

Opportunities for Professional Practice – Service Tax

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Practice in direct taxes offers wide opportunities and a wide spectrum of clientele. This law has been in vogue for quite some time and hence we find that many of the chartered accountants in practice have chosen this as their line of specialization. Further a belief that the possible clients would be from a vast number of people and lesser challenges in understanding the laws and the requirements of the client, have driven many to choose it.

Another budding area of practice is in the area of service tax which can offer immense opportunities for the starter as well as multi partner firms. Reasons for this statement can be depicted in the following pointers in brief:

- a. **New statute:** Subject is still in a development stage and it would take assessee in India quite some time to come to grips with it. Hence with just a basic knowledge of the law one can still find decent number of people in need of their service. An example would be filling and filing of Form ST-3 (half-yearly returns). Many of the asseesses are still not aware which amount has to be filled where and how the information is to be furnished.
- b. **Growth in scope of law and spectrum of clientele:** Earlier there were very few services that were taxed and hence finding clients was not easy as the asseeses were themselves very meager in number. Now with many other services being included in the service tax net over the years, increasing the number of taxable services from 3 initially to over 100 now and with the levy of GST (expected to be implemented by April 2011), it is expected that there would be only a negative list of services which would be exempt and all other services would become taxable. Hence the clientele of service tax/GST practice would be comparable to that of the direct taxation practice.
- c. **Loss of opportunity in the past:** The Chartered Accountants had in the past lost out on the opportunities in central excise as also VAT to some extent when it was seen that many of the other professionals like advocates had done very well. The study/ experience of these laws would also be very useful to practice under GST.

Those CAs who chose the IDT area in the past have done well in terms of the respect, satisfaction as also financially.

Mr. Narayan Murthy the Chief Mentor of Infosys who has put our country on the work map for quality of its service and the “global delivery model” observes that unless there is a value addition to the customer there is no point in proceeding further. The value addition by a CA in this area of practice could be in the following manner:

- a. **Reduce cost:** Client’s personnel may not be able to deal with the departmental officers and may lose time and effort for filing or payment or interaction.
- b. **Reduce cycle time:** Client’s accounting department not having the time to understand/ update on the law may outsource the same to use that time elsewhere.
- c. **Improve the productivity:** Client’s officer can concentrate on their core functions and improve their productivity.
- d. **Improve free time:** Since the work would be outsourced to another it would release resources for other activities of the client. Normally the outsourcer would spend less time to do the job since he is doing it for many.

In the present circumstances since the asesesses do not wish to deal with the government officers there is a space as an intermediary for the CA. This role over a period of time may disappear with information technology allowing for online registration, filing, answering etc. and would lead to outsourcing of the responsibility to the CA.

The main areas or opportunity are indicated hereunder:

1. **Initial Registration:** The registration services are one of the best initial services to be offered as the client at that point of time is clueless on the formalities. Normally registration is complete within a couple of days as deemed registration concept exists. Now with online registration it is even faster. Past years transactions may have to be reviewed to ensure that no liability for the past gets fastened. At this point other value additions like examining whether liability exists, under which category, whether requiring centralised registration, drafting of covering letter explaining the activities, examination of customer profile, etc. can be done. For exporters it could be whether it is preferable to register and claim the credit as there is a possibility of the refund/ rebate. Similar to the incorporation of a company, clients who come for registration if satisfied with our service would tend to stick with us for other services.

