## **INTEREST RATE INCREASED FOR LATE PAYMENT OF SERVICE TAX, EXCISE, CUSTOME**

The Interest liability is amplified in all the sections of custom, excise and service tax to 18% as from earlier of 13% per annum from this budget. This is one of highest increase in the rates of interest ever. In Central Excise the notification no. No. 6/2011-Central Excise (N.T.) dt. 01.03.2011 has brought an amendment for the purpose of the section 11AB of the Central Excise Act, 1944 by fixing the interest rate at 18% p.a. The similar amendment is made in the section 75 of Service Tax Act vide notification No. 14/2011-Service Tax dt. 01.03.2011 and 15/2011-Service Tax dated 01.03.2011 in which also the rate of interest is increased to 18% p.a. from 13% p.a. The new rate of interest of 18% will be applicable from 1st April, 2011.

Besides this some sort of relief is proposed in finance bill by inserting a proviso to section 73B. The detailed proviso can be read as under-

“Provided that in the case of a service provider, whose value of taxable services provided in a financial year does not exceed sixty lakh rupees during any of the financial years covered by the notice issued under sub-section (3) of section 73A or during the last preceding financial year, as the case may be, such rate of interest shall be reduced by three percent per annum.”

So the reduced interest rate of 15% (18%-3%) will be applicable in case where the value of taxable services provided in a financial year is not more that Rs. 60 lakh. But this provision will have a limited application as only to the small service providers but no relief to the large tax payers has been provided. Although the interest rate is increased after a long period in excise section but the sudden increase of 5% will be proved killing in the indirect taxation.