

**Service Tax - mandatory e-payment of Service Tax for major assesseees - Board keeps it a top secret**

**TIOL-DDT 431**

**21 08 2006**

**Monday**

It was just a month ago that DDT reported about **EASIEST-Electronic Accounting System in Central Excise & Service Tax** (TIOL-DDT 415 27 07 2006), CBEC's new initiative of allowing the assesseees to pay Service Tax and excise duty electronically. The Board had clarified that

**E-payment of Central Excise and Service Tax is an additional mode of payment in addition to the conventional methods offered by the banks to their customers.**

**It is essentially an arrangement between the customers [service tax payers] and the bank.**

But now the DGST has issued a D.O letter that the Board has decided that with effect from 1st

October, 2006, payment of service tax electronically shall be mandatory for those persons who are required to pay services tax and paid more than Rs.50 lakhs in the preceding Financial year or paid more than Rs.50 lakhs during the current financial year.

If the e payment is essentially an arrangement between the assessee and the bank, how can DGST make it mandatory? And can mandate be made by a DO letter from the DGST?

As per Rule 6(2), of the Service Tax Rules,

The assessee shall deposit the service tax liable to be paid by him with the bank designated by the Central Board of Excise and Customs for this purpose in Form TR-6 or in any other manner prescribed by the Central Board of Excise and Customs.

So the manner of payment of tax has to be prescribed by the Board and not communicated by the DGST in private letters.

The DG's letter further wants the Chief Commissioners to inform the officers and the assesseees of this **mandatory** requirement.

If an assessee asks the Chief Commissioner as where the mandate is, what would be the reply? The DGST's DO letter?

If the Board wants to make e-payment mandatory, why can't it issue a notification publicly instead of making the DGST write DO letters? Or is the DGST an independent authority that it decides for the Board?

There are certain problems associated with e-payment. Service Tax is to be paid by 5<sup>th</sup> of the month. Now what will happen if the assessee's computer/net or the Bank's system is down on that day? They have to pay interest for delayed payment. Now a cheque can be presented to the bank on 5<sup>th</sup> and this cheque comes for collection after two days. So the assessee gets a grace period of two days, but by e-payment, he should have the requisite balance in the account in that particular bank on the date of payment. This is certainly not a **facility** as the DGST calls it.

**The DGST's letter reads as;**

**D.O.F.NO: V/DGST/30-Misc-27/e-payment/2006**

**Dated: 6th/7 July 2006**

**S.S.RENJHEN**

**DIRECTOR GENERAL**

**Subject: Mandatory payment of service tax electronically for major assesseees – Reg.**

My dear

Considering that the payment and collection of taxes electronically is admittedly an efficient and cost effective way of collection of taxes, the Board has decided that with effect from 1st October, 2006, payment of service tax electronically shall be mandatory for those persons who are required to pay services tax and paid more than Rs.50 lakhs in the preceding Financial year or paid more than Rs.50 lakhs during the current financial year.

2. At present 23 nominated banks are providing the facility of a payment of taxes and 5 more banks have already committed to extend this facility shortly.

3. The officers of the field formations and assesseees under your charge may be suitably informed of this mandatory requirement. Please ensure that the proposed facility is implemented smoothly. The Commissioners may also be advised to encourage other assesseee, who do not fall within this category, to pay the service tax electronically.

4. The Principal Chief Controller of Accounts has been requested by the Board to coordinate with the field formations and sort out any specific local issues arising due to the implementation of the said proposal.

5. If there are any suggestions or any action needs to be taken at the Board's level, the same may please be communicated to this Directorate within 15 days.

**With regards,  
Yours sincerely,  
(G.S.RENJHEN)**

### **^Broad Criteria for Selection of cases for scrutiny**

The CBDT has announced that Cases are selected for scrutiny based on risk-analysis conducted through computer- assisted programme and also manually with reference to broad parameters decided every year for the entire tax-payer population, inter-alia, considering factors like gross income, deductions and exemptions claimed, legal issues involved in litigation, quantum and nature of specific transactions, status of assesseees, etc.

### **TENDER FOR APPOINTMENT OF A SYSTEMS INTEGRATOR in Income tax opens today.**

The Income tax department has invited tenders for Appointment of a Systems Integrator for providing a turnkey solution towards Supply, Installation, Integration, Commissioning, Management & Maintenance of Servers, Storage, Security and other components and Facilities Management Services for the Department. Obviously this is a huge contract. The security deposit is Rs. Three Crores and the Benchmark Suite and Data Set is a whopping non refundable Rs. 2 lakhs. The application form costs Rs. 5000/-

### **The^ Schedule of Date and Time**

Sale of tender document, Release of Benchmark Suite and Data Set	21.08.06 to 31.08.06
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<p>If you are interested, please contact, Directorate of Income Tax (Systems), CIT(Systems)-IV, ARA Centre, E-2, Jhandewalan Extension, New Delhi -110055</p> <p>Last date for submission of written queries for clarifications on Tender document</p> <p><b>“There’s no special red-carpet tax loophole for the stars, whether you’re popping the popcorn, sitting in the audience or starring on the big screen, you need to respect the law and pay your taxes.”</b> IRS (the US version of our</p>	<p>06.09.06</p> <p>Income Tax) Commissioner Mark Everson</p>
<p>Until tomorrow with more DDT</p> <p>) Pre-Bid Conference</p> <p>Have a nice day.</p>	<p>12.09.06</p>
<p>Mail your comments to: <a href="mailto:vijayw@taxindiaonline.com">vijayw@taxindiaonline.com</a></p> <p>) Last time and date for submission of bids</p>	<p>on or before 1300 Hrs on 16.10.06</p>
<p>Time and Date of opening of letters of Pre-qualification and Technical Bids</p>	<p>1500 Hrs on 16.10.06</p>