Concept Of LARGE TAXPAYER UNIT (LTU)

Historical Background

A number of tax administrations in the world have established **special systems to administer their large taxpayers.** 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.

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. **It has been decided to establish LTUs in India in a phased manner. LTUs have been established initially in large cities of the country.**

Basics of LTU:

LTU (Large Taxpayers Unit) is a self-contained office to provide single window facilitation to taxpayers who pay direct and indirect taxes above a threshold limit. This office that would deal with Central Excise/ Service Tax/ Income Tax/ Corporation Tax issues of all units holding a single PAN. It also provides certain tangible advantages (such as duty free movement of goods across the different units/ premises of a PAN holder, transfer of credit amount from one such premises to other); to ensure time bound disposal of refund claims and dispute settlements; and to follow single set of simple procedures for all units.

The underlying commitment is of providing better service to the taxpayer, through personalized attention, quality of service, transparency in transactions and cordial atmosphere. This will reduce tax compliance cost, reduce delays and ensure uniformity in the matters of tax/ duty determination. .

Eligible taxpayers may opt to avail the facility of assessment under LTU, which would be especially beneficial to those taxpayers with multi-locational operations.

WHAT IS AN LTU?

An LTU is self-contained tax office 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. **Eligible Tax Payers** who opt for assessment in LTU shall 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 there under. These units are being 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.

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.

ELIGIBLE APPLICANT:

[Rule 2(ea) of Central Excise Rules, 2002 and Rule 2(ccc) of Service Tax Rules 1994]

Person to be eligible to opt as large taxpayer shall be the one who fulfils the following condition:-

→ Any person,

- engaged in the manufacture or production of goods or
- a provider of taxable service,

who has paid during the financial year preceding the year of filing of application -

- **ED > 5 Crores** (in cash or through account current); or

- ➔ **ST > 5 Crores** (in cash or through account current); or
- ➔ **ADVANCE TAX > 10 Crores,** under the Income Tax Act, 1961,

PROCEDURE TO BE FOLLOWED FOR AVAILING THIS FACILITY

i) Application: A large taxpayer who satisfies the conditions mentioned above may file an application form (called CONSENT FORM - in prescribed format) to the **Chief CCE, Large Taxpayer Unit** for the **city where the large taxpayer is presently assessed to income tax** indicating his willingness to be a large taxpayer. Therein he shall furnish details of

- ➔ each of the premises already registered under CEA, 1944 including the premises of FIRST & SECOND STAGE DEALERS and
- ➔ each of the premises registered under Chapter V of the Finance Act, 1994 including the premises of input service distributor.

The Chief CCE, LTU may after due verification of the application form, grant the acceptance in writing. The taxpayer shall be issued a LTU membership number by the concerned LTU.

ii) Registration: *Existing registrations under the Central Excise Act, 1944 or Chapter V of the Finance Act, 1994 shall continue.* 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) 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**.

vii) 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.

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

BENEFITS/ 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.

(iv) 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.

(v) 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.

(vi) The rebate / refund claims would be disposed off within 30 days of their filing, if the claims filed are in order.