

Monthly Return for those who Pay Rs 25 lakh in Service Tax

Those paying more than Rs 25 lakh in service tax will soon have to file their returns every month instead of once in six months.

Besides facilitating better audit, this move will give the government monthly data on service tax collections. This will also be a step towards harmonisation of service tax and central excise as the government looks at implementing the Goods and Services Tax (GST) after reaching a consensus with states.

The breather for service tax payers is that it will be a one-page form, a welcome relief from the 15-page format currently for both excise duty and service tax, being planned with an eye on a rollout of the proposed GST.

The Central Board of Excise & Customs (CBEC) is looking into the matter and the new form might be notified this month itself, said finance ministry officials.

The common return for central excise and service tax, EST-1, will be a significant reduction from 15 pages of two separate returns at present.

The logic behind changing the periodicity of filing service tax returns to monthly is to coincide the cycles for payment of the tax and filing of returns.

Assessees who paid tax of Rs 25 lakh or more in the previous year and new assessees other than individuals and firms will have to file the returns on a monthly basis, while the rest will do it on a quarterly basis.

Filing of excise duty returns depend on whether the unit concerned is located in export-oriented units and also on various thresholds for the firms.

Earlier, the ministry was planning to obviate the need for mentioning the taxable service in the form, as it announced moving to the negative list for taxation of services from July 1, 2012. In the negative list, all services barring a small list are taxable.

However, the CBEC is now planning to seek such details in the return form to get sector-wise break-up of service tax collections.

No more will the most often-asked question - which taxable service is being provided? - be relevant; no more will an exporter be asked whether an input service has been used in export to claim a Cenvat refund; and no more will a host of questions confront a tax-payer filing his new one page return, the CBEC had said earlier.

With introduction of the negative list from July 1, the finance ministry prescribed a new accounting code for tax payment for all services, replacing the earlier 119 codes. Instead of the earlier system of a separate code for each service, all service taxpayers now have to pay under a single code.

The revenue department later realised that because of a single code, it was not getting information on the sector-wise break-up of what was paid.

The issue was raised by chief commissioners and directors-general of service tax at a meeting with Finance Minister P Chidambaram [Images] last month.

(Business Standard)