Government considers centralised registration under GS

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The lack of centralised registration facility could lead to accumulation of credit in one State and increased cash flow in others

Ranjeet Mahtani & Stella Joseph

Recent news-reports indicate that even under the GST regime the Government is considering the option for centralised registration for certain sectors including e-commerce, telecom and insurance. The peculiarity of these sectors is that their customers are situated throughout the country and potentially the place of supply for such sectors would be in each State / Union Territory. This will entail registration and other compliances in all States and Union Territories where the place of supply is. To explain further, filing of returns (and statements), which are present are at least 3 per month per State and one annual return, would involve preparing and making 1332 filings per year (for a company-taxpayer operating in all Indian States). The compliance and procedural requirements will need additional skilled-hands and other resources.

It will only be beneficial to enable centralised registration for these sectors and some others such as banking and financial services. That apart the lack of a centralised registration facility could lead to a situation of accumulation of credits in one State and thus increased cashflow in the other States. For such situations, centralised registration will support the ease of doing business, although there is the ability to obtain registration as an Input Service Distributor (ISD) and then transfer the credits to the other States. An ISD registration entails an additional registration (as an ISD), and consequential filings, but, the ISD facilitation is limited to only input services and not inputs (a problem of credit accumulation in relation to inputs cannot be resolved even by way of an ISD facilitation).

The Draft GST legislation (circulated in November 2016) has some enabling provisions wherein a separate dispensation can be provided with regards to centralised registration – by the Central Government, and this is not oriented to centralised registration.
registration – yet the decision to allow for Centralised registration cannot be taken
by the Central Government unilaterally. It is crucial that the States accede to such a demand, even though convincing the States will be a herculean task.

A system of centralized registration (and return filing) may be put in place such that State-wise bifurcation of details of supplies will be recorded and available to enable State-wise allocation of tax however, States may resist the concept as they will not have direct administrative control over such assessees, and be dependent on the Centre for the revenue allocation. Even if the system of central registration is enabled, it will have to be seen as to how assessment, audits, and control will be divided between Centre and States for such taxpayers. The issue of dual control has been lingering, and this concept (of centralised registration) will add to that basket.

One will need to wait and watch whether the imminent GST enables centralised registration ultimately, however, there are some indications of a variation to it that of allowing it for large tax payers’ units only. Old wine, new bottle?

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*India - Switzerland AEOI is aimed at facilitating automatic exchange of financial data*

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India and Switzerland inked the ‘Joint Declaration’ for implementation of the Automatic Exchange of Information (AEOI) on November 22. This joint declaration which came after four years of negotiations is intended to introduce automatic exchange of financial account information between the countries on a reciprocal basis from 2018.

India first ratified Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) in June 2012 and then also signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA) on June 3, 2015.
“The Joint Declaration is subject to MAC being in force in each jurisdiction, signing of MCAAs by both jurisdictions, notification to each other under section 7(1)(f) of the MCAA and adequate confidentiality and data safeguards in each jurisdiction,” Ministry of Finance said in a statement. India already signed the MCAA with its intended exchange partners which include all the signatures of MCAA.

The Government has taken adequate measures, including policy-level initiatives, more effective enforcement action, robust legislative and administrative frameworks, systems and processes with a focus on capacity building and integration of information and its mining through increased use of information technology, to tackle the issue of black money stashed in other countries.

Among the key initiatives include constitution of the Special Investigation Team (SIT) on Black Money, enactment of a comprehensive law, constitution of Multi-Agency Group (MAG), involvement of foreign governments with an aim to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Conventions.

The framework will also accord high priority to the cases involving black money for investigation, while also focusing on non-intrusive measures to prosecute the offenders at the earliest for credible deterrence against tax evasion/black money and furthering global efforts to combat tax evasion/black money.

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