

**CHAPTER VII : MINISTRY OF HEAVY INDUSTRIES & PUBLIC
ENTERPRISES**

Automotive Research Association of India, Pune

7.1 Excess Payment of Service Tax

Due to non-adherence of provision of Service Tax Rules 1994, ARAI made excess payment of Service Tax resulting in blocking of Rs. 1.28 crore, besides loss of interest of Rs. 8 lakh.

According to rule 6 of the Service Tax Rules 1994, Service Tax is payable on the value of taxable service received during any calendar year. Audit noted (September 2004), that the Automotive Research Association of India (ARAI), paid service tax on the value of invoice issued instead of on the value of taxable service realised. During the period from July 2003 to March 2004, ARAI paid service tax of Rs. 2.26 crore on the basis of invoice issued for Rs. 31.74 crore. However, the value realised for the actual service during the period from July 2003 to March 2004 was Rs. 12.22 crore, for which service tax payable worked out to Rs. 0.98 crore. Thus, ARAI paid (August 2003 to March 2004) an excess amount of Rs. 1.28 crore on account of service tax to the Central Excise Department for the period from July 2003 to March 2004.

While accepting the facts, ARAI stated in December 2004 and August 2005 that there was no need to file a return for recovery of excess payment of Service Tax as ARAI has recovered the same within three months by adjusting it from Service Tax payable from April 2005. However, due to the failure of ARAI to observe the provisions of Service Tax Rules, excess payment of Rs. 1.28 crore was made over a period of one year leading to blocking of fund and loss of revenue of Rs. 0.08 crore by way of interest upto March 2005.

The matter was referred to the Ministry in May 2005; their reply was awaited as of December 2005.