

Tribunal Rejects Service Tax Case Against Katrina Kaif

The Indirect Taxes Appellate Tribunal has ruled that actor Katrina Kaif will not have to pay service tax on her modelling assignments as her agent paid the same off, albeit under the wrong category.

Experts say the case sets a precedent for payment of service tax by an agent and liability if payment is wrongly made.

Kaif had instructed her agent, Matrix India Entertainment Consultants, to receive payments for her modelling assignments and pay service tax from it on her behalf.

Revenue authorities had demanded a service tax of Rs 2.79 crore and slapped an interest and penalty of Rs 34 lakh, saying that Matrix had paid the tax under the 'advertisement agency service' category and not 'business auxiliary service', which covers modelling services.

Responding to an appeal by Katrina R Turcotte, alias Katrina Kaif, the Customs Excise and Service Tax Appellate Tribunal (CESTAT) has said that the actor has correctly discharged her service tax liability, rejecting the revenue department's charge of non-payment of tax.

CESTAT has held that payment of service tax under a different category does not mean that no service tax has been paid for the activities in question. "Mere payment of service tax under wrong head does not tantamount to no payment at all," it said in its ruling.

The tribunal said that payment of service tax by the appellant, Kaif in this regard, would amount to discharge of service tax liability by the appellant.

"The jurisprudence on agent discharging the liability in service tax are limited and accordingly, this will help set precedence," said Bipin Sapra, partner, Ernst & Young.

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