

## **LTU - BOON OR A BANE!!!**

**( A.P.Ravi - Advocate )**

Large Taxpaying Units (LTU for short) was set afloat by the then Finance Minister Mr.P.Chidambaram (PC for short) in 2005. This was apparently based on the famous "Pareto Principle" better known among the Management Specialist. Born out of the mind of eminent Management thinker Joseph M. Juran and named after the Italian Economist Vilfredo Pareto, this principle operates on an 80 - 20 Rule, who originally observed that, 80% of the property in Italy was owned by 20% of the Italian population and from this came the conclusion that 80% of the consequences sprout from 20% of the causes.

Now that we have come a long way, it's high time to look back as to whether the LTU is worth its salt. Before we shoot into the technicalities of LTU, the reason for introducing this scheme could be enumerated in a nut shell. On the economics of the Indian Revenue Collection vis-à-vis Central Taxes, it was seen that 80% or nearly 90% of the revenue is contributed by 20% or 10% of the assesses and conversely 20% or 10% of the revenue is contributed by 80% or 90% of the assesses. In order to avoid unproductive, expensive and futile exercise of focusing on marginal revenue collection, the LTU wherein it was promised to give a one stop solution to the large tax payers, under one roof with a personalised attention, was conceived and put in place.

A modest attempt is made to visualise the advantages and disadvantages *albeit* difficulties that blossom to both the trade and the administration. A one point of contact for all the central taxes problems has brought out the following:

### **Gains:**

⇒ Personalised client executive for each tax payer;

- ⇒ Self adjustment of excess duty paid due arithmetical errors;
- ⇒ Transfer of inputs/capital goods from one unit to another without reversal of credit;
- ⇒ Clearances of manufactured for further manufacture in other units, under a delivery challan without payment of duty – getting rid of CAS-4!!!;
- ⇒ Transfer of Cenvat Credit from one to another, without physically removing the inputs/capital goods, for payment of duty;

**Pains:**

- ⇒ Applicable only to those assesses paying Five Crores and above in PLA and not for others, thereby giving scant regards to the payments made through cenvat credit;
- ⇒ Goods manufactured out of goods received from other units without payment of duty to be cleared within 6 months – Else duty to be paid back with interest and this becomes the cost. This would result in litigation much to the delight of the departmental officers and a curse to the tax payers as keeping track of such transfers and its manufacture would become practically difficult with the volume of production;
- ⇒ Increase in working cost at the registered premises of the assessee where the compilation of the details of all other units has to be manoeuvred. This would result in delay in filing the returns, payment of duty or preparation in haste;
- ⇒ Not considering the payments made through cenvat would result in gross injustice to those who have accumulated credit;
- ⇒ Issue raised in one unit would be Xeroxed and sent to other units without an application of mind by the officers. So would be multiplication of show cause notices and needless to say its confirmation by the lower authorities;

- ⇒ Attending to the audit officials by persons at the respective units without having much clue on the final decisions/corrections made at the registered premises of the assesses from where the returns are being filed;
- ⇒ In case of sealing of export consignments by the departmental officers, running from pillar to post requesting the earlier range officials to carry out the same and finally becoming a victim to their blown out Egos;
- ⇒ Reluctance of the departmental officers at LTU to interact with other Governmental Bodies such as Development Commissioner etc.,;
- ⇒ Last but not the least, no increase in the quality of guidance or for that matter nil guidance.

The pan balance would weigh more towards the pains that the present LTUs are facing for the above reasons, which is only an insight of a huge catastrophe that awaits them once they cave into LTU. The miseries are left unanswered which makes most of the present LTUs assesses to reconsider their continuance and I am sure that, if it remains to be so, we shall witness a modern day exodus, in days to come!!!