officers, as proposed above, for conducting the test purchase, at the business premises of any taxable person (whether registered or unregistered), within their jurisdiction.
2. In respect of cases, where the test purchases are to be conducted at multiple places of business, such as Head Office and additional places of business like branches etc., the manner of operation and time must be followed, uniformly, at all such places of business, so as to prevent leakage of information regarding the test purchase operations.
3. Test purchases must be conducted for a value more than Rs.200/-, since, as per section 31(3)(b) of the TNGST Act, 2017, the taxable persons may not issue tax invoice / bill of supply, if the value of the goods or services or both supplied is less than Rs. 200/-.
4. The Group of officers conducting the test purchase shall not cause any disturbance to the business activity and shall behave like normal customers.



They shall not give any indication to the effect that they are officers of the Department.

5. If proper tax invoice / bill of supply is issued by the taxable person, during the test purchase, then, the amount spent by the officer on test purchase, shall be refunded by the taxable person, after cancelling the tax invoice / bill of supply issued earlier.

6. In this regard, necessary documents such as a copy of original invoice, cancelled invoice and a statement of witness, available, if any, shall be obtained by officers conducting the test purchase.

7. If proper tax invoice / bill of supply is not issued by the taxable person, during the test purchase, then, the Group Head shall record a statement, after disclosing the identity of Inspecting Group and shall initiate penal action, as per section 122 (1) (i) of the TNGST Act, 2017.

8. The proceedings of the test purchase should be recorded in writing by the Proper officer concerned for appropriate follow up action.

9. During the conduct of test purchase, the inspecting team should take note of the relevant factors like, volume of business, goods stored / available at the place of business etc., in order to decide the further course of action like Registration, Inspection etc.,

10. During the conduct of test purchase, if it is found that, the turnover limit of the unregistered taxable person exceeds Rupees Forty Lakhs, then, action shall be initiated for suo-motu registration and a report shall be sent to the concerned jurisdictional Proper Officer, through the territorial Joint Commissioner (ST), for follow up, on registration and adjudication for the period till registration.

11. Like wise, during the test purchase, a composition taxable person is collecting tax and contravening the provisions of the Act, then, action shall be initiated to recover the entire tax that has been collected by them, by way of adjudication.

12. In cases where the taxable person has not issued Tax invoices/Bill of supplies at the time of conducting of test purchase, the Joint Commissioner



(ST) Intelligence concerned shall proceed action immediately under Section 67 with intimation to the Commissioner of Commercial Taxes.

**VI. Reporting Procedure:**

1. The report on test purchase shall be submitted by the Group Head, to the concerned Joint Commissioner (Intelligence), through proper channel, immediately, on conclusion of the test purchase operation.
2. The Joint Commissioners (Intelligence) shall send a detailed report to the Commissioner, on the outcome of test purchase and result of inspection conducted in respect of cases where tax invoice or bill of supply not issued as instructed in para 13 above, within 7 days of conduct of the same.
3. A periodical Report on the test purchases conducted, shall be submitted to the Commissioner, on or before 10th of every month, in order to monitor the outcome of test purchases.
4. The denomination of the cash issued for test purchase operations, along with the serial number of the currency, shall be noted down in the authorization form and the same shall be recorded in the statement, as well as in the test purchase report submitted to the Commissioner.
5. The Format of test purchase report is attached as Annexure-I

**VII. Monitoring Procedure:**

1. A test purchase sanction order number shall be assigned for each test purchase.
2. The test purchase number shall be assigned in the manner stipulated for inspection, in Circular No. 10/2019, Dated 31.05.2019. For Example: CH1TP-001-YYYYMMDD
3. All the communications in respect of the test purchase related activities, carried out by the officials, are to be communicated to the Commissioner, in the existing mail ID viz. [cct.inspfollowup@ctd.tn.gov.in](mailto:cct.inspfollowup@ctd.tn.gov.in), prescribed form sending result of test purchases and inspection conducted, duly mentioning the test purchase number, in the aforesaid format, for easy identification and



further follow-up of the actions taken on each test purchase, by the officials concerned.

**VIII. IT Requirements in relation to Test Purchase:**

1. Generation of DRC-07 has to be enabled in the Back Office Portal, for the authorized officials conducting test purchase, in order to raise a demand, in the case of imposition of penalty.

2. The details of the offenses booked and the amount collected as penalty, in respect of test purchase operations, should be linked to the tax payer’s profile and made available under a separate head “Test Purchase”.

**Annexure-I**

Format for Test Purchase Report

1.	Authorization Number and Date	
2.	Authorized by Designation	
3.	Date and Time ( Starting and Ending ) details to enforce the provision under section 67(12)	
4.	GSTIN of the Taxable person	
5.	Trade Name/Legal name of the Taxable Person with complete address	
6.	Whether the place is Principal place of business /Additional place of business	
7.	Jurisdiction of Taxable Person	State (Division)/ Central
8.	Jurisdiction of Intelligence Wing	
9.	Officers authorized to enforce the provision under Section 67(12) (Name/Designation)	
10.	Denomination & Serial No. of Currency issued for the Test Purchase Operation	



11.	Goods purchased / <b>Services availed</b> with HSN/SAC code	
12.	Units purchased	
13.	Value of Goods Purchased / <b>Service availed</b> (Assessable Value/Tax Rate /HSN or SAC Code / CGST & SGST Tax)	
14.	Details of Tax Invoice / Bill of Supply issued, while enforcing the provision under Section 67 (12) of TNGST Act, 2017.	
15.	Name and Designation of the Person in-charge of the place of business, at the time of test purchase, along with address	
16.	Time at which goods were returned by the Official	
17.	Time at which the Taxable Person refunded the Bill/Invoice amount	
18.	Denomination & Serial No. of Currency refunded by the taxable person, after the conduct of test purchase	
19.	Details of violation noticed, if any	
20.	Whether Statement has been recorded from the person in-charge of the place of business.	
21.	Details of action taken on the outcome of test purchase, by the officials, who conducted the test purchase, along with remarks on the follow-up action to be pursued as per the provisions of TNGST Act, 2017.	
22.	Remarks of the Joint Commissioner (ST) (Intelligence) – Details of further action taken under Section 65/66/67	

Sd/- K. Phanindra Reddy  
Additional Chief Secretary/  
Commissioner of Commercial Taxes

**To**  
All the Joint Commissioners (CT)  
(Intelligence) in the State



**Copy to:**

1. All Additional Commissioners (CT), O/o the ACS/CCT, Chennai.
2. All JCs (Territorial)) in the State
3. The Director, Commercial Tax Staff Training Institute, Chennai-35
4. The Joint Commissioner (CT), (Computer System), Chennai-35 for uploading in the intranet website.
5. Copy to Stock-file.

/forwarded by order/

  
Joint Commissioner (P&P)

  
07/3/22

  
7/3/22