

Services Tax – Series 2

Changes by
Finance Bill, 2011
Changes in Finance Act, 1994

Penalty for late filing of return. Section 70

Old Law	New Law
Maximum penalty – Rs. 2000.	Maximum penalty – Rs. 20000.

Maximum penalty has been increased by 10 times.
Now assesseees have bigger reason to worry for delay in filing service tax returns.

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

Recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded – Section 73(1A) & 73(2)

The benefit of reduced penalty available in cases of fraud, collusion, etc. under proviso to section 73 (1A) will not be available.

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

Recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded – Section 73(4A) – Reduced penalty.

Reduced penalty

1%/month of such tax, for the period during which the default continues.

Maximum penalty – 25% of the tax amount,

Conditions

- ❑ During the course of any audit, investigation or verification;
 - ❑ it is found that any service tax has not been levied or paid or has been short-levied or short-paid or erroneously refunded,
 - ❑ True and complete details of transactions are available in the specified records
 - ❑ Pay service tax along with interest payable thereon under section 75 and reduced penalty before service of notice on him and inform the Central Excise Officer of such payment in writing.
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Recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded – Section 73(4A) – Reduced penalty.

“Specified records” means records including computerised data as are required to be maintained by an assessee in accordance with any law for the time being in force. However if there is no such requirement, the invoices recorded by the assessee in the books of account shall be considered as the specified records.

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

Interest on amount collected in excess- Section 73B.

OLD LAW	NEW LAW
Penalty for failure to pay service tax, higher of following: <ul style="list-style-type: none">•Rs. 200/day during default ;or•2%/month of such tax.	Penalty for failure to pay service tax, higher of following: <ul style="list-style-type: none">•Rs. 100/day during default ;or•1%/month of such tax.
Maximum Penalty – 100% service tax payable	Maximum Penalty – 50% service tax payable

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

Interest on delayed payment of Service Tax-Section 75.

Reduced rate of interest

Interest rate shall be reduced by 3%.

Conditions

Value of taxable services provided in a financial year does not exceed Rs. 60 Lacs during any of the financial years covered by the notice or during the last preceding financial year.

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

Penalty for failure to pay service tax- Section 75.

Reduced rate of interest

Interest rate shall be reduced by 3%.

Conditions

Value of taxable services provided in a financial year does not exceed Rs. 60 Lacs during any of the financial years covered by the notice or during the last preceding financial year.

Effective date - The above changes will come into effect from a date to be notified, after the enactment of Finance Bill, 2011.

THANK YOU

Your comments and suggestions are of utmost importance and are always welcomed.

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