

CHAPTER III : MINISTRY OF COMMERCE AND INDUSTRIES

Spices Board, Kochi

3.1 Loss due to non-realisation of Service Tax

The Spices Board did not collect service tax from spices exporters /traders on the charges collected for quality testing of spices. Consequently, the Board had to pay Rs. 50.72 lakh to the Central Excise Department from its own sources towards service tax.

Section 68/69 of the Finance Act 1994 stipulates that a person / firm providing taxable services is liable to pay service tax at the prescribed rate and such person /firm is required to obtain registration from the jurisdictional Central Excise Officer.

Charges collected by the Spices Board (Board) from spices exporters/traders for spices quality testing in its Quality Laboratory at Kochi were liable to service tax with effect from 1 July 2003. But the Board had not been collecting the service tax from the exporters/traders or remitting the tax due to the Central Excise Department. It was only after the issue was pointed by Audit in August 2005 that the Board took up the matter with the Central Excise Department. On the basis of directions issued by the Department, the Board remitted Rs. 50.72 lakh towards service tax (Rs. 47.13 lakh), interest for delayed payment (Rs. 2.88 lakh) and Educational Cess (Rs. 0.71 lakh) for the period from 1 July 2003 to 31 December 2005 in February 2006. Failure of the Board to comply with the statutory provisions and levy of service tax from the service receivers resulted in loss of Rs. 50.72 lakh to the Board and undue benefit to the spice exporters/traders.

Subsequently, the Board issued orders in July 2006 for levying service tax at applicable rates on charges collected from the exporters/traders/service receivers for quality testing.

The matter was referred to the Ministry in July 2006; their reply was awaited as of October 2006.