CHAPTER - II
REVIEW OF LITERATURE

Introduction:

Taxation as an instrument of Fiscal policy it is not only important in making available resources to the Central Government, but also has significant influence on the level and direction of economic activity in both developed and developing economies. With the acceptance of a positive role of fiscal policy especially in the context of economic growth, taxation is a major source of revenue for the large development plans and for regulating the behavior of private enterprise in a mixed economy. It has acquired it’s a new dimension than merely being a theory of distribution of the tax burden on the economy equitably. Taxation plays an important role in performing the three most important functions of the Government such as securing adjustments in the allocation of resources; adjustments in the distribution of income and wealth, and economic stabilization. In view of raising revenue for economic stabilization and to reduce the degree of intensity of taxation on manufacturing and trade and at the same time to redress asymmetric and distortion treatment of good and services in the fame work of taxation, the service tax was introduced in India in the indirect tax regime by the Central Government in the year 1994.

Service tax is a form of indirect tax emerging as an important source of revenue collection for the Central Government. Over the past few years it has been extended to cover new services,
and has become buzzword in the taxation laws. It is envisaged as the tax of the future. Hence, tax on services is now common area of interest, both for academicians and the class of businessman and industrialist who are using or rendering taxable services. But especially, academic research studies on it are extremely limited. However, the credit for starting research in the area of taxation of services goes to the Government of India, when it felt need to mobilize resources for the purpose of financing the expenditure of Government. In this chapter, a brief review of some studies has been undertaken to highlights the significance and dimensions of different issues relating to service tax. The review is divided into two parts, i.e. review of different Finance Acts and Reports of Tax Reforms Committees, and review of other studies on service tax.

A) Review of different Reports and Acts.

The review of different Finance Acts and Reports of Tax Reforms Committees is as follows

**Tax Reforms Committee (1991)** was constituted by the Government of India under the chairmanship of Raja J. Chelliah to study the direct and indirect tax system soon after the economic reforms were introduced in 1991. The study was desired because in spite of the reviews and recommendations of various committees, the volume of resources mobilized by Central Government had not improved remarkably corresponding to the requirement of the Government.

The committee studied different aspects of the tax system in India and in its report given elaborate recommendations for enforcement. The committee submitted a comprehensive interim report in December 1991 covering almost all taxation issues,
except details regarding corporate taxation and matters related to tax enforcement and administration. The Final Report Part-I Submitted in August 1992 contain the reform of both direct and indirect taxes. The Final Report Part-II discussed the proposed restructuring of the tariff structure.

The Committee recognized that the revenue potential of the Service Sector and recommended imposition of service tax on selected services. The Committee also stressed on the need to simplify the tax system, modernize the tax department through the computerization and improves the tax enforcement. The study was very important in the history of taxation in India because the tax reforms in nineties in India followed the recommendations of the Tax Reforms Committee.

**Finance Act, (1994)** As per the recommendations of the Tax Reforms Committee headed by Dr. Raja J. Chelliah, the service tax was introduced in India for the first time in 1994, by making provisions in Chapter V of the Finance Act, 1994. Initially, the levy of service Tax was imposed at a uniform rate of 5% on following

1) Service rendered by the telegraph authorities to the subscribers in relation to telephone connections;  
2) Service provided by the insurer to the policy holder in relation to general insurance business; and  
3) Service provided by stockbroker.

The service Tax Rules, 1994 were framed for prescribing procedures. Central Excise Department has been entrusted the task of administration of the service tax.
Finance Act, (1996) was extended the levy of service tax to three more services such as Advertising, Pager and Courier. In this Act, only the scope of levy of Service tax was enlarged and no changes have been made in the other procedural matters.

Finance Act, (1997) was considerably enlarged the scope of levy of service tax so as to rope in as many as 12 more services, most of which are in the unorganized sector.

Consequently, Service tax was levied at the rate of 5 percent on the gross amount charged to the client or customer of any other person as case may be for the services provided by the Consulting Engineer, Custom House Agent, Steamer Agent, Clearing and Forwarding Agent, Manpower Recruitment Agency, Air Travel Agent, Goods Transport Operator, Outdoor Caterer, Pandal or Shamiana Contractor, Mandap Keeper, Tour Operator or Rent a Cub Scheme Operator. Further, Section 76 has been amended by the Finance Act, 1997 to provide for payment of penalty and interest if a person liable for collecting service tax and fails to collect the same within 75 days from the end of month in which the service was rendered in accordance with the provisions of section 66.

