

CHAPTER I SERVICE TAX RECEIPTS

1.1 Tax administration

Service tax was introduced from 1 July 1994 through the Finance Act, 1994. Administration of service tax has been vested with the central excise department under the Ministry of Finance (the Ministry). The Central Board of Excise and Customs (the Board) has set up a separate apex authority headed by the Director General Service Tax (DGST) at Mumbai for the administration of service tax. Commissioners of central excise/service tax have been authorised to collect service tax within their jurisdiction.

1.2 Results of audit

This Report contains 44 paragraphs, featured individually or grouped together, arising from test check of records maintained in departmental offices and premises of the service providers. The revenue implication of these paragraphs is ₹ 70.38 crore. We had also issued another 150 paragraphs involving money value of ₹ 91.80 crore for the audit conducted up to March 2010. The department/Ministry had already taken rectificatory action in these 150 paragraphs in the form of issuing of show cause notices, adjudicating show cause notices and recovery of ₹ 31.71 crore.

1.3 Trend of receipts

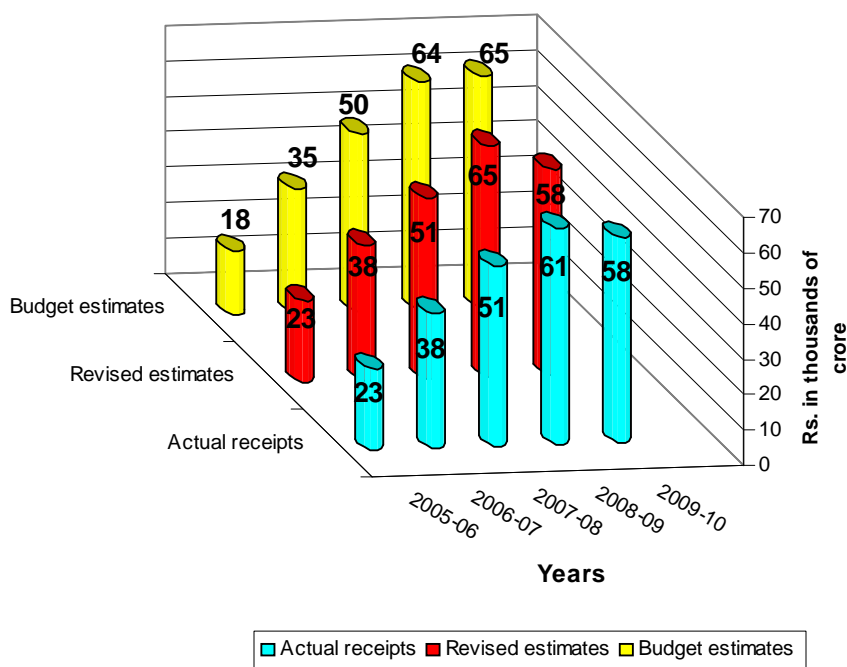
Revenue projected through annual budget and actual receipts from service tax during the years 2005-06 to 2009-10 is exhibited in the following table and graph:-

Table no. 1

(Amounts in crore of ₹)

Year	No. of services subjected to service tax	Budget estimates	Revised budget estimates	Actual receipts *	Difference between actual receipts and budget estimates	Percentage variation
2005-06	81	17,500	23,000	23,055	5,555	31.73
2006-07	97	34,500	38,169	37,598	3,098	8.98
2007-08	104	50,200	50,603	51,301	1,101	2.19
2008-09	108	64,460	65,000	60,940	(-) 3,520	(-) 5.46
2009-10	115	65,000	58,000	58,422	(-) 6,578	(-) 10.11

* Figures as per the Finance Accounts

Graph 1: Service Tax Receipts - Budget, Revised and Actual

During the period 2005-06 to 2009-10 the actual collections of service tax were fairly close to the budget estimates except for 2009-10 when these were 10.11 per cent lower than the budget estimates. There was a reduction of ₹ 2,519 crore (4.13 per cent) in service tax collection in the year 2009-10 as compared to the year 2008-09. This was primarily due to a reduction in the service tax rate from 12 per cent to 10 per cent.

