



**Service Tax Voluntary Compliance
Encouragement Scheme, 2013**

Indirect Tax Alert - May 20, 2013

In Brief:

The Indian Government in the finance bill 2013 announced that it would implement a Service Tax Voluntary Compliance And Encouragement Scheme, 2013 ('VCES' or 'the scheme') to be valid until December 31, 2013 to encourage voluntary compliance by persons who have not paid service tax dues or filed service tax returns for the period from 1st Oct 2007 to 31st Dec 2012

In Detail

On May 10, 2013, vide the presidential assent the Finance Bill brought into force VCES. Simultaneously, the Central Government, in exercise of powers granted to it under the Act, has issued Notification No. 10/2013-ST dated May 13, 2013, thereby introducing Service Tax Compliance Encouragement Rules, 2013.

Highlights of the program include:

- Scheme requires declaration of true liability and payment of taxes within stipulated time frame to avail immunity from interest, penalty and prosecution.
- Declarations to be made before 31st Dec 2013 in form VCES-1.
- Acknowledgements of declaration to be issued in form VCES-2 by the designated authority within 7 working days from the date of receipt of declaration.
- Taxpayers must file and pay in full all amounts due under the scheme in the following manner:

Period within which payment to be made	Percentage of tax to be paid	Interest	Recovery
Up to December 31, 2013	50% of the amount	Not Applicable	Not Applicable
January 1, 2014 - June 30, 2014	50% of the amount	Not Applicable	Not Applicable
July 1, 2014 – December 31, 2014	Outstanding payment, if any	payable u/s. 75	Not Applicable
January 1, 2015 onwards	Outstanding payment, if any	payable u/s. 75	As per section 87

- Acknowledgement of discharge to be issued in form VCES-3 by the designated authority within 7 working days from the date of payment of tax dues in full along with interest, if any.
- Tax dues to be paid in cash, as CENVAT credit cannot be utilized for payment of tax dues under the Scheme. (Rule 6 of VCES Rules)
- Upon compliance of payment of tax and interest [under Section 107(4)], the declarant will have immunity from further interest, penalties and other proceedings, and no matter shall be reopened thereafter before any authority or Court for the period covered by such declaration.
- The program applies to service taxes owed to the Central Government for tax periods October 1, 2007 to December 31, 2012.
- Taxpayers eligible for the scheme include:
 - any person who did not file or stopped filing a required return for eligible tax periods,
 - any person who is amending tax liability on a previously filed tax return for eligible tax periods, and
 - any person who has not registered with the service tax department and thus omitted service tax for eligible tax periods.
- Taxpayers not eligible for the scheme include:
 - Any person who has filed his return and disclosed his true liability of service tax, but has not paid such disclosed amount of service tax
 - Any person upon whom a notice or a determination order has been issued for any period on any issue
- The portion paid in connection with the scheme is non-refundable.
- No action shall be taken after the expiry of one year from the date of declaration.

Let's Talk

If you have any questions about VCES, please contact one of the following:

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Actions to think about

The scheme represents an opportunity for certain eligible persons to come forward and eliminate past liabilities without penalty and prosecution and to save the interest imposed on such liabilities. However, if taxpayers fail to take advantage of the program, penalties, interest and prosecution for non-participation have the potential to become severe considering powers vested with the authorities for arrest and recovery. Taxpayers should review their potential Service Tax liabilities under the scheme period to evaluate whether participation in the program would be beneficial.

Ashwani & Associates Indirect Tax team can assist with any compliance questions and can discuss with you your best options for taking advantage of this opportunity.



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