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Friendly Advance Ruling Mechanism to Smoothen Ride Under the GST Regime

All taxpayers will be able to ascertain their tax liabilities beforehand

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New Delhi: India is planning a significant shift toward a litigation-free environment under the proposed goods and services tax (GST) regime, creating a liberal mechanism that would allow all taxpayers to ascertain their liabilities beforehand.

The draft rules for the advance ruling mechanism will allow all categories of taxpayers to approach the authority, unlike the existing taxation system that restricts the facility to proposed transactions before the start of a business.

The advance ruling infrastructure is also to be expanded to ensure that every commissionerate has an authority, with a joint commissioner level officer as a member. This is modelled after global best practices in

A Liberal Regime

GST draft rules propose liberal advance ruling

Ruling to be available for existing transactions

Rules aim to reduce potential litigation

which advance ruling is treated as a revenue function, and carried out directly by revenue authorities without being passed on to any quasi-judicial entity.

“The efforts seem to be to reduce post-assessment disputes and, hence, money stuck in litigation, and also to bring certainty in the taxation of supplies made by a person,” said Bipin Sapra, partner at EY.

BUT SOME NIGGLES

Stringent rules for accounts and records

Records to be kept for manufacture, trading, services



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BIPIN SAPRA
Partner, EY

At present, advance ruling can be sought for customs, excise duty and service tax for any proposed transaction. It cannot be sought for any existing transaction for central taxes, although the state value-added tax regime permits even existing transactions. Experts say this move is the first step toward bringing down litigation, but bias should not be toward revenue generation.