

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7069
ANSWERED ON:18.05.2012
SERVICE TAX COLLECTION
Mani Shri Jose K.

Will the Minister of FINANCE be pleased to state:

- (a) Whether the service tax collected by the Government is being promptly disbursed among States and if so, the details thereof for the last three years;
- (b) The reasons for delays, if any, in this regard;
- (c) Whether the Government has any plans to improve its service tax collection mechanism; and
- (d) If so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri Namo Narain Meena)

(a) Yes Sir, Service tax is part of divisible pool of Central Taxes levied and distributed between the Union and the States. At present, service tax is not levied in the state of Jammu & Kashmir. Therefore, net proceeds of service tax are not assignable to this state. The share of the remaining 27 states in the proceeds of service tax during the last three years is annexed.

(b) Does not arise.

(c)&(d) Yes, Sir. Government plans to improve its service tax collection mechanism by introducing a negative list based comprehensive approach to taxation of services. Above plan of the Government has been placed before the Parliament through the Finance Bill, 2012. Under the new approach, all services which fall within the proposed definition of `service` will attract service tax, other than those specified in the Negative List. The new approach is expected to improve the service tax collection mechanism in the following manner: (a) disputes arising out of classification of taxable services, to be reduced; (b) exemptions will be minimal and therefore tax base will be larger; (c) certainty about taxability of a service is expected to make compliance easier than before. In addition, numbers of other measures have been planned, namely (a) simplification of the service tax return/ registration form; (b) reforms in cenvat credit mechanism; (c) harmonization of central excise and service tax provisions; (d) introduction of place of provision of services rules, to determine import or export of services.