

Centre, state tax depts at loggerheads

GST committee has proposed two options in its report to iron out the administrative differences

Even as the Union government strives to build consensus over the constitution amendment Bill for a goods and services tax (GST), a turf war between indirect tax departments of the Centre and states over the assessment and adjudication powers under the proposed regime continues.

The GST committee, set up by the Central Board of Excise and Customs (CBEC), has proposed two options in its report to iron out the administrative differences under the unified indirect tax regime. Although Finance Minister Arun Jaitley will take a final call on the matter, the issue is likely to be discussed on Tuesday at the meeting of state finance ministers' empowered committee on GST.

States are demanding that they should get sole administrative powers to carry out assessment, scrutiny and passing of orders for entities and traders up to an annual turnover of Rs 1.5 crore and beyond that both states and the Centre should have these powers.

The CBEC committee, headed by its member Ram Tirath, has recommended doing away with the threshold altogether. Or alternatively, it has said that if states get exclusive control over up to Rs 1.5 crore, the Centre should get exclusive control over above that limit.

“The Centre is of view that there should be no administrative threshold at all. Although if the states are keen on exclusive control up to Rs 1.5 crore threshold, then the Centre should have exclusive administrative control over all cases falling above the threshold. The finance minister will take a final call on that matter,” said a senior government official, who did not wish to be quoted.

“This will be a big hassle for the taxpayers too. Even in case of central GST below that threshold, only states will have the power to assess and adjudicate. Over that, Centre does not get exclusive rights,” said the official.

States including Gujarat, Maharashtra, West Bengal, Tamil Nadu and Karnataka are pressing for authority over tax assessments and adjudication for entities with an annual turnover of up to Rs 1.5 crore. According to states, this will help small businesses from being harassed by dual control. CBEC has suggested a ‘cross power’ model, which means if there was no threshold, the Centre could initiate action and carry out scrutiny in case it detects a state GST case and adjudicate and vice versa. “According to the mechanism, the states can also initiate action on detecting a Centre GST (CGST) case, and inform the Centre. So, states will be authorised to initiate action in CGST case while the Centre will be authorised for SGST cases as well,” said another official.

Earlier, the Centre had also pressed for a higher GST exemption threshold of Rs 25 lakh annual turnover, but ceded to states' demands of a lower one at Rs 10 lakh in the draft model GST law. According to government data captured two years ago, while units lying between Rs 10 lakh and

Rs 25 lakh annual gross revenue comprised 60 per cent of the total dealers, they contributed to only two per cent of average national tax revenue.

In fact, Chief Economic Advisor Arvind Subramanian batted for an even higher threshold at Rs 40 lakh in his GST report to ensure compliance and minimising the burden on small taxpayers. Currently, small industries with annual turnover of up to Rs 1.5 crore are exempted from central excise duty, while thresholds for VAT and service tax stand at Rs 10 lakh.

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