The Finance (No.2) Act,( 1998) dropped the levy of Service tax in respect of three Services such as Goods Transport, Outdoor Catering and Pandal or Shamiana but brought 12 more services into the service tax net. This Act made drastic changes to provisions related to service tax in order to make it more assessee friendly and remove the hassles and hardship caused to the assessee. The strict and exclusive harsh provisions (Section 87 to Section 92) related to prosecution for certain specified offences
were also omitted. The time period for payment of tax and filing return was relaxed, registration procedure was simplified, penalty was reduced and provisions related to self adjustment of excess payment of service tax was introduced. As per the Finance Act, 1998, Architects, Interior Decorators, Management Consultants, Practicing Chartered Accountants, Company Secretaries, Private Security Services, Real Estate Agent or Consultants, Credit Rating Agencies, Market Research Agencies, Underwriting Agencies, Mechanized Slaughter Houses were subjected to levy of service tax w. e. f. October 16, 1998.


1. The Service Sector should be comprehensively covered under the service tax net. However, services relating to public utilities, sovereign functions of the state, public health and education services provided by Government or aided by Government should be excluded from the tax net by incorporating a well-defined negative list.

2. The unorganized sector and small service providers should be kept out of the purview of this tax by prescribing a threshold exemption limit of annual turnover of up to Rs. 10 lakh.
(3) The tax on Services should be eventually integrated with central excise duties on goods to evolve into a comprehensive CENVAT on goods and services by 2003-04

(4) In the meantime, the input credits should be immediately allowed within the service sector, inter-sector credits between goods and services could be extended along with integration into ‘CENVAT’

(5) The rate of Service tax could be retained at the present moderate rate of 5 percent.

(6) A separate, self contained enactment on service tax should be legislated to administer the Service tax.

(7) An improved administrative arrangement with increased financial autonomy is important for successful implementation of this tax. The existing set up should be revamped with clear administrative functions and financial grants for Director of Service Tax under CBEC.

(8) In order to facilitate voluntary compliance and to cut down taxpayer inconveniences the service tax should be administered as the first e-tax of the country with online web based connectivity with assessees.

Khushtro A.M. (2000) was made recommendations in his report submitted the President of India regarding distribution of tax revenue between Central and State Government, transfer of financial resources to states, supportive grants strengthening state revenue etc. Some important recommendations from that report were-
1) There was a remarkable growth in revenue of Central Government from service tax and hence to enhance the scope of service tax by covering new services under the tax net.

2) Service tax should be included in Common List instead of Union List of Indian Constitution so that States will charge tax on some services.

**Finance Act, (2001)** extended the levy of service tax to 14 more services w.e.f. July 16 2001. Accordingly, Service tax was levied on the services of provided by Scientific Testing and Consultancy, Photography, Convention, Telegraph, Telex, Facsimile, Online Information and Data Base Access of Retrieval, Video Tape Production, Sound Recording, Broadcasting, Insurance Auxiliary Activity, Banking and Other Financial Services (Excluding insurance), Port, Automobile Service or Repairs and Leased Circuits Service. In addition to change in the Scope of Service tax the Finance Act, 2001 was made the second drastic change in the provisions relating to service tax such as self assessment procedure, separate definitions of value of taxable service for each service was replaced with a general and common definition.

**Vijay Kelkar (2002)**, The Task Force on Indirect taxes Committee has been mandated to make suggestions to bring our indirect tax system at par with the best international practices. The Committee headed by Vijay Kelkar studied various factors relating to indirect taxes such as use of information technology and automation for tax administration, tax compliance, revenue growth transaction costs etc and submitted its report to the Government in October, 2002. The Committee observed that the service sector contributes roughly
48.45 per cent of the GDP (2000-01) and as has been the experience worldwide, its contribution to GDP is expected to grow over the time. The scope has been considerably enhanced. It is expected that the importance of service tax, as a source of revenue to the exchequer shall further increase. Whereas, the expansion of service tax in the coming days is not debatable, certain critical issues need to be addressed at this Juncture to ensure smooth administration of this tax. The matters assume importance considering that the country is progressing towards implementation of VAT and compensation of revenue to the states (in case there is revenue loss in the transition period) through revenue from service tax is under consideration. At the same time, it is learnt that the Government has already taken a view in the matter of levy of service tax in the future. According to the above observations the Committee concluded that it would not be appropriate at this stage to re-open the issues on which a consensus appears to have been arrived at after much deliberation. In this background, the Task Force has examined the critical issues which, in its opinion, would helps in the early implementation of to modern service tax administration and its integration with central Excise and VAT. The recommendations contained in the report of the committee can broadly be divided into three categories. First set of recommendations is relating to tax administration and its reform, second deals with automation and computerization of the business processes and the third set of recommendations deals with the tax rates and tax structure. The major recommendations of the Committee relating to service tax can be briefly explained as under.

