

## Executive Summary

This Report has 178 audit observations on Service Tax, having financial implication of ₹ 772.08 crore. The Ministry/department had, till December 2014, accepted audit observations involving revenue of ₹ 477.22 crore and reported recovery of ₹ 130.29 crore. Significant audit findings are as follows:

### Chapter I: Department of Revenue – Service Tax

- Indirect tax revenue as a percentage of Gross domestic product has increased from 3.79 per cent in FY 10 to 4.41 per cent in FY 14. During the same period, Service Tax revenues as a percentage of GDP rose from 0.9 per cent to 1.36 per cent.

(Paragraphs 1.4 and 1.5)

- Measures initiated by the department to improve recovery of arrears have not made any impact. Arrear collection in FY 14 has fallen drastically to 3.12 per cent compared to 11.40 per cent in FY 13.

(Paragraph 1.12)

- Over 89 per cent returns marked by ACES for review and correction were pending corrective action.

(Paragraph 1.14.1)

- Adjudication cases involving Service Tax implication of over ₹ 31,000 crore were pending finalisation as on 31 March 2014.

(Paragraph 1.15)

- Number of refund claims pending in FY 14 have increased to 8,154 compared to 7,906 of FY 13, however, amount pending in refund claims have fallen by ₹ 37,387 crore during the same period.

(Paragraph 1.16)

- More than 45 per cent of category 'A' Service Tax assesseees who were due for mandatory audit by the Central Excise and Service Tax department remained unaudited during FY 14.

(Paragraph 1.18)

### Chapter II: Service Tax liability in Insurance Sector

- Ambiguity in the circular issued by the Board resulted in non-payment of Service Tax of ₹ 252.40 crore.

(Paragraph 2.5.3)

- Non-payment of Service Tax of ₹ 7.05 crore under reverse charge on insurance auxiliary services was noticed.

(Paragraph 2.6.1)

### **Chapter III: Service Tax liability in Port sector**

- Recovery proceedings were yet to be started in 43 cases involving revenue of ₹ 204.88 crore where stay was not granted by the appellate authority and where stay was granted more than 180 days had passed after grant of stay.

(Paragraph 3.5.4)

- Short payment of Service Tax of ₹ 33.85 crore on rental income in Port were noticed in two cases.

(Paragraph 3.6.1)

### **Chapter IV: Service Tax liability relating to Mandap Keeper's services**

- Service Tax of ₹ 1.07 crore was collected but not deposited in one case

(Paragraph 4.4.2.6)

- Non-registration by local bodies have resulted in non-payment of Service Tax of ₹ 1.31 crore.

(Paragraph 4.4.3.1)

### **Chapter V: Scrutiny of Service Tax returns**

- More than 40 per cent of due returns were not received in selected Commissionerates but no action was taken against the non-filers till pointed out by Audit.

(Paragraph No. 5.4.1(i))

- ACES did not list out returns for detailed scrutiny. Further, 121 returns which is only 0.1 per cent of the total returns received, were subjected to detailed scrutiny in selected Commissionerates.

(Paragraph No. 5.4.3)

### **Chapter VI: Non-compliance with rules and regulations**

- Audit observed instances of non-payment/short-payment of Service Tax, incorrect availing/utilisation of Cenvat credit and non-payment of interest on delayed payments having financial implication of ₹ 128.25 crore.

(Paragraph 6.1)

### **Chapter VII: Effectiveness of internal controls**

- Audit observed, deficiencies in scrutiny and internal audit carried out by departmental officers, delayed issue of show cause notice etc., having financial implication of ₹ 179.69 crore.

(Paragraph 7.2)