

Govt firm on arresting indirect tax evaders

The government is firm on going ahead with the proposed amendments that will empower tax authorities to arrest those who collect service tax but do not deposit it with the government within the specified time.

The finance ministry's determination to steer the amendments comes against the backdrop of stiff protest from businessmen and a section of politicians, including from Congress. Dismissing concerns that the proposal would impact small taxpayers, senior finance ministry officials told TOI that a threshold of Rs 50 lakh would ensure that only large and willful defaulters are penalized.

"Let them criticize. How can you collect money from people and not deposit it with the government? It is the government's money," said a top official, who did not wish to be identified.

In the Finance Bill, the government has proposed to incorporate a new clause that will authorize excise commissioners to order the arrest of a person for "specified offences particularly non-payment of service tax".

While a bulk of the political opposition has been focused on the service tax issue, amendments to the customs and central excise laws that would make evasion a cognizable offence, which will also be non-bailable in certain cases, has also raised fears of misuse.

Similar provisions in the previous budget had to be rolled back after strong opposition. The perception that huge discretionary powers had been vested in tax officials had also attracted strong criticism.

Government sources, however, dismissed fears of harassment. They said finance minister P Chidambaram was clear about plugging evasion at any cost and he had assured taxpayers of a non-adversarial regime.

They explained that the move was necessitated by a Supreme Court order of 2011 where the apex court had held that customs and central excise duty evasion and other offences, which were non-cognizable, were also bailable. The tax department said the verdict meant that anti-evasion agencies had to let off evaders even in cases of evasion of high amounts.

As a result, the government has proposed amendments to the law to check against misuse. However, officials said that in almost all cases, the threshold has been kept high so that smaller offenders are not harassed or inconvenienced.

For instance, under the Central Excise Act as well as the Customs Act, threshold for evasion has been kept at Rs 50 lakh. In case of non-declaration of goods being imported or exported, the cut-off is Rs 1 crore.

(Times of India)