

Voluntary service tax scheme not for assesses under probe or audit

The voluntary compliance encouragement scheme (VCES) announced in the Union budget to boost service tax collections will not be made available to tax assesses against whom any inquiry or investigation is pending by issue of search warrant or summons or by way of audit.

Officials explained that this amnesty is only for voluntary disclosures and assesses against whom audit or investigations are on could opt for the compounding available under section 89.

A big loophole in revenue collection is expected to stem from the voluntary compliance encouragement scheme announced in the budget 2012-13. At present, service tax is the lowest contributor to the exchequer even though the sector accounts for the highest share of India's GDP.

In its detailed guidelines outlined by the ministry, the defaulter of service tax opting for the scheme will have to deposit at least half the pending dues by December 2013 and the remaining half has to be paid June 30, 2014 without interest. The guidelines specify that full and final payment will have to be made by December 31, 2014 with interest from July 1, 2014 on the remaining amount.

Moreover it has been clarified that if the service tax payers comply with such conditions, there will be immunity from penalties and other proceedings against them. However they are required to make truthful declarations of all pending dues from October 2007 to December 31, 2012.

The scheme can be availed by non-filers or short-filers (those have filed the returns but have not paid dues or people who have not made truthful declaration of their return).

There is one rider. Officials explained that even if only seven lakh assesses out of total of 17 lakh file their service tax returns, the number of non-filers may be exaggerated.

This is because, even if service tax registrations are online and account for service tax payments by such parties, many a times, small businesses go out of business or change the line of business when the service tax registration is just on paper. There have been instances when tax payers have filed for cancellation of registration but the online platform has not been updated.

Reportedly, the 35 per cent increase in service tax collection for 2013-14 is expected at a time when gross tax collections are rising just 19 per cent rise over the revised estimates of 2012-13. Officials explained that it is a one-time amnesty scheme but would help service tax rapidly catch up with its customs duty and excise duty counterparts, which are projected to yield Rs 1.87 lakh crore and Rs 1.97 lakh crore respectively.

(Business Standard)