

Rs 1.27 lakh crore indirect tax revenue stuck in litigations

A staggering Rs 1.27 lakh crore revenue as central excise and service tax remained unrealised due to appeals and litigations pending before authorities during the financial year 2011-12, says a CAG report.

Of the total of Rs 1,27,897.39 crore pending demand, Rs 73,274.74 crore was for service tax and Rs 54,172.65 crore for excise duty, it said.

The central excise duty cases involving duty of Rs 54,172.65 crore were pending as on March 31, 2012 with different authorities, of which cases involving revenue of Rs 15,663.69 crore (29 per cent) were with the adjudicating officers of the department.

"Cases involving revenue of Rs 28,677.73 crore (53 per cent) were pending with the judiciary," said the recent Comptroller and Auditor General (CAG) report.

The cases of central excise duty realisation involving an amount of Rs 2,493.48 crore were pending with Commissioners (appeal) and Rs 28.54 crore with government and Central Board of Excise and Customs. As many as Rs 7,309.21 crore were pending for coercive recovery measures, the report said.

The number of cases of pending demands related to service tax have also grown significantly in the last ten years.

"Cases involving tax implication of Rs 73,274.74 crore were pending at the end of financial year (FY) 2012 (April 2011 to March 2012) with different authorities, of which cases involving Rs 49,091 crore (67 per cent) were pending with adjudicating officers of the department," said the report laid in Parliament late last month.

The cases of service tax involving an amount of Rs 20,593.47 crore were pending with judiciary and Rs 1,365.68 crore were pending with appellate commissioners. About Rs 2,24.18 crore were pending realisation for coercive recovery measures, it said.

Rs 501.96 crore were pending realisation as service tax due to litigations and appeals during financial year 2003, Rs 939.19 crore in FY 2004, Rs 2,503.67 crore in FY 2005, Rs 575.68 in FY 2006 and Rs 3,401 crore during FY 2007.

A total of Rs 6,364.02 crore during FY 2008, Rs 22,432.91 in FY 2009, Rs 54,548.43 during FY 2010 and Rs 48,258.68 in FY 2011, the report said.

"One of the reasons for increased pendency at adjudication stage is the absence of any prescribed time frame for finalisation of service tax related adjudications," it said.

The report also pointed out that nearly 50 per cent of service tax assesses paying revenue of Rs one crore annually and due for audit by the central excise and service tax department remained unaudited during 2011-12.

As many as 2,727 units under category A (paying service tax of Rs 3 crore) were due for audits out of which 1,368 such units were audited by the department. Whereas, a total of

2,414 units were due to be audited under category B (paying service tax between Rs one and three crore) of which 1,237 of them were audited during 2011-12, the report said.

"We observed instances of incorrect availing or utilisation of cenvat credit, short payment of duty or tax and non-payment of interest on delayed payments involving revenue implication of Rs 61.44 crore and Rs 478.04 crore in central excise and service tax respectively," it said.

As a result the Ministry of Finance had initiated or completed corrective action in all these cases involving revenue of Rs 60.74 crore (for central excise) and Rs 476.62 crore (for service tax).

The report also recorded instances of deficiencies, in scrutiny and internal audit process, ineffective call book review, and non-recovery of government dues by departmental officers. Duty or tax involved was Rs 30.07 crore, it added.

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