Interest Under Service Tax Law

Interest is levied on the assessee when he delays the payment of service tax which is due and payable.

If payment of service tax is delayed in accordance with the provisions of Section 68, Interest is charged at the rate not below ten per cent and not exceeding thirty-six per cent per annum. (Please Refer Section 75 of Finance Act, 1994)

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 or during the last preceding financial year, as the case may be, such rate of interest, shall be reduced by three per cent. per annum.] [Refer Section 75 of Finance Act, 1994]

If payment of service tax is withheld in accordance with the provisions of Section 73A, Interest is charged at the rate not below ten per cent and not exceeding twenty-four per cent per annum. (Please Refer : Section 73B of Finance Act, 1994)

How to calculate Interest?

ILLUSTRATION :

Service Tax to be paid is Rs. 10,000 for the month of July,2014 on 28 August,2015.

CALCULATION :

As per the latest rate of interest ;

Due date : 6th August,2014

Interest for the period 7th August,2014 to 6th Feb,2015 = 10000*18%*184/365 = 907
Interest for the period 7th February,2015 to 6th August,2015= 10000*24%*181/365= 1190
Interest for the period 7th August,2015 to 28th August,2915 = 10000*30%*22/365= 181

Total Interest is Rs . 2,278.

Other Issues related with Interest on Delayed Payment of Service Tax

No Interest on Service Tax is to be charged for the period if any competent authority has levied Stay on the proceedings.

Show Cause Notice must be issued u/s 73 of the Finance Act 1994 for demand of Service Tax and Interest.

Rates of Interest period wise	
Period prior to 16.07.2001	1.50% per month or part there of
16.07.2001 to 15.08.2002	24% per annum
16.08.2002 to 09.09.2004	15% per annum
10.09.2004 to 31.03.2011	13% per annum Notification No. 26/2004-ST dated 10.09.2004
With effect from 01.04. 2011	18% per annum : Notification No. 14/2011- ST, dated 01/03/2011-If turnover of any assessee is up to Rs.60 lakh, such assessee is liable to pay interest at 15% per annum
With effect from 01.10.2014	Notification No. 12/2014 dated 11.07.2014 1. Up to 6 months- 18% 2. >6 Month to 1 Year - 24% 3. > 1 Year - 30%

Interest on Delayed Refunds of Service Tax

If delay in refund of service tax is for more than 3 months from the date of receipt of refund application, Interest is paid by the Government at the rate not below five per cent and not exceeding thirty per cent per annum. (Please Refer : Section 11BB of Central Excise Act, 1944)
At Present : Simple interest @ 6% p.a. is granted on delayed refunds.

New Slab of Interest in applicable from 1.10.2014 only

Illustration ;

Assume a case where service tax is due on 6th August,2013 and paid on 6th December,2014

In this case Interest shall be paid as below

UP to 30th September,2014 @ 18%
From 1.10.2014 to 6th December,2014 @ 30% because delay is beyond one year

"**As provided in proviso to section 75 , 3% concession on the applicable rate of interest will continue to be available to the small service provider**."

Case Laws Related

- Payment of interest is mandatory in nature
  CCE, Calicut VsGEneral Manager Telecom, BSNL STR450
- No leniency in case of company declared sick
  Shree Vadivambigai Textile Mills Ltd. Vs CCE Tribunal –Chennai
- Payment of service tax before issuance of notice is no ground for waiver of interest
  Bholanath Oberoi and Sons Vs CCE Tri. Calcutta
- Interest ia payable on belated payment of tax and no specific notice is required to be given for the same
  CTT, Lucknow Vs Kanhai Ram Thekedar ELT 185 [SC]

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