

## **EXPLANATORY NOTES-SERVICE TAX**

### **1. Service tax on new services**

1.1 It has been proposed in the Finance Bill to extend the levy of service tax to certain new services rendered in relation to scientific testing and consultancy, photography, convention, telegraph, telex, facsimile (fax), on line information and database access or retrieval, video-tape production, sound recording, broadcasting, insurance auxiliary activity, banking and other financial services, port and automobile service or repair. Services provided through leased circuits by the telegraph authority are also being covered now under the tax net. For details regarding the scope of the levy, clause 130 of the Finance Bill, 2001 may kindly be referred to.

1.2 The rate of service tax is 5% of the value of taxable services. As in the previous years, the services tax on these new services will come into force with effect from a date to be notified by the Government after the passing of the Finance Bill.

1.3 Certain changes have been made in service tax legislation (Chapter V of the Finance Act, 1994), and these changes also would come into force from a date to be notified later. The major changes are summarized below.

### **2. Self-assessment**

2.1 The facility of self assessment is being provided in the case of service tax. The assessee will himself assess the tax due and file the return to the Superintendent of Central Excise who will verify its correctness. In case the Superintendent finds that the tax has escaped assessment or has been under-assessed, he will refer the matter to the Assistant Commissioner/ Deputy Commissioner for appropriate action under the Act.

### **3. Adjudication**

All original adjudications in service tax matters will be done by the Assistant Commissioner/ Deputy Commissioner of Central Excise. Commissioner of Central Excise will have only powers of revision.

#### **4. Penalty and interest**

4.1 A new section 75A has been inserted to provide for penalty of Rs.500/- for non registration. Existing penalty provision for failure to file a return by due date has been modified to provide for a penalty not exceeding Rs. 1000 only. Rate of interest for delay in payment of service tax has been increased from one and one-half per cent per month or part thereof to 24% per annum.

#### **5. Other changes**

In a number of sections of Chapter V of the Finance Act, 1994, the officer who will undertake the function prescribed therein has been specified by designation. These may be carefully gone through. Consequently, the definition relating to "central excise officer" has been omitted.

6. Commissioners of Central Excise are requested to examine carefully the new provisions, especially those relating to new services. Further, they may also undertake a survey to ascertain the number of new assesseees, revenue potential of the new services, etc. Any problems likely to arise in the implementation of the proposed levy may be brought to the notice of the Board along with their suggestions to resolve the problem. If any legislative changes are required to be made in the definition of new services, either to clarify the scope or to remove any inconsistency, the same may be communicated in writing by name to Shri. T.R. Rustagi, Joint Secretary (TRU) so as to reach latest by the 31<sup>st</sup> of March, 2001.