

Interactive Session on Service Tax Issues

The Chamber organised an Interactive Session on 'Service Tax Issues' on 18th April, 2013 at 4.30 p.m. at Hotel Hindusthan International, Kolkata. The Session was addressed by Shri Sushil Kumar Goyal, Chartered Accountant and an expert professional Adviser in Service Tax issues.

In the course of his Welcome Address, Shri Ashok Aikat, President of the Chamber observed that Service Tax was introduced in the Budget 1994 for the first time and successive Budgets have made several additions. Lately, almost all services have been subsumed under Service Tax excepting the ones covered in the 'Negative List'. Proper understanding of the various implications of Service Tax is very important.

The President observed that businessmen and even Tax Administrators are sometimes found not fully acquainted with the new structure that the Service Tax has attained after its last amendment in July, 2012. Various issues such as proper collection of Service Tax with proper billing via Bills / Debit Notes for Services, Deduction of TDS from Bills and their impact on Service Tax payable needs to be fully understood. Secondly, deduction from customer on account of deficient service / absence, breakage etc. and its impact on tax payable and gross income reported and comprehensive software security also need clarification and in-depth understanding, Shri Aikat felt.

Shri Sushil Kumar Goyal, Chartered Accountant and an expert professional Adviser in Service Tax issues observed that Service Tax, over the years has expanded to become the largest tax item in the Indian tax structure. Initially, it was applicable to about 400 crore services. However, in present times almost all the services have been subsumed within its ambit with only 17 services enjoying exemption. These are services which have been included under the 'negative list', Shri Goyal stated.

According to Shri Goyal, the increase in the Service Tax base would soon surpass the revenue from Central Excise and Customs Duties. He said that amendment to the structure of Service Tax began in 2008 when, for the first time 'tangible goods' became taxable. As per the amendments brought about to Service Tax in 2012, 'tangible goods' formed a part of the 'Declared Services'. Service delivered in the form of goods by way of hiring, leasing, licensing etc. would be considered as deemed services and would fall under the ambit of Service Tax. Here, according to Shri Goyal, there is a possibility of a confusion arising out of the fact as to whether a transaction is a sale or a service. Since VAT and Service Tax cannot be levied together one needs to carefully ascertain a service, Shri Goyal observed.

Shri Goyal added that exemptions to 'tangible goods' would be provided if these goods are supplied to a Goods Transport Agency and exemptions on Service Tax have also been provided to some agricultural goods and related activities. Services such as cultivation, harvesting, threshing etc. are exempted from Service Tax. Supply of farm labour and processing activities which do not change the basic characteristics of agricultural produce and simply make it marketable are also exempted from taxes, Shri Goyal stated. Other exemptions in the field of agriculture include renting of agro-machinery, warehousing and packing.

The Budget, 2013 has also made additions to the structure of Service Tax. A new feature called the 'advanced ruling provisions' has been made applicable to the Government Companies and Public Sector Enterprises. This feature removes the difficulties in the field of tax return filing for large companies and undertakings. The provisions are, however, silent about the smaller undertakings who are equally affected by the complexities of Service Tax return filing. New exemptions introduced by the Budget, 2013 include Service Tax on filing journals and the services rendered by the educational institutions. However, the Budget, 2013 has over burdened the hotels and restaurants having air-conditioners with Service tax over and above the State VAT that are charged upon its customers, Shri Goyal stated.

During the discussion Shri Goyal provided clarifications to the queries from members.

Shri S M Surana, Chairman, Taxation & Company Affairs Standing Committee of the Chamber offered a hearty Vote of Thanks to Shri Sushil Kumar Goyal.