2. **Initial Disclosures to department:** Just by drafting a few letters as per the statutory requirements like certain initial disclosures to the department regarding the books of account maintained, procedures followed, copies of documents wished to be disclosed, the type of services provided along with copies of important contracts can all be provided. This would save the client in the future from a longer period demands and penalties
3. **Initial Procedural Hand Holding:** Advice to the client regarding maintenance of accounts, raising bills, drafting quotation, orders, agreements, etc. to suit the compliance of the law, including filing of returns, payment of service tax, calculation of interest etc. would be of value addition to the client. Many service providers who are mainly technical people do not understand any tax and may require someone to help them to set their systems and records to ensure compliance.
4. **Monthly/ Quarterly payment of Service Tax:** Such service requires calculation of liability, availment of credit, net payment, liability as receiver of service, export of services confirmation, etc. This type of service is something, which is ongoing for the life of the tax. However the CA may have to keep himself abreast of the latest changes to ensure that the client is not surprised at a later date. The major contracts can also be examined so that client can recover the taxes from the customer if applicable. Many MNCs look for this type of service keenly and they would like to have a certainty about whether the taxes are a cost or an item which is recoverable. This is also the ideal area to build up the critical mass to be able to provide high levels of service in the least time.
5. **System Design/ Integration:** Most of the client's accounting software require add ons/ further configuration for ensuring compliance with service tax law. The accounting entries, invoicing and documentation, recommended reconciliation could also be required vis a vis ST compliance. A study of their existing systems and recommendation of the further system requirements is essential to set their systems for compliance of the law. A Standard Operating procedure for the larger organization would add value to them considering the high rate of attrition today. Implementing controls in this area may also be an activity which is beneficial and value additive to the clients.
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7. **Six Monthly Return Verification/ Filing:** Verification ,filling of the collated information , a limited audit of the records and returns to ensure that the returns that are filed, are filled as required under law and that no critical information (like exempt turnover, fact of claim of abatement, etc.) is missed. Many clients do look at this type of assistance in view of the uncertainty that exists in this law. Generally this can be quite value additive especially in availing the Cenvat credits optimally.
8. **Service Tax Review / Quarterly Audit:** Many service providers/ manufacturers find a one time review of the compliance along with the examination of availing all the benefits available, as very useful which provides them with value as well as comfort. Further at periodical intervals ensuring that all the compliances are in place and the credits are availed properly, is also useful for a growing company or a company where the ST payments are in lakhs. This is done subsequent to the filing of the returns. Some clients like to ensure that the internal audit includes the tax compliance. This service can also be provided to other CAs where they have taken up internal audits but have no expertise in Service Tax.
9. **Opinions/ Clarifications (Including Examination of Contracts/ activity):** Main area of consultancy is to examine the applicability of Service Tax, options for valuation, exemption available, advice on structuring of contract/ PO, etc. Most of the companies realize that availing of proper opinion and understanding the correct position is important to aid management decision making and also leads to focus on areas where tax is optimal. The fact that the industry is doing well or badly may not affect this area.
10. **Strategic Advise :** Large projects by Government or Industrial / Service Groups have large outlays wherein the indirect taxes involved i.e. central excise duty, customs duty, VAT/ CST and service tax could be quite substantial[maybe even 20% or above of total cost]. Optimising the tax costs in such area would be value additive. The route to follow could also determine the future tax costs of the transactions. The study of the alternative options and marrying the various taxes could also result in a very competitive model. Normally for this expert knowledge and experience maybe necessary along with multi tax appreciation.

11. **Effect of budget/ recent changes on activity:** It is an important area as the client may take some time to understand the far going implications of the changes effected. The effect of a change in law can dramatically affect the client's working, especially where it relates to possible liability. Since GST is expected to be in place by next year, keeping the client posted on what could be the effect of GST on their business broadly is essential. [recommended to be free service to be intimated to all clients]
12. **Past errors rectification:** Compliance with least difficulty considering the various exemptions, valuation methodology followed, date of applicability, availment of credits among others could be confirmed to avoid penalties in the case of errors relating to past years.
13. **Department IAP or CAG audit Assistance:** These audits are dreaded by the tax payer who normally has a very perfunctory knowledge of the provisions and rules. The past year has seen urgency on the part of audit parties to get payments made/ reversals made immediately as there is a revenue pressure. Therefore a knowledgeable professional who can interface with the departmental officer could be of great value in minimizing the payments/ reversal.
14. **Departmental letter reply:** Now a days the audit wing of the CAG as well as the Preventive wing of the Department are learning at the cost of the assessee. Almost every audit has a 6-20 objections. Normally if a reasonable reply is provided to the audits with extracts of the law/ circulars or Tribunal Judgments, majority of the points would be dropped. This could be relating to many aspects of the tax and may apply to taxable service provider as well as others. It can happen that queries are asked from other states as well.
15. **Show Cause Notice Reply:** This would involve advise prior to issue of SCN, as well as a comprehensive reply to SCN which is critical as facts cannot be argued before appellate authorities. The best learning (as also the earnings) generally come to the professional when he/ she handles the SCN reply as the result would also determine where he is perceived to be. If he/ she wins a majority of cases and wins all that he promises then he has no looking back. At this point the professional should let the client

