

GST Council issues guidelines for division of taxpayer base between the Centre and the States for administrative control

The GST Council has issued circular no. 01/2017 F.No. 166/Cross Empowerment/GSTC/2017 dated 20 September, 2017, providing guidelines for division of taxpayer base between the Centre and the States for single interface (administrative control). This is based on the decision taken in the GST Council meeting held on 9 September, 2017. The division of taxpayers would be based on the following criteria:

Sr. No.	Turnover	Central tax administration	State tax administration
1	Less than INR 15 million	10% of the taxpayers	90% of the taxpayers
2	Above INR 15 million	50% of the taxpayers	50% of the taxpayers

The division of the taxpayers in each State will be done by computer at the State level by stratified random sampling and could also take into account geographical location and the types of the taxpayers. The State level committees would take necessary steps for division of taxpayers in each State.

The computation of 'turnover' for the above purpose would be as under:

Sr. No.	Nature of taxpayer	Turnover to be considered as basis for division
1	Registered only under VAT	Total Annual State turnover under VAT (including inter-State sales, exports and exempt goods) for State
2	Registered under both VAT and Central Excise	Total Annual State turnover under VAT for State (<i>since Excise turnover included in the same</i>)
3	Registered only under Central Excise	Total Annual turnover declared in Central Excise returns
4	Registered only under service tax in a State on a stand-alone basis	Annual turnover of the services declared in the service tax returns
5	Registered only under service tax having centralised registration	Annual all-India turnover of the services declared in the service tax returns
6	Registered under both VAT and service tax	Total turnover of VAT and service tax (excluding turnover included in both). The service tax turnover would be computed as mentioned in (4) and (5) above.

PwC comments

This circular has triggered a very important exercise of assigning the taxpayers to the tax administrator. Once this step is complete, the taxpayer administration process by the respective jurisdictional authority would commence. The circular does not mention which year's turnover would be considered for the division. However, it is likely that the turnover for financial year 2016-17 may be considered for this purpose, since it is the most recent financial year. Since the division of taxpayers is basis the turnover of the respective State, it may also result in a scenario where in one State, a taxpayer is administered by the State authorities and in another State, the same taxpayer is administered by the Central tax authorities.

While the circular does not indicate a timeline by when the division of the taxpayers would need to be finalised, it is important to complete this exercise at the earliest to commence the taxpayer administration process.

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