

**SUGGESTIONS OF ICAI IN ITS POST-BUDGET MEMORANDUM, 2011 CONSIDERED IN THE AMENDMENTS TO THE FINANCE BILL, 2011 AS PASSED IN THE LOK SABHA**

SI No.	Clause	Section/Notification	Proposed Amendment	Suggestion Given in Post-Budget Memorandum, 2011	Suggestions considered
1.	71	65(25a)	<p>The scope of the existing service was proposed to be increased by levying service tax on the following services under this category:</p> <p>(a) Services provided by a clinical establishment having the facility of central air conditioning in whole or any part of the establishment and more than 25 beds for in-patient treatment at any time of the year; and</p> <p>(b) Services provided by a clinical establishment in relation to diagnostic tests of any kind or investigative services with the help of a laboratory or medical equipment</p> <p>(c) Service provided by doctors, who are not employees, from the premises of a clinical establishment.</p>	<p>The proposal will make it difficult for common man to cope up in this era of inflation and price rise. This levy could be in order in western countries where there is a system of social security. In Indian environment, where there is no protection/security by the Government in an organized manner, the common man is forced to approach to private sector for better service and thus this levy would directly affect them.</p> <p>The levy may be reconsidered.</p>	<p>This suggestion has been considered and these services have not been brought under the service tax net. (Refer Sl. No. 46 and 47 of List No. 3 of Notice of Amendments to Finance Bill, 2011)</p>
2.		Notification No. 18/2011 ST dated 01.03.2011	The Government had notified Point of Taxation (POT) Rules, 2011 vide Notification No. 18/2011 ST dated 01.03.2011. The rules were to come into	<p>The Rules would result inter alia in following issues:</p> <p>(i) In case of small professionals as also contractors the move will result in working</p>	This suggestion has been considered and the applicability is postponed by 3 months.

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			<p>effect from 01.04.2011. These rules determine the point in time when the services would be deemed to be provided. As a general rule, the time of provision of service would be the earliest of the following dates:</p> <p>(a) Date on which service is provided or to be provided</p> <p>(b) Date of invoice</p> <p>(c) Date of payment</p> <p>Thus, the present system of payment of service tax on receipt basis has been shifted to accrual basis.</p>	<p>capital problems as payments for services are received after a gap of six months and generally at a lesser value than agreed initially.</p> <p>(ii) In case of builder and developers who maintain books of accounts on mercantile system and follow Accounting Standard - 7, revenue is accounted on the basis of "percentage (%) completion method" and work-in-progress is recognised as income though invoices are raised at a later stage. New dispensation would make things very difficult for these class of service providers.</p> <p>(iii) It may also compel the service providers to maintain two sets of books of accounts; one on cash basis for income-tax purposes and one accrual basis for service tax purposes.</p> <p>(iv) In service sector there are huge bad debts and very high volumes. Such a proposal would eventually make the service provider borrow money for service tax payments.</p> <p>(v) Unlike goods, services once rendered cannot be taken back.</p>	<p>(Refer para 18 of Finance Minister's Reply to the Discussion on the Finance Bill, 2011-12 in Lok Sabha)</p>

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				An important suggestion given by the ICAI in its Post-Budget Memorandum, 2011 in this regard is that a reasonable time be given to the service providers so that they can establish their strategy of collecting fees by apprising the service recipients.	