

CHAPTER XII : MINISTRY OF MINES

Geological Survey of India

12.1 Avoidable expenditure due to non-recovery of Service Tax

Geological Survey of India (GSI) failed to recover an amount of ` 4.62 crore from outside agencies on account of Service tax. As a result, it had to pay ` 4.62 crore from its resources. Due to non-payment of Service tax in time, GSI is also liable to pay penal interest of ` 1.05 crore. Further, Coal wing of GSI again failed to follow the provisions of the Finance Act, 1994 as well as instructions of its headquarters issued in November 2004 and did not recover Service tax amounting to ` 68.91 lakh thereby making it liable to pay the Service tax and interest thereon in the future.

Geological Survey of India (GSI), a Government of India Department under Ministry of Mines having its Headquarters (CHQ) at Kolkata, provides scientific and technical consultancy services in various fields to its clients. Scientific and technical consultancy service is a taxable service as per clause 92 of Section 65 of the Finance Act, 1994.

It was observed in audit that during July 2001 to December 2005, GSI provided scientific and technical consultancy services to its clients and realised an amount of ` 53.14 crore towards consultancy charges. However, neither did GSI realise Service tax from the clients, nor deposit the same to the Director General of Central Excise Intelligence (DGCEI). Due to non-payment of Service tax, DGCEI, Kolkata issued notice to GSI in March 2006 for payment of Service tax amounting ` 4.62 crore (including education cess of ` 5.88 lakh). Subsequently, the Commissioner of Service Tax (CST) issued orders in October 2007 directing GSI to pay the amount of Service tax and education cess and interest on the defaulted amount till actual payment. GSI finally paid the Service tax of ` 4.62 crore in March 2008. Due to delayed payment of Service tax, GSI is further liable to pay interest of ` 1.05 crore. Of ` 4.62 crore, ` 1.74 crore pertained to services rendered specifically by the Coal wing of GSI.

In November 2004, GSI, CHQ had instructed all its wings and regional offices to charge Service tax and education cess on the total cost of the projects/services rendered to outside agencies. It was observed in audit that during the period from April 2007 to June 2008, Coal wing of GSI had rendered technical services (exploration work by drilling for coal and lignite)

in 45 cases and realised an amount of ` 5.59 crore towards the services rendered. As such Coal wing should have collected ` 68.91 lakh from the clients towards Service tax and education cess. However, neither the Coal wing realised any Service tax from the clients nor deposited the same with the CST making them further liable to pay the Service tax along with accrued interest and possible penalty in the future.

GSI, Coal wing stated in May 2009 that they were not engaged in any commercial activity and hence Service tax was not charged. Reply of GSI, Coal wing needs to be viewed in the light of the fact that GSI, CHQ had already paid an amount of ` 1.74 crore as Service tax for the services rendered by GSI, Coal wing during July 2001 to December 2005.

Thus, GSI failed to recover an amount of ` 4.62 crore from outside agencies on account of Service tax for the period July 2001 to December 2005. As a result, it had to pay ` 4.62 crore and was also liable to pay interest of ` 1.05 crore from its own resources. Further, Coal wing of GSI again failed to follow the provisions of the Finance Act, 1994 resulting in non-recovery of Service tax amounting to ` 68.91 lakh from its clients for the period April 2007 to June 2008.