Revised Rate of Interest in Service Tax

Revised Rate of Interest w.e.f. 1.10.2014

Vide Notification No 12/2014-ST dated 11.7.2014, rate of interest to be charged on delayed payment of service tax has been enhanced w.e.f. 1.10.2014, based on period of delay.

Thus, longer the delay period , higher would be the rate of interest payable. Accordingly, the rate of interest shall be as under :

S.No.	Period of delay	Rate of Simple Interest Per Annum
1	Up to 6 months	18 percent
2	More than 6 months and up to 1 year	18 percent for the first 6 months of delay; 24 percent for delay beyond 6 months
3	More than 1 year	18 percent for the first 6 months of delay; 24 percent for period beyond 6 months up to 1 year; 30 percent for any delay beyond 1 year

To illustrate , suppose, there is a delay of 15 months in payment of service tax of Rs 1 lakh by the assessee. The impact of rate change would be as under:

If paid prior to 1.10.2014

Interest @ 18% p.a for 15 months Rs. 22500

If paid after 1.10.2014

(say due on 1 August 2013 and paid on 1 November 2014)

Period upto 30.9.2014 (14 months @ 18 % p.a.) Rs 21000

1 month @ 30% p.a.(as delay is > 1 year) Rs. 2500

Total Interest Rs 23500

The impact of interest would be much more if payment is delayed after October, 2014.

It may be noted that:

1) 3 percent interest rate concession allowed u/s 75 shall continue to be allowed to specified small service providers
2) This rate structure will not be applicable to VCES cases as interest @ 18% p.a. is payable under the scheme which ends on 31 December, 2014
3) The rate of interest is simple interest per annum
4) New interest rate will be operational only on or after 1 October, 2014. Upto 1.10.2014, rate of interest @ 18% p.a. will continue to apply.