1) Service Tax should be levied comprehensively leaving out only few services by including them in a negative list.
2) CENVAT credit and service tax credit schemes should be integrated.

3) The rate of service tax should achieve parity with the CENVAT rate by 2006-07 with two rates, one for service providers who avail CENVAT credit and lower rate for those who do not.

4) Taxable service providers, who provide services up to Rs.10 lakhs in a financially year to be taxed at 1 percent on the value of services on the basis of simple declaration without availment of the credit of the duty paid on the input goods and services.

5) There should be separate legislation for levy of service tax, which should eventually be integrated with central Excise law.

6) The services should be classified on the basis of WTO classification; which would be made a part of the service tax legislation.

7) As a measure early settlement of disputes. Suitable legal provisions should be provided to allow voluntary payment of service tax with provision for automatic collapse of a show cause notice without prosecution, if duty is voluntarily paid along with interest and 25 percent penalty within a period of 30 days of the issue of the notice in cases involving fraud, suppression of fact, etc. In other cases no penalty should be levied.
8) A provision similar to that contained in section 11 C the central Excise Act, 1944 should be provided in respect of non-recovery of service tax in certain situations.

9) Service tax should be introduced as the first e-tax with facility of online filing of returns and payment of tax.

**Finance Act, (2002)** brought ten more Services under the tax net w.e.f. August 16, 2002. Consequently Service tax was levied on the services provided by Body Corporate (other than Banking and Financial institutions), Beauty Parlor, Cargo Handling Agency, Cable Operator, Dry Cleaner, Event Manager, Fashion Designer, Health Club and Fitness Centre, Life Insurance, Insurance Auxiliary Services of Life Insurance Business, Rail Travel Agent and Storage or Warehouse Keeper. This Finance Act also introduced the provisions of input credit by framing the “Service Tax Credit Rules, 2002.” Accordingly input tax credit was permitted with in the same category of service.

**Finance Act, (2003)** brought seven new services under the service tax net w.e.f. July 1, 2003. These services were Commercial Training or Coaching Service, Technical Testing, Analysis and Certification Services, Internet Cafe; Franchise Service, Maintenance and Repair Service, Commissioning and Installation Service, Business Promotion and Support Service. It has been made provisions for advance ruling in respect of question of law or fact regarding liability to pay service tax. Rules for Classification of services were introduced. Further, input tax credit permitted across service categories and liberal penalty norms in case of self compliance were also provided. The initial rate of service tax was 5 per cent for all services was increased to 8 per cent.
Finance Act, (2004)- It brought thirteen new services under the Service tax net. Accordingly, the following services were subject to Service tax.

1) Business Services
2) Airport Services
3) Transport of Goods by Road
4) Transport of Goods by Air
5) Survey and Exploration of Mineral
6) Opinion Poll Services
7) Intellectual Property Services
8) Forward Contract Services (Other than copyright)
9) Pandal or Shamiana Services
10) Outdoor Catering
11) T.V. or Radio Programming
12) Commercial, industrial and Production Civil Construction Services
13) Travel Agent (other than air/rail travel)

The rate of service tax has been enhanced to 10 percent and education cess @ 2 percent on service tax has also been introduced. This Act, introduced CENVAT Credit Rules 2004 which is a step towards integration of tax on goods and services. Further, a mini amnesty in terms of ‘Extra Ordinary Tax Payers Scheme’ has been introduced for a limited period. The scope of eight existing services was enhanced and exemptions of six existing services were withdrawn, while new exemptions have been granted to rent a cab and convention services. Verification of service tax has been omitted.
Finance Act, (2005) - It is extended the levy of service tax to the following nine new services

1) Transport of Goods though Pipeline
2) Site Preparation Services,
3) Survey and Map Making Services,
4) Dredging Services.
5) Membership of Clubs or Associations,
6) Cleaning Services,
7) Construction of Residential Complex Services
8) Mailing Services
9) Packaging Services.