know the chances, especially if the same are not too good, in writing / mail so that there is no scope for disappointment or misunderstanding. This requires a reasonable command over the latest legal position on various issues as well as experience. Ideally an association with a senior professional for support would be advisable to be able to take up all cases which come ones way.

16. **Representation before adjudicating authority:** This normally follows the SCN reply. All the important evidences and defenses should be put forward at this point as it is possible to get all the details necessary. All issues relating to fact should be confirmed at this point. However sometimes the Officers simply confirm the SCN, and relief maybe possible only at Tribunal level. This risk which should be communicated to the client clearly.
17. **Reply / Representation at appellate forums:** Reply and representation appeal first before the Commissioner Appeals and then the Tribunal is to be made. At the Commissioner Appeals stage the chances are slightly better as the Officer is not the one who has issued the notice. At Tribunal stage the order is almost final in the sense that lesser needs to go to the High Court or Supreme Court unless the revenue goes up in appeal further. Where large stakes are involved the assistance of an experienced pleader whether a CA or advocate maybe sought.
18. **Assistance to advocate at High Court/ Supreme Court:** As the professionals cannot represent at High Court or Supreme Court they can play the role of advising the advocates at such levels. On public platforms advocates have been known to appreciate the meticulous working of the CAs.
19. **Other Area:** These could be in training/ teaching, writing articles, assisting in drafting the notification or authoring books all of which are paying while learning exercises. Many new areas are emerging based on the needs of the tax payers.

However, before making his/her selection, the professional should remember that the subject of service tax is quite complex with quite a few pitfalls and he/she should first of all have adequate exposure to this area plus proper training without which the desired results may not be available. The knowledge of central excise law can provide the edge.

The formulae of success for the practitioner is that he should provide quality at the price (i.e.the value derived by client should be higher than the fees), with grace and affection (with a smile) and there should be an element of service in the practice. In the face of the present uncertainty of GST coming in, this approach is a sure shot for success.

In the experience of the paper writers the adoption of high ethical values is the largest adder of value to the professional. These could be client focus, knowledge of the subject, integrity (do not make the client wrong and keep your word), sincerity, value addition among several others. Some of the common practitioner's aids for practice in this area are as under:

1. Central Excise Manual – R.K.Jain – Centax Publications
2. Central Excise Tariff Act – R.K.Jain – Centax Publications
3. Service Tax Reporter – Centax Publication
4. Ex Cus CD (updated quarterly) – Centax Publication
5. Law Crux – (additional laws covered but not stable)
6. Taxindiaonline.com, taxmanagementindia.com
7. Web site of ICAI pdicai.org
8. CAalley.com
9. CAclubIndia.com
10. cbec.gov.in
11. exciseandservicetax.com
12. Number of Yahoo groups (Pune, Meerut,CA / CWA etc)
13. Sites of leaders in area (articles/ insights)
14. Service Tax Commentary by Taxmann Publications, Bharat etc.
15. Central Excise Made Simple- Bharat, Centax etc.

The paper writer hopes that more and more professionals start practicing in this area of indirect taxation enabling development of the area. The vision is that GST comes out as a simple, clear and transparent law administered fairly. Welcome to this greenfield area of practice. [Host queries on pdicai.org]