1.4 Outstanding demands

The number of cases and amount involved in demands for service tax outstanding* for adjudication/recovery as on 31 March 2010 are mentioned in the following table:-

Table no. 2**(Amounts in crore of ₹)**

Pending decision with	As on 31 March 2009				As on 31 March 2010			
	Number of cases		Amount		Number of cases		Amount	
	More than five years	Less than five years	More than five years	Less than five years	More than five years	Less than five years	More than five years	Less than five years
Adjudicating officers	10,891	46,572	46.80	11,575.80	774	30,896	1,369.13	14,849.99
Appellate Commissioners	37	2,588	27.56	1,132.93	66	3,987	7.74	483.40
Board	0	3	0.00	1.97	0	5	0.00	5.07
Government	4	6	5.73	2.42	5	2	0.27	0.10
Tribunals	60	5,294	28.78	2,639.92	154	3,161	147.98	35,641.07
High Courts	24	173	7.56	110.18	49	597	18.22	561.19
Supreme Court	0	121	0.00	7.20	3	31	0.67	20.26
Pending for coercive recovery measures	4,117	18,396	9.95	6,836.11	3,306	24,770	26.94	1,416.40
Total	15,133	73,153	126.38	22,306.53	4,357	63,449	1,570.95	52,977.48

* Figures furnished by the Ministry

A total of 67,806 cases involving tax of ₹ 54,548.43 crore were pending as on 31 March 2010 with different authorities, of which 46.70 per cent in terms of number were with the adjudicating officers of the department. Pendency for recovery of demands had increased from 22,513 cases in 2008-09 to 28,076 cases in 2009-10 i.e. an increase of 24.71 per cent.

1.5 Fraud/presumptive fraud cases

The position of fraud/presumptive fraud cases* alongwith the action taken by the department against defaulting assesseees during the period 2007-08 to 2009-10 is depicted in the following table:-

Table no. 3

(Amounts in crore of ₹)

Year	Cases detected		Demand of tax raised	Penalty imposed		Tax collected	Penalty collected	
	Number	Amount	Amount	Number	Amount	Amount	Number	Amount
2007-08	1,716	787.18	574.54	171	179.04	331.74	34	2.74
2008-09	2,330	3,770.64	2,236.07	156	170.20	429.26	20	0.48
2009-10	2,046	3,041.60	2,510.77	110	19.41	456.84	27	0.76
Total	6,092	7,599.42	5,321.38	437	368.65	1,217.84	81	3.98

* Figures furnished by the Ministry

The above data indicates that while a total of 6,092 cases of fraud/presumptive fraud were detected during the years 2007-10 by the department involving tax of ₹ 7,599.42 crore, it raised demand of ₹ 5,321.38 crore only and recovered ₹ 1,217.84 crore (22.88 per cent). Similarly, out of the penalty of ₹ 368.65 crore that was imposed, the department could recover only ₹ 3.98 crore (1.08 per cent).

1.6 Impact of audit reports

1.6.1 Revenue impact

In the last five audit reports (including the current years' report), we had pointed out short levy and other deficiencies with revenue implication of ₹ 1,159.94 crore in 715 audit paragraphs. Of these, the Government had accepted audit observations in 597 audit paragraphs involving ₹ 599.55 crore and had recovered ₹ 217.53 crore. The details are shown in the following table:-

Table no. 4

(Amounts in crore of ₹)

Year of Audit Report	Paragraphs included		Paragraphs accepted						Recoveries effected					
			Pre printing		Post printing		Total		Pre printing		Post printing		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2005-06	83	266.47	38	28.40	2	0.39	40	28.79	20	7.38	5	1.06	25	8.44
2006-07	125	79.02	117	65.49	1	1.74	118	67.23	60	18.19	34	5.23	94	23.42
2007-08	158	276.72	112	47.43	14	24.74	126	72.17	57	23.22	11	1.67	68	24.89
2008-09	155	375.55	130	305.13	8	4.92	138	310.05	90	127.49	1	0.24	91	127.73
2009-10	194	162.18	175	121.31	--	--	175	121.31	112	33.05	--	--	112	33.05
Grand Total	715	1159.94	572	567.76	25	31.79	597	599.55	339	209.33	51	8.20	390	217.53

1.7 Follow-up on audit reports

Public Accounts Committee, in their Ninth Report (Eleventh Lok Sabha) desired that remedial/corrective action taken notes (ATNs) on all paragraphs of the Reports of the Comptroller and Auditor General, duly vetted by audit, be submitted to them within a period of four months from the date of the laying of the audit report in Parliament.

The Ministry of Finance had not submitted remedial action taken notes on 36 paragraphs relating to Report No. 13 of 2009-10 for eight months from the tabling of the Report.