

Centre Proposes Sharing of Powers in GST Administration

REACHING OUT TO STATES Seeks states' support to ensure that industry has one authority to deal with while making overall structure more effective

Deepshikha.Sikarwar
@timesgroup.com

New Delhi: Days before the government makes a determined push for the goods and services tax (GST) in the Rajya Sabha, the centre has reached out to states proposing sharing of powers in administration of the tax and seeking their support to ensure that industry has one authority to deal with while making the overall structure more effective.

The new administrative framework, as also the Congress party's demand to cap tax rate in Constitution, are expected to figure in the meeting of the Empowered Group of State Finance Ministers on Tuesday. The GST seeks to create a seamless national market in the country by replacing plethora of state taxes and central taxes by one tax.

The Business Advisory Committee in parliament has allocated time for the constitution amendment bill for GST this week.

The government is not in favour of restricting the administration of businesses up to ₹1.5 crore to state tax authorities. Both states and centre will administer taxpayers above ₹1.5 crore, according to a proposal by states.

The centre has proposed a detailed framework that will allow both administrations to deal with taxpayers sans any threshold limit but without crossing each other's paths or causing misery to the industry by having to deal with two tax authorities.

The centre has also sought to administer integrated-GST on inter-state transactions and hopes the states will find this dual control better.

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"You cannot have taxpayer to deal with dual tax authorities. We are talking about ease of doing business so GST cannot make it difficult," said a senior government official privy to deliberations.

The model rests on the premise that both state and central tax administration share equal powers on all tax matters. So, whichever authority initiates an investigation and files the report first would handle the taxpayer for the whole year for all taxes.

"A detail set of procedures would ensure smooth operation," said another official.

For audits, both administrations would at the beginning of the year prepare a shortlist of entities and common ones would be allocated as per detailed rules to a tax administration, which will conduct audit and all dealings such as follow-up demand notices.

Ones that are not common will be handled for all taxes by respective administration. A similar division is also proposed for registration, physical verification of premise and cancellation of registration to ensure that there is no overlap and a taxpayer doesn't have to suffer two tax authorities.

Initial discussions between states and the centre were focussed on dividing administration on the basis of turnover. States have been in favour of this arguing that centre in any case does not levy excise duty below ₹1.5 crore. Centre has reasoned that though excise duty is not levied on manufacturers below ₹1.5 crore, registration is mandatory to ensure they are below the threshold and exempt. Moreover, turnover threshold for service tax, which states have no experience in administering, is ₹10 lakh.

Experts are also not in favour of handing over of administration of below ₹1.5 crore to states completely.