

# Service Tax

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A new era begins

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16/09/2014

With the enactment of Finance Act, 2014 on 6th August, 2014, all the provisions of Service Tax which were amended in Union Budget this year have come into force. Moreover, Government has notified the date of October 1, 2014 as the date from which taxability of enhanced scope of Service Tax, new services and changes in exemptions will come into force.

Service Tax assesses, therefore, may find it difficult, at least initially to cope up with these changes as some of them are indeed game changers and party spoilers. Assessors who wish to file appeal against demand orders before Commissioner or Tribunal will now have to deposit at least 7.5 or 10 percent of total demand in advance so as to get the appeal admitted. **This has been mandatory.**

It implies that Government will, in any case, get this much of the amount **recovered in advance** at time of filing the appeal. However, if assessee wins the case or appeal, he will get interest @ 6 percent p.a. from the date of deposit which is too low looking to the fact that when payment is delayed by the assessee, he has to cough out interest @ 18 percent or even up to 30 percent if delay is more than a year.

**Higher interest rate is applicable from October 1, 2014.** Hitherto service providers were allowed input tax credit on taxes paid on inputs and input services without any time limit. **W.e.f. September 1, 2014, there is a cap of six months from the date of invoice, after which one cannot take such credit.**

Effectively, Cenvat credit of invoices prior to March 1, 2014 cannot be taken now which is going to be a huge loss to the assessee (and wind fall tax revenue for the Department).

Come October 1, 2014 and one will have to pay Service Tax on use of radio taxis; sale of space for advertisements in any form or any media except print media (i.e. books and newspapers); commission earned on sale of goods or procurement of orders; reconditioning or re-engineering of imported goods which are exported back without being used in India; technical testing of drugs, vaccines etc.; transportation in air-conditioned contract carriages; hiring of accommodation in places such as ashrams, dharamshalas.

However, in some cases, exemptions have been expanded or new exemptions granted from October 1, 2014. These includes services for bio medical waste treatment, Haj and Kailash-Mansarovar pilgrimage, Forex services used by RBI, services by tour operator to foreign tourists for foreign tour etc.

All in all, there are going to be very stringent provisions applicable to assessors on Service Tax issues. One need to get himself familiar with these changes lest they may fall in the trap of contraventions which attract very high interest burden, monetary penalties, criminal prosecution and even arrest. One ought to accept the principle that if compliance has a cost, noncompliance is even more costly