

GST Council likely to ease audits for firms with multi-state ops

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The Goods and Services Tax (GST) Council, the apex GST policymaking body, is likely to consider compliance relief for businesses with operations in multiple states by revamping audits that currently take place independently in each jurisdiction.

The proposal to conduct these audits in a more coordinated and centralised manner is likely to be examined at the Council's October 7 meeting in the capital, two people familiar with the development said.

The proposal to be taken up by the Council is linked to a broader exercise by the Central Board of Indirect Taxes and Customs (CBIC) to examine centralised administration of taxpayers having multiple GST registrations under the same permanent account number (PAN). Finance Minister Nirmala Sitharaman, who chairs the Council, had last month said the Council's meeting would consider reforms in tax processes.

Currently, a business registered in multiple states can face separate audit exercises for its operations under different GST identification numbers. While small taxpayers are selected randomly, generally, all large taxpayers are audited every year in every state of registration.

What may change



- Currently, businesses registered in multiple states face separate audit exercises for its operations
- A common audit for all registrations may now reduce repeated submission of records
- It may facilitate an information repository for each taxpayer to make the process transparent
- Risk-based selection could replace similar audits across registrations
- Central, state tax authorities would likely retain their respective statutory powers

OPINION

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Large businesses, therefore, require to deal with multiple tax authorities and furnish similar records and information more than once.

The proposed framework seeks to reduce such duplication by designating a nodal authority to coordinate the audit of a taxpayer with multiple registrations, the people said. Turn to Page 6 ▶

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The proposal is primarily aimed at large businesses with operations across several states. However, it would not necessarily transfer the statutory jurisdiction of Central or state tax authorities to a single nodal officer. Instead, it may provide for a common taxpayer-level information repository and audit protocol, while the competent Central or state authorities retain their respective statutory powers, the people said.

On July 18, the CBIC set up an 11-member working group on 'centralised administration of taxpayers', chaired by Vinayak Chandra Gupta, chief commissioner of the Lucknow Central GST and Central Excise Zone. The group was asked to examine centralised administration of taxpayers having the same PAN but multiple GSTINs under different Central tax jurisdictions, and submit a report, implementation road map and draft proposals to the Board in 30 days, according to an order issued by the finance ministry.

The Confederation of Indian Industry has separately recommended a common audit protocol, a shared taxpayer master file and a central audit information repository for taxpayers with multiple registrations, one of the persons quoted above said. It has also suggested an audit-status register for GSTINs linked to the same PAN and sharing of audit findings through a common utility. CII has called for risk-based selection and coordinated audits instead of identical exercises for every registration.

"The true success of a tax reform lies in a strong Centre-State institutional alignment in the spirit of co-operative federalism. The formation of the Working Committee on Centralised Administration is a strong step in that direction," said Nimish Bhatia, partner, Price Waterhouse.

An email sent to the Ministry of Finance remained unanswered until the time of going to press.

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