In addition, Finance Act, 2005, ‘Reverse Charge’ mechanism was prescribed for goods transport and import services. Rules relating to import and export of services have been notified and tax on advances was also incorporated for services to be rendered. Threshold limit of Rs. 400,000 was provided for the first time. Consequently, many individual specific exemptions were removed and mutually principle diluted due to introduction of club services.

Finance Act, (2006) - It has made significant changes in a number of provisions of the Finance Act, 1994 and Service Tax Rules, 1994. Fifteen new Services brought under the service net. The scope of service tax for the second time was enlarged by big large number of services. These Services were:

1) Issue Services by Registrar
2) Share Transfer Agent Services
3) ATM Operations, Maintenance
Section 67 of the Finance Act, 1994 was substituted with comprehensive provisions, and also specifically includes provisions for determining taxable value where the consideration is wholly or partly not in money terms or where the consideration is in money terms but is not ascertainable. The Service Tax (Determination of value) Rules, 2006 has been introduced. A separate comprehensive section 65 A to levy service tax on services provided form outside India and received in India, commonly known as “Import Service” was also inserted for this purpose. In addition, Export services criteria were made more stringent and also a cross border transaction between two departments of an entity deemed to be a service for the levy of service tax.

The Service Tax Rules has been amended w.e.f. March 1, 2006 to make it obligatory for an assessee to preserve records at
least for a period of 5 years and to make available to a Central Excise Officer at the time of inspection or examination. However, such examination or inspection can be made after the prior written approval of the Jurisdictional Assistant / Deputy Commissioner. The procedure of centralized registration has been simplified w.e.f. November 1, 2006 and the concerned Commissioner has been vested with the power to grant registration.

**Finance Act,( 2007)** has made many significant changes such as merging of all six telecom related services into one service known as ‘Telecommunication Services’, introduction of Service tax on the services used in a contract, but it was not levied on the material used in the works contract. The Finance Act, 2007 has also made appropriate changes in the Service Tax (Determination of Value) Rules 2006 in view of the levy of service tax on the works contract services, and has also issued the Works Contract (Composition Scheme of Payment of Service Tax) Rules, 2007 for determination of value of services in the works contract. The Service Tax Rules, 1994 were amended to extend the benefit of self - adjustment of excess service tax paid. It has been made allowed to revise return with in 60 days of its filing. Export of Services Rules, 2005 were also amended to remove the requirement to deliver services outside India and further made it obligatory to relieve convertible foreign exchange in each case where service is exported from India. The comprehensive review of all circulars a have been made and represented into two set of master circulars.

**Finance Act. (2008)** reintroduced the provisions relating to best judgment and penalty provisions for specific contraventions. Further, advance payment of service tax was allowed with the
benefit of self-adjustment of tax so paid against the subsequent service tax liability. In addition rules relating to the publication of names of defaulters of CENVAT Credit Rules, 2004 were also significantly changed. The Service Tax Dispute Resolution Scheme was introduced. The Finance Act, 2008, was also extend the scope of service tax on six new services such as Information Technology Software Services, Investment Management Services provided under ULIPs, Stock Exchange Services, Commodity Exchange Services, Processing and Clearing House Services and Right to Use of Tangible Goods Services.

The Finance (No.2) Bill (2009) brought three new Services under the coverage of service tax net. These services were Cosmetic or Plastic Surgery Services, Transport of Goods by Waterways, and Legal Consultancy Services. Further, some legislative changes have also been made. They are reverse power of the commissioner has been taken away by the substitution of the provision relating to appeal before the commissioner can be filed, if order of his subordinate is not appears to be correct. The Scheme of Refund of Service Tax to exporters has been revamped for issuing fresh notifications. The sub-broker dealing in shares was kept away from service tax. Tour operator has been granted exemption for transportation of passengers in buses having contract carriage permit. In addition, service tax was also extended to continental shelf.

B) Review of Articles:

The review of certain studies on service tax is as follows

Kulkarni K.V. (1998) studied in his book titled “Suitability of Kautilyas’ Arthashastra in Today’s Indian Economy” that the
functions of Government, budgeting, trade, revenue and expenditure of Government and taxation. He observed that social welfare, utilization of tax revenue for productive activities, mechanism of tax revenue collection and low tax rate system were important features of Indian ancient tax system. Just like today, in ancient period taxation was the major source of government revenue. In that period service tax, was levied on such services, like import and export of goods by crossing territorial limits of states and entertainment services such as fighting of cocks and bullocks.

