



## **Bangalore Chamber of Industry and Commerce**

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### **Report on the One - day Conference on "Emerging issues in Excise and Service Tax and challenges in Tax Compliance" held on January 7, 2011**

Bangalore Chamber of Industry and Commerce (BCIC) under the aegis of its Indirect Taxes Committee organized a one-day Conference on “Emerging issues in Excise and Service Tax and Challenges in Tax Compliance” on Friday, January 7, 2011.

Mr. K R Girish, Immediate Past President, BCIC in his welcome address highlighted the dichotomous nature in assessment of levies on goods and services in the existing rules governing excise and service tax regime, often leading to avoidable litigations and solving the issue under the settled rules of taxation. He cited a few instances such as controversy arising out of frequent change in notification on the levy tax on software and the vexatious issue of CENVAT credit rules and interpretation of a settled rule by different courts, even after constitutional validity and the competence of the Government to levy service tax on certain economic activity has been established.

Mr. G. Elango, Chairman, Indirect Taxes Expert Committee, BCIC introduced the Conference and the distinguished speakers to the participants. Stating that the Conference will help the participants in establishing better clarity and greater compliance which would lead to a win-win situation for both the industry and the government. He said that the main objective of the Conference was to understand the intention of the rule making authority and the interpretation of the courts in key areas viz., exemption, Cenvat credit, refunds etc. and also to deliberate on the common expression of concern over issues that needed to be addressed before the GST was formally introduced.

In his Keynote address, Mr. Himanshu Gupta, IRS, Commissioner – Service Tax, Central Board of Excise and Customs, Government of India, New Delhi expressed his reservations about many lacunae in the existing rules. He made specific mention about excessive differentiation of economic activities, absence of a reasonably dependable refund mechanism and place of supply rules to determine the levy on service provider as the key areas to be discussed. He wanted BCIC to facilitate a feedback on these issues to enable him to address the same with the appropriate authorities.

Striking a somewhat discordant note to the participants’ expression of concern over the ‘mindset of the department’ affecting an objective application of the rules in assessment and recovery of taxes from individual companies, Dr. Ravindra Babu, IRS, Additional Commissioner of Service Tax expressed his disappointment over dismal registration record of Bangalore companies with regard to re-registration of the business for service tax assessment. He also sought BCIC members to educate their fraternity to help the Department concentrate on its mandate to address their customers’ genuine grievances.

Mr. R Venkataraman, IRS, Commissioner of Central Excise –I suggested that in future “secrecy” in budget making should be dispensed with. An institutional mechanism on the lines of the Telecom Regulatory Authority of India (TRAI) should be evolved with the active participation of the stake holders and the businesses to introduce high transparency in determining the levies and exemptions on different industrial sectors. A consultative paper on the issues of taxes should be prepared as TRAI does at least two months before the budget for arriving at a consensus on sound set of principles to avoid disputes and litigations, so that the economy benefits, he further added.

Mr. Shrawan Kumar, IRS, Additional Commissioner of Central Excise also provided necessary clarifications to the participants on various issues of Service Tax and Excise while impressing upon them the need for compliance and understanding of the rules clearly before raising demands. Mr. H R Bheemashankar, IRS, Additional Commissioner of Central Excise – III also participated at the Technical Session and interacted with the participants at the Q & A Session.

Mr. N V Madhu Murthy, AVP – Indirect Taxation (CLD), GMR Group addressed on the Industry Perspective and made a presentation enlisting 24 questions with suggestions to remove the anomalies and ambiguities in the levy of excise and service taxes for smooth compliance form the industry and business.

Mr. K S Ravi Shankar, Senior Advocate highlighted on the difficulties faced by Trade in Bangalore. In his address, he broadly addressed on the following issues:-

- ✓ Refunds rejected by Department on flimsy grounds
- ✓ Show cause notices issued invoking longer period of limitation and its maintainability in view of Supreme Court rulings
- ✓ Legal position with regard to
  - usage of Cenvat credit for discharging service tax liability on import of service.
  - eligibility of Cenvat credit on services used in construction of commercial building which are rented out.
  - interest for Cenvat taken and not utilized.

The presentations were followed by Q & A Session wherein the panelists responded to several queries raised by the participants.

Mr. Elango, Chairman Indirect Tax Expert Committee, BCIC thanked the speakers and participants in making the Conference a highly rewarding and useful which was reflected even by the Tax Officials who spoke on the “business language”, implying their expression of concern over the genuine grievances expressed by industry.

The large attendance of over 100 active participants from executives from a cross section of business enterprises handling taxation planning underlined the importance of the Conference.

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