

Large Taxpayers Unit

Dilemma of its relevance under
GST Regime

By Group III Balakrishna S
 Nem Singh
 Manish Kulhary
 Raghvendra Singh
 Venkatesh S

What is an LTU?

- LTU is a Single Window facility for Taxpayers on
 1. Central Excise
 2. Service Tax
 3. Income Tax and Corporate Tax
- The concept of LTUs was introduced in 2006 following comparable practice in more than 50 countries.

Need for an LTU?

- To provide single window facility to taxpayers
- To achieve a greater degree of integration between direct and indirect tax administration by data sharing
- To build a common framework for delivery of services to taxpayers
- To incorporate best international practices in tax administration

LTUs in India

- IMF recommended establishment of LTUs in developing and transitional countries
- LTU Bangalore established in 2006
- LTU Chennai established in 2007
- LTU Delhi and Mumbai established in 2008
- LTU Kolkata established in 2014

Who are eligible?

- Taxpayers paying Income/ Corporate tax in either of the five metro cities Bangalore, Chennai, Delhi, Mumbai and Kolkata
- Taxpayers who have paid
 - Central Excise Duty of Rs 5 Cr. and above
 - Customs Duty of Rs 5 Cr. and above
 - Advance Tax of Rs. 10 Cr. and aboveare eligible to join in the jurisdiction of their respective Corporate Tax

Facilities Provided

- Large taxpayers gets “Single Window” facilities for Central Excise, Service Tax and Corporate Tax
- Excess Duty payments are adjusted against future duty payments
- Provision of duty free transfer of goods from one unit to other
- Cross Credit utilization allowed between units of a single PAN holder

Factors that affect working of LTUs

- Continued operation of two tax administration in silos even inside LTUs:

“ This prevent a whole of taxpayers focus”.

- LTU is optional for taxpayers:

Prevents a level playing field among similarly placed taxpayers.

Internationally taxpayer segmentation is driven by uniqueness and dimension of their compliance risk and complexity of their operation. Its not a matter of choice for taxpayer whether he wishes to be covered by large taxpayers operation.

Problems of LTU under GST Regime

- Increase in number of taxpayers under GST Regime; 50 lakh Taxpayers and 70 Lakh plus IGST registrant.
- GST would be tax on supply of goods and not on manufacture; Audit and Anti-evasion will bound to have different focus.
- Creation of Directorate of taxpayers service will make LTUs redundant
- No concept of centralized registration under GST regime
- Every Taxpayer is important; overemphasizing administration of large taxpayers and ignoring medium and small taxpayers will not work; assigning too many taxpayers to LTU may render compliance management ineffective .

Reforms in LTUs

- LTUs can be made more effective by reorganising it.
- Based on criteria such as REVENUE, TURNOVER etc. large business for ex. the top 1000 can be serviced in this vertical.
- The organization, the criteria etc. should be a matter of taxpayers segmentation by the Tax Administration.
- Inclusion or exclusion of business should not be a matter of option for the taxpayers.
- The coverage will extend to all taxes- direct and indirect, except customs.

Taxpayers Experience

- Taxpayers experience is not been uniformly satisfactory.
- Unwillingness of large number of taxpayers to opt in and desire of some of LTU clients to move out.
- Very less taxpayer opted for LTU;
56 in LTU Bangalore and only 7 in LTU Kolkata

Question of its survival?

- TAR Commission: Progress far from satisfactory.
- Many administrative and operational difficulties under GST regime:
 - state-wise jurisdiction
 - Higher operational costs
 - Dual audit parameters etc
- Cross utilization of Cenvat credit not allowed by CBEC makes it almost redundant

THANK YOU