Govinda Rao M. (2001) in his research article titled “Taxing Services Issues and Strategy” conducted comparative study of present situation of service tax in India, central service tax and tax on service sector in various States. He concluded on the analysis of authentic statistical data that, the GDP of service sector was increased in accordance with increase in the growth of Indian economic development. However, the contribution of service sector in the total revenue of the country is very negligible. Further he explained that-

1) Revenue from some taxes which were charged by Central and State Government was one percent of gross domestic product and 0.6 percent of total revenue of the country. This situation is not desirable, not only in relation Government revenue but also Indian tax system.

2) The base service tax should be increased in order to make Indian tax system more simple, equitable and productive.

Raravikar Yeswant (2002) –studied in his article titled “Service Tax-Nature and Effects,” about contribution of service tax in
Indian economy, meaning of service tax, Constitutional provisions of service tax, trends in revenue of service tax, central service tax, it’s scope and administration. The findings and recommendations of his study are as follows-

1) The importance of service sector in Indian Economy is growing continuously and its contribution in total gross GDP is more than 50 percent. Hence, charging of service tax thereon is appreciable.

2) It is mandatory to India to make free trade after getting membership of WTO. Consequently in order to compensate the revenue reduction from custom duties charging of service tax is appreciable.

3) Service tax is an indirect tax bearing by common man so that it should be converted into direct tax.

4) Service tax should be included into CENVAT.

Krishnan V.S. (2003) evaluated the report of Kelkar Committee and pointed out in his article titled “Kelkar Committee and Direct-Indirect Taxes” that the contribution of service sector in gross total GDP of the country is more than 50 percent. Therefore, he opined that the recommendations of Kelkar Committee regarding merging of service tax into CENVAT by increasing scope and rate of service tax are acceptable. However, by doing so he pointed out that the administrative problems regarding to the existing large number of small businesses and trades in the Indian economy can be arrived.

Ashok Chandak (2005) was discussed certain issues relating to service tax in his article titled “Service Tax : Certain Issues”, in
response the Finance Act 2004 by which construction services, Intellectual property rights and Transport services were brought into service tax net. These issues were:

(I) whether service tax can be imposed where contract is composite or individual (i.e. for sale / supply of goods and services) such as construction contracts, software development contracts etc?

(ii) whether service tax is legally considered as a contract of sale, such as contracts of right to use telephone lines, transfer of intellectual property rights (i.e. trademarks patents, designs) etc?

In the light of entry 92 C of the List I of Seventh Schedule (Ist List) to the Constitution of India and judicial pronouncements on various court cases, he opined that service tax can be levied on service portion of the indivisible contracts by dividing the same into two parts while, the transaction is fully of sale then service tax is not attracted. In case of transport service, any goods transport agency rendering services in relation to transport of goods by road shall be liable for service tax. But the service is rendered by such agency to outside countries under the consignment notes is considered as export services. In the cases of transport services, he further pointed out that CENVAT credit can only be granted in relation to the input services subject to availability of document form service provider in prescribed manner by the CENVAT credit Rules. Recipient of transport services in organized sector to pay service tax himself naturally but he would not have any document or invoice for such payment. In such case also he should generate document for such services. While in case of multiple services, he
cannot adjust CENVAT credit as receiver of service. He finally concluded that every service tax assessee in case of these services may have to either create memoranda ledger accounts for service tax payable as well as CENVAT credit receivable or to maintain some entries in the financial books of accounts. Hence these issues give lots of scope for accountancy profession in providing the services to the assessees.

**Shinha S.K. (2005)** examined in his book titled “Public Finance” that development of Indian taxation system, present situation of different taxes and tax reforms in India. He observed the following-

1) After the implementation new economic policy in India, service sector is progressing faster in the economy so that the charging of service tax thereon is appreciable.

2) There is a positive relationship between taxable services and the expenditure thereon made by high income category people. Hence by charging of tax on such services will make indirect taxes more equitable.

