

## Executive Summary

This Report contains 151 audit observations pertaining to Service Tax, having revenue implication totalling ₹ 265.75 crore. The Ministry/department had, till February 2014, accepted 147 audit observations involving revenue of ₹ 262.29 crore and reported recovery of ₹ 65.28 crore. Significant findings are as follows:

### Chapter I: Service Tax Administration

- Indirect tax revenues as a percentage of Gross domestic product decreased from 4.80 per cent in FY09 to 4.69 per cent in FY13. During the same period, Service Tax revenues as a percentage of GDP rose to 1.31 from 1.08. Service Tax revenues grew by 36 per cent to ₹ 1,32,601 crore in FY13.

(Paragraphs 1.6 and 1.7)

- The number of Service Tax registrations under section 69 of the Finance Act grew by over 50 per cent from 12.26 lakh in FY09 to 18.71 lakh in FY13.

(Paragraph 1.13)

- Over 75 per cent of e-filed returns were marked by ACES for review and correction in each of the past three years. As on 31 March 2013, 14.74 lakh returns (80 per cent of returns marked for review and correction) were pending corrective action.

(Paragraph 1.17)

- Nearly 50 per cent of Service Tax assesseees paying revenue over ₹ 1 crore annually which were due for audit by the Central Excise and Service Tax department remained unaudited during 2012-13.

(Paragraph 1.19)

- Delay in disposal of over 10 per cent of refund claims in FY13 exceeded one year. Besides, over 2000 claims involving ₹ 11,000 crore were pending disposal for over 1 year as of March 2013.

(Paragraph 1.24)

- Adjudication cases involving Service Tax implication of over ₹ 64,599.24 crore were pending finalisation as on 31 March 2013.

(Paragraph 1.26)

Report No. 6 of 2014 (Indirect Taxes- Service Tax)

- Cases involving Service Tax of ₹ 1,37,950.40 crore were pending before appellate forums as on 31 March 2013.

(Paragraph 1.28)

- Measures initiated by the department to improve recovery of arrears have not made significant impact. Recovery during FY13 viz. ₹ 2,321.69 crore, continued to be at below 12 per cent of the arrears at the commencement of the year.

(Paragraph 1.29)

- 851 audit paragraphs involving Service Tax totalling ₹ 1,508.45 crore were reported during the last 5 years (including the current year's report). The Government had accepted audit observations in 815 audit paragraphs involving ₹ 1,398.90 crore and had recovered ₹ 395.09 crore.

(Paragraph 1.31)

**Chapter II: Non-compliance with Rules and Regulations**

- We observed instances of incorrect availing/utilisation of cenvat credit, non-payment/ short payment of tax and non-payment of interest on delayed payments involving Service Tax implication of ₹ 237.17 crore.

(Paragraph 2.1)

**Chapter III: Effectiveness of Internal Control**

- We observed, inter alia, instances of delayed issue of show cause notice, deficiencies in scrutiny and internal audit carried out by departmental officers. Service Tax involved in these observations was ₹ 28.58 crore.

(Paragraph 3.2)