

## **Large Taxpayer Units : Functions, Structure and Procedure**

### **I Preface**

A number of tax administrations in the world have established special systems to administer their large taxpayers. In the 1950s and 1960s, several OECD countries introduced special tax audit operations for large operations. A more recent trend, especially in developing and transitional countries, has been to set up full-fledged large taxpayer units that are responsible for most tax administration functions relating to such taxpayers, including collection, enforcement of tax arrears and audit. Some developed countries (such as Australia, the Netherlands, New Zealand, the United Kingdom, the United States of America) have reorganized their tax administrations around different types of taxpayers, or taxpayer segments.

In Asia, 13 countries have established LTUs at different points of time, including our neighbours Pakistan, Sri Lanka, Bangladesh and Nepal. The LTUs functioning in these countries have achieved a fair deal of success in meeting their objectives and have universally led to increased satisfaction amongst taxpayers by reducing their compliance and transaction costs and in bringing more efficiency in tax administration.

Following the international practice, the Hon'ble Finance Minister in his Budget Speech 2005-06 announced the proposal to set up Large Taxpayer Units (LTUs) which would act as a single window facilitation centre for all large entities paying excise duty, corporate tax/income tax and service tax.

The proposal has since been worked upon in the Government and wide ranging discussions have also been held with the trade and industry bodies/associations. It has been decided to establish LTUs in India in a phased manner. LTUs would be established initially in five large cities of the country, viz. Bangalore, Chennai, Delhi, Kolkata and Mumbai and will be made operational from early financial year 2006-07.

### **II Definition and Eligibility**

**What is an LTU :** LTUs will be self-contained tax administration offices under the Department of Revenue acting as a single window clearance point for all matters relating to central excise, income tax/corporate tax and service tax. Entities would be able to file their excise return, direct taxes returns and service tax return at such LTUs and for all practical purposes will be assessed to all these taxes at these LTUs. Such units would be equipped with modern facilities and trained manpower to assist the tax payers in all matters relating direct and indirect tax / duty payments, filing of documents and returns, claim of rebates/refunds, settlement of disputes etc. The scheme aims at reducing tax compliance cost and delays, and bringing out uniformity in the matters of tax/duty

determination. An eligible taxpayer can opt to avail of the facility of LTU scheme. It is expected that large taxpayers, especially those having multi-locational units/factories, would take the benefit of the scheme by opting for it.

**Eligible Taxpayers :** Every taxpayer (single PAN-based entity)

(a) who is presently assessed to income tax/corporation tax under the Income-tax Act, 1961 in any of the five cities (Bangalore, Chennai, Delhi, Kolkata or Mumbai)

**and**

(b) who has paid during financial year 2004-05

(i) excise duty in cash (account current) of Rs 5 crore or more; or

(ii) service tax in cash (account current) of Rs 5 crore or more; or

(iii) advance (income) tax/corporation tax of Rs 10 crore or more

is an **eligible taxpayer** for the purposes of being served by the LTU.

### **III Benefit/ Facilities offered**

(i) A large taxpayer (single PAN-based entity) can file all his direct taxes, excise and service tax returns at a single place, irrespective of the geographical location of their units.

(ii) All other documents, correspondence, intimations such as export / import related central excise documents, bonds, proof of exports, etc. pertaining to all these establishment can be filed with LTUs.

(iii) To begin with, the returns of the company and its units can be filed electronically and the payment of tax/duty can be made electronically. Gradually, these units would be provided with required software and infrastructure so that other documentations, such as filing of rebate/ refund claims, filing of intimations or permission, reply to notices can also be done electronically.

(iv) Digital signature certificates can be issued on request by the Department, free-of-charge, to facilitate electronic transaction. There would be no requirement for filing a parallel paper document.

(v) Upon joining the LTU, an officer of the level of Assistant / Deputy / Joint / Additional Commissioner would be appointed as '**client executive**' for each taxpayer. The taxpayer can remain in touch with the client executive for assistance in any/all tax matters (for example for returns filing, classification issues, intimation matters relating to refund/rebate, exports, other claims, etc). This would ensure that the taxpayer need not interact with different section / officers of the LTU.

(vi) Once a taxpayer opts for the scheme, the erstwhile jurisdictional field officers (including preventive units of the erstwhile Excise Commissionerates) would not *suo motu* visit its units or interact with

them for any issues arising. However certain procedures under the Central Excise Rules, requiring physical control, and verification of premises or documents, would be carried out by the local Commissionerates under the express directions of the LTU. Further, in respect of excise and service tax matters, on-going investigation, appeals, provisional assessments that had commenced prior to the large taxpayer opting for LTU would continue to be with the erstwhile jurisdictional Commissionerate.