**Karnik Ajit and Hatekar Niraj (2005)** in his article titled “Fiscal Policy of India - Inclusion to Decentralization,” clinically studied the pre and post reform fiscal policy of India. He observed that there was complex tax structure in pre-reform structure. Due to large number of taxes and their high tax rates, structure and tax administrative becomes more complicated hence, there was large percentage of tax evasion and black money. Since 1980, major efforts were made on reduction of number of taxes, integration and equality in the tax rates, contribution of total revenue, reducing government deficit, reduction exceptions and deductions under the
tax structure encouraging savings by imposing new taxes. By way of aforesaid attempts he observed that-

1) After post reform period there was substantial improvement in the contribution of corporate income tax and personal income tax to the Gross Domestic Product (GDP) of the country.

2) There is no change in the contribution of indirect taxes to the total GDP of the country. However, the revenue of service tax is continuously growing after the post reformation period. During the period of 1994-95 to 2004-05 the ratio of service tax to GDP was increased from 0.04% to 0.47%.

Behan A. and Jenkins P. (2005) examined the similarities between GST and VAT. He stated that Goods and Service Tax (GST) is one type of indirect tax. GST is also known as Value Added Tax (VAT). Although GST and VAT have the different names, they represent the same system where the cost of tax is actually borne by the end user. However each step in the supply chain will collect the tax and remitted to the government. The supply chain can also claim back the GST included in the products that they have buy.

Harpreet Dusanjh and Deepak Devgan (2006) explained the need of introduction of service tax in India taxation system is a part of economic reforms. Indian economy is passing through a transition phase and has entered into the scenario where more than half of the GDP of the country is contributed by the services sector. As the revenue of the State in the past was depends on the direct taxes imposed on manufacturing sectors (customs and excise duty). After 1991 due to the declining contribution of the manufacturing sector to the GDP has lead to the necessity of the taxing the
blooming sector i.e. services, this compelled the introduction of service tax in India taxation system as a part of economic reforms. There is yet another leaving rationale for taxing service in India i.e. introduction of hereby administered tax regime in India called VAT. All these reasons compel the need to review the growth implications and impediments to the service tax in India

**Keen and Lockwood, (2007)** stated that administration of the VAT has been adopted as part of a package of trade liberalization, compensating for the revenue loss from the reduction of tariffs whilst preserving the gains in production efficiency from moving producer prices closer to world prices. At a more general level and especially in developing countries adoption of the VAT is often seen as the central element in a programme of modernizing tax administration as expected ultimately to easy administration and compliance in relation to other taxes too.

**Singh (2007)** in his research paper titled ‘The truth about GST’ examined the factors or the problems which are responsible for delay of the implementation of GST and effects of implementing VAT on the revenue, trade and equity. According to him various matters need to be considered carefully before a comprehensive GST system to be introduced. The discussion is divided into problems related to taxpayers and problems related to administrator / Government. The effects of implementing GST on the revenue and trade and equity are also discussed. Finally, concluded that the GST is an effective from of indirect tax currently many countries such as U.K., New Zealand, Australia and Singapore have already implemented the G.S.T.
Sharma, Mukund N. (2007) opined on Budget 2007-08 in his article titled “Service tax: Impact on real estate sector” that Finance Minister of India proposed service tax levy on lending premises for commercial proposes. The heavy rent of Rs.100-400 per sq/feet charged on the premises which are letting for commercial use such as schools, Bank offices, malls, educational institutions, factories, five star hotels etc. in the cities like Mumbai, Pune, Delhi, Chennai, and Calcutta. Due to levy of service tax on such rental premises there will be huge increase in rent of such properties and ultimately it should be borne by the customers.

Mehandale Tarita (2007) strongly opinioned on the Financial Budget 2007-2008, that charging of service tax on professional educational services is not justifiable. As such education bridges the gaps between India and Bharat i.e. Poverty and prosperity. The Finance Minister has been imposed the service tax on private coaching classes, professional education and tuitions is unjustifiable. Further, she added a statement that the Government should not levy the tax on education services because private education and professional institutions promotes education as well as plays an important role in the educational development of India.

