Large Taxpayers Unit

Dilemma of its relevance under GST Regime

By Group III

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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 above

are eligible to join in the jurisdiction of their respective Corporate Tax
Facilities Provided

• Large taxpayers get “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