- (vii) Cases, where show cause / demand notices have been issued by the erstwhile jurisdictional officers but not adjudicated, would stand transferred to LTU and the same would be adjudicated by officers posted at LTU. All pending matters with the jurisdictional Commissionerates of Income-tax, other than those with CIT(Appeals) would stand transferred to the LTU.
- (viii) The taxpayer would have the option to transfer any excess CENVAT credit (of central excise duty or service tax) accumulated in one manufacturing unit or service providing unit to any other eligible unit of his choice through a simple mechanism. Necessary changes in the CENVAT Credit Rule, 2004 are being made.
- (ix) The taxpayer would have the facility of removing capital goods and inputs from one unit to any other unit of its choice, without payment of duty / reversal of credit through a simple method. Similarly the finished product of one unit can be transferred to another unit, without payment of duty, provided the second unit uses the products as inputs and pays excise duty on the finished goods manufactured using such inputs.
- (x) The taxpayers would not be subjected to mandatory audit. The selection of a taxpayer for audit would be based on 'risk assessment'. The Department would ensure that audit schedules are drawn in consultation with the taxpayers so as to cause minimum inconvenience.
- (xi) The taxpayers would do self-sealing in case of all exports. In order to ensure that there is no delay in examination and sealing by the officer, the requirement of examination / sealing by the officers at the units of taxpayer is dispensed with.
- (xii) It would be ensured that there is uniformity in the practice as regards classification, valuation, credit availment and similar other issues, for various units of a taxpayer. Trade notices will be issued centrally by the LTU.
- (xiii) The rebate / refund claims would be disposed off within 30 days of their filing, if the claims filed are in order.
- (xiv) With respect to income-tax specifically, facilities would be provided for on-line submission of returns, e-payment of taxes, electronic credit of income-tax refunds, and on-line filing of grievances and appeals.

#### **IV Functions**

The LTU will perform all the statutory functions presently mandated under the Income Tax Act, 1961, Wealth Tax Act and Rules made there under (in respect of direct tax matters), under the Central Excise Act, 1944 and Rules made there under (in respect of central excise matters), Customs Act/Rules (in respect of functions handled by excise authorities) and under the Finance Act, 1994 and Service Tax Rules (in respect of service tax matters).

## **V Organizational structure**

Each LTU will be manned by officers and officials drawn from the Customs and Central Excise Department and the Income Tax Department. The LTU will be headed by a Chief Commissioner drawn from either of the two Departments who will be the overall in-charge of the LTU for all matters pertaining to its functioning. Under the Chief Commissioner would be Commissioners who would perform the administrative and statutory functions in respect of the three taxes. Under each administrative/executive Commissioner, officers of the rank of Additional/Joint Commissioners would be placed as Range heads who, in turn, would be supported by Deputy/Assistant Commissioners and other supervisory and managerial staff.

## **VI Procedure**

### **i) Application**

An eligible large taxpayer would submit 'Consent Form' **(as per Annexure enclosed)** while opting for LTU. The Consent Form may be sent to the Dy. Secretary, Central Board of Direct Taxes, Ministry of Finance, Room No. 243-F, North Block, New Delhi or faxed at 011-2309 3902. The Form can also be e-mailed at [ltu@incometaxindia.gov.in](mailto:ltu@incometaxindia.gov.in). On acceptance of the Consent Form, the taxpayer shall be issued a LTU membership number by the concerned LTU.

### **ii) Registration**

No new registration would be required. However, in case a new factory/service provider/registered dealer comes up after the taxpayer has opted for LTU scheme, new registration has to be taken from the LTU.

### **iii) Filing of returns**

The taxpayer would be required to file the direct taxes returns in the LTUs while in respect of excise matters, individual returns would be filed for all units (as is being done presently). However, all the unit returns would be filed with LTU office. Option would be given to the taxpayer for e-filing the returns.

#### **iv) Payment of Taxes**

Facility for payment of the three taxes through the internet would be provided in the LTUs. The excise duty/service tax payable would be paid by the taxpayer separately for individual units. The taxpayer would, however, have the option to transfer any excess CENVAT credit (of central excise duty or service tax) accumulated in one manufacturing unit or service providing unit to any other eligible unit of his choice under cover of a transfer voucher. The credit balances at both the units would have to be suitably adjusted by the respective unit. In case duty/service tax is paid in excess of the amount due, the taxpayer can adjust it against his future tax / duty payments. For this purpose he shall take credit of the excess tax / duty, as if the same was tax / duty paid on his inputs, capital goods or input services. However, these adjustments would be allowed only under the same accounting head. In case a taxpayer wants to transfer inputs, capital goods or finished goods from one of his units to another, the same can be done without payment of duty on a challan. Both the units would have to maintain records showing receipt and dispatch.

