

Service Tax: Penalty norms encouraging voluntary compliance

Rationalisation of penalty provisions is encouraging voluntary compliance by Service Tax assessees, a senior finance ministry official said today.

"Penalty can be imposed under various sections. These provisions have been rationalised and harmonised to encourage voluntary payments," Assocham said in a statement quoting Principal Commissioner of Service Tax Satyavir Singh.

In case of voluntary payments along with interest, reduced penalty have been provided depending upon the stage of litigation i.E. Prior to issuance of show cause notice, after issuance of show cause notice but before adjudication or after adjudication.

"I would urge the trade to take maximum benefit from these amended provisions," Singh said.

He said higher service tax rate of 14 per cent and subsuming of education cess in it will help rationalise tax rate on goods and services and prepare for the Goods and Service Tax (GST) regime,

"There is a significant change in increasing the service tax rate to 14 per cent from June 1. There will not be any Education Cess over and above it. This will provide a step wise approach for rationalisation of tax rate on goods and services under GST regime,"

The earlier rate of service tax was 12.36 per cent, which included education cess.

The tax is levied on all services, expect a small negative list.

Giving instances of services which attracts the levy, Singh said it is also levied on service by way of admission to entertainment event of concerts, musical concerts, award functions and sporting events, if the amount charged is more than Rs 500 per person for the right to admission to such an event.

"These are some examples to make a point that if we deal composite transactions with composite levy i.E. GST, then life will become simpler for tax payers as well as tax administrators," Singh said.

Jaitley had proposed to raise the service tax rate to 14 per cent to facilitate a smooth transition to the GST regime, which the government wants to roll out from April 2016.

Once implemented, GST will subsume service tax, excise and other local levies.

Out of total indirect tax collection of Rs 5.46 lakh crore in 2014-15, nearly 30 per cent or Rs 1.68 lakh crore came from Service Tax. Service tax collections grew 8.6 per cent on an annual basis in the year ended March 2015, Singh said.

Services sector contributes nearly 57 per cent to the GDP and has 28 per cent share in employment.

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