Jhanwar K.K. (2008) Vice President (Commercial) Rajasthan Syntex Ltd., Udaipur, analyzed the need of separate Service Tax Act in India by his article titled “Service Tax Administration ; Need for an Independent Service Tax Code”. He discussed that the law relating to service tax has become so complex and not easy to understand for layman. In order to determine tax liability on services rendered one has to refer not only Finance Act, 1994 but also subsequent Finance Acts. Instead of relying on such numerous
amendments of Finance Act, 1994 there should be a simple service tax and Rules like Central Excise Act and Rules and Income Tax Act and Rules. Further he stated that, the Government has also exempted various services by issuing numerous notifications. This method of notifying the exemptions is also clumsy so that it is very difficult to readily find out whether any service is exempted or not. Besides, the Government has also given abetment on certain services by issuing various notifications but it is difficult to find out for which service abatement is allowed. He pointed that there should be certainty in taxation policy relating to service tax at policy and administration level by laying down the boundaries of taxation –what is taxable and what is not taxable. Accordingly he has been made some important recommendations.

1) Government should specify the negative list of services (i.e. exempted services) for easy administration and comprehensive base for GST Act in future.

2) The Government should notify a schedule of abatement of service tax on various services in the service tax Act or Rules itself.

The Government was already taken a very wise step by aligning the CENVAT credit by enacting CENVAT credit Rules 2004, but not enacts separate Act for Service tax. If the Govt. is hesitant to enact a separate Service Tax Act, it should combine service tax law into Central Excise law and rules by making sections for the applicable for service tax or a separate section on service tax could be incorporated in central Excise Act and Rules. However, enactment of a separate law will be preferable because with ever-increasing scope of service tax and service tax has
become complex than the Central Excise law. Enactment of an independent service tax code will on one hand facilitate smooth administration of service tax regime and on the other hand the assessee will be freed from unnecessary hassles because law will be very simple to understand. The Government can take opportunity to introduce an independent service tax code along with budget of year 2008-09.

**Prakash Mehta and Pranav Mehta (2008)** provided a synopsis of the salient features of the ‘Dispute Resolution Scheme Rules 2008 introduced vide Notification No.28/2008-09 dated June 4, 2008 by Central Government. In their article titled “Service tax Dispute Resolution Scheme” they were analyzed the said scheme and its success in terms culmination of pending litigation by quick resolution of pending disputes with the help of certain illustrations. On the analysis, they concluded that the success rate of the scheme would be cast a shadow of doubt because of certain contrary thresh hold limits for small service providers in terms of taxable turnover for benefit of the scheme and exemption form service tax and hence the scheme will end up in opening a Pandora’s box for the Government.

**Mukhopadhyay, Sukumar (2008)** expressed his opinions on Budget 2008-09, that there is no step forwards to GST development in budget 2008-09. Finance Minister only laid emphasis on the market, stock exchange, internet, transportation, Insurance information technology and some important services like railway and transportation services on which Government will get much revenue.
Abood Mohammad Salmeen Alebel (2009) studied the problems and effects of implementation of GST. He examined the factors or the problems which delay the implementation of GST. He elaborated some problems related to administrators like computerization and trained personnel, rate of tax and exemption, impact on general price level and problems of taxpayers related to accounting records, knowledge about features of GST and the procedural requirements before the GST. He concluded that GST or VAT is not a new tax system but it is important that knowledge about the features of GST to be spread to the public, time before the tax becomes effective.

Vivek Kohli and Ashwini Sharma (2010) studied that, the proposed introduction of Goods and Service Tax in India is an attempt by the government of India with an objective to rationalize the current indirect tax regime in India, to bring about a more transparent and efficient tax system. They strongly stated that the proposed GST model is important in order to encourage a wide spread public debate to bring into light more issues and concerns prior to finalization of the goods and service tax regime for India. The authors opined that the introduction of the GST regime would definitely go a long way in improving and rationalizing the equality of the indirect tax regime as it incorporates all the desirable features of an efficient tax system.

Conclusion:

The review of literature as taken on the existing subject, reveals that many studies exclusively concerned with the revenue from service tax, enhancement in the scope of service tax, rate of service tax, exemption from service tax, contribution of service
sector to GDP of the country, and certain other statutory and procedural issues of service tax. Some of the studies have also been focused their attention on administrative and transitional issues of service tax. By and large, all the studies are reactive and reformatory in nature and not cover up all the dimensions of the subject. Although some studies have directed their attention towards the progress and prospects of service tax in India, but there has no comprehensive study covering different dimensions of service tax in relation to any State or Zone. Accordingly, the present study is an attempt to examine all aspects of progressive path i.e. emerging trends and prospects of service tax in India and in the State of Maharashtra in general and Pune Zone in special.
References


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