#### **v) Refunds**

The rebate / refund claims would be disposed off within 30 days of their filing, if the claims filed are in order. In respect of income-tax, facility for direct credit of refunds to the bank account of taxpayers would be made available.

#### **vi) Audit and Scrutiny**

The unit-wise audit shall be conducted by the LTU. While there would be no 'mandatory' audit, case selection for audit would be based on 'risk assessment' and attempt would be made to ensure that audit schedules are made in consultation with the taxpayers so as to cause minimum inconvenience. Cases for scrutiny under the Income-tax Act will be similarly picked up on the basis of scientific risk management procedure.

#### **vii) Adjudication/ Appeals**

In respect of direct taxes, all appeals presently pending with the CIT(Appeals) would be heard and disposed by them. All future appeals would be lie with the CIT(Appeals) in the LTUs. Facilities for on-line filing of appeals will also be provided.

In respect of central excise/service tax matters, in cases where show cause/demand notices have been issued by the erstwhile jurisdictional officers, but not adjudicated, would stand transferred to LTU and the same would be adjudicated by officers posted at LTU. The process

of adjudication would be completed within 3 months of the issuance of the notice, wherever possible. The erstwhile jurisdictional Commissioner (Appeals) would adjudicate the appeals pending with them. However, all future appeals would be filed with Commissioner (Appeals), LTU. In case any duty/tax has been short paid and a notice has to be issued for its recovery, the LTU would first inform the tax payer about his liability before issuance of any demand notice. In case the taxpayer pays up the duty/tax/interest within a period of 15 days from such intimation, no notice would be issued.

#### **viii) Export**

All other documents, correspondence intimations such as export / import related central excise documents, bonds, proof of exports etc pertaining to all these establishment can be filed with LTUs. The taxpayers would be eligible for self-sealing in case of exports. In order to ensure that there is no delay in examination and sealing by the officer, the requirement of examination / sealing by the officers at the units of taxpayer is dispensed with.

#### **ix) TDS Returns**

All companies are presently filing the quarterly TDS statements and the annual TDS returns electronically through the designated intermediary. The same system would continue after they join the LTU. However, jurisdiction over the TDS returns would shift from the local Commissionerates to the LTU.

#### **ix) General Procedure**

In case of any procedure or difficulties which do not have revenue implications, the Chief Commissioner in-charge of LTU can prescribe procedures, methods or relaxations to facilitate tax compliance by the taxpayer.

### **VII Interactive forum**

A website is being developed enabling taxpayers to access all information relating to functioning of LTUs, avail e-services being offered in respect of the three taxes, submit miscellaneous applications and post their view/suggestions. At present, taxpayers can e-mail their views at [ltu@incometaxindia.gov.in](mailto:ltu@incometaxindia.gov.in).

**Annexure**

**CONSENT FORM FOR COMPANIES PARTICIPATING IN LTUs**

M/s \_\_\_\_\_, hereby gives consent to be administered as a large taxpayer under the Large Taxpayer Unit situated at \_\_\_\_\_ (Bangalore/Chennai/Delhi/Kolkata/Mumbai). Following information regarding the company is furnished.

1. PAN :
2. Address as in last income-tax return filed :
3. Jurisdiction of Assessing Officer before whom income-tax return is filed :
4. Details of registrations (under central excise and service tax Rules):

Name and address of the Unit	Excise Registration No. and particulars of present jurisdiction	Dealer Registration No. and particulars of present jurisdiction	EOU Registration No. and particulars of present jurisdiction	Service tax Registration No. and particulars of present jurisdiction	Input Service Distribution Registration No. (ISDN) and particulars of present jurisdiction	Others* (please specify) including particulars of present jurisdiction

(\* including exempted units)

5. Details of TAN allotted and TDS returns filed in the following format

S. No.	Name and address of the Deductor	TAN	TDS effected under section(s) _____ of the IT Act, 1961	Jurisdiction of CIT before whom TDS return filed
1				
2				

6. Details of total taxes paid by the company during financial year 2004-05

- (i) Excise duty through cash (account current)
- (ii) Service tax through cash (account current)
- (iii) Advance tax (income tax/corporation tax)

7. Name, designation, phone and fax numbers and e-mail address of the contact person(s) of the company (to be authorized by the company)

**(Signature)**

**(Name and Designation of the person authorised u/s 140 of the IT Act, 1961)**

