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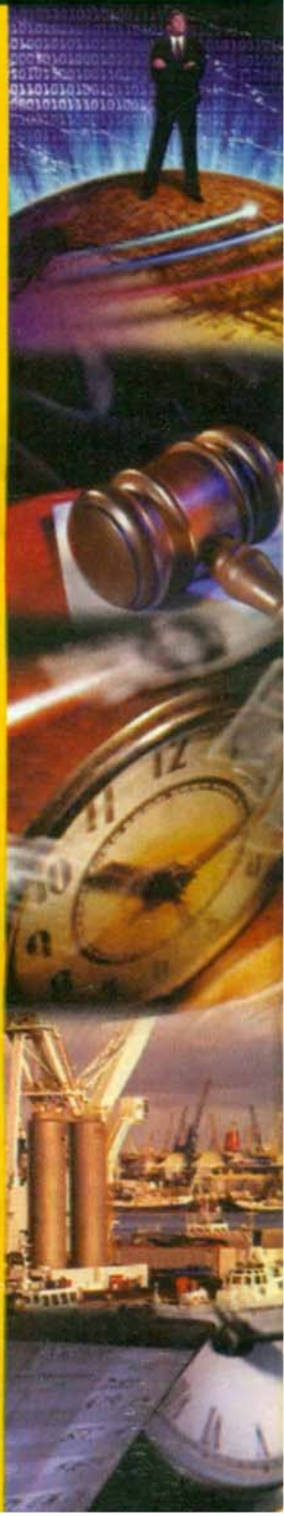

Highlights

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SERVICE TAX DUE ON BILLING BASIS NOT ON COLLECTION BASIS

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We are all aware of that Service tax remittance changed from collection basis to billing basis. In general new method is very comfortable for the Department for Internal Audit and Reconciliation. In the other view fund out flow for service providers will affect. Without getting payments from service receiver the Service tax due has to pay to the Government from their working capital and this leads company in the financial crisis. Present business scenario cash and carry business is out of model and service received with credit period and service provide with credit are *vice versa* in the each end-previously before making payment to service provider has no right to take Cenvat credit and it is check list for Service tax auditors during an internal audit. Now there is no Control on this, they can avail Cenvat before making payment to service providers. If full payment is not settled by the service receiver to service provider, the tax burden on service provider increases tremendously.

Service tax heading under Indirect taxation, i.e. : Once Service tax collected from service receiver and paying to the Government. The changing in the pattern of Service tax remittance, *the method of Indirect Taxation concept failed and Direct Taxation Method followed now*. Once service provider raise invoice, Service tax liability false on service provider to pay the tax as like Income Tax remittance. In the other word Service tax is also be called as "turnover tax" and Department is free from analyzing whether tax collected or not by service provider. If some service receiver has not settled the outstanding due plus Service tax due to the service provider due to bankrupt, the Service tax what paid to Government on account of service provider will be Loss and such Service tax can't book under expenses head of service provider books of accounts and it will be disallow by the Income Tax Department.

Finally, collection basis is best mode of indirect tax remittance. For better control from the Government side, time frame to be fixed to pay the tax within six months from date of billing/invoicing.