

Perceptions Of The Service Providers And Tax Experts About Awareness Of Service Tax; A Study Of Bangalore City

**Dr Patel Nagaraj Goud, Associate Professor, Department of Commerce
HKE Society's Sree Veerendra Patil Degree College, Sadashivanagar,
Bengaluru.**

Abstract;Generating revenue through taxes existing on the earth from the day the mankind started organizing himself for his own well being The tax system of our ancients was quite reasonable ,rational, convenient, elastic, appealing and based on the principles of maximum welfare with some exceptions. Taxation is a general concept for devices used by governments to extract money from people and organizations by use of law. For governments revenues from indirect taxes happens to be significant .For central governments the service tax is an important source of revenue and also highly promising tax. Being the youngest of in direct taxes service tax has been growing at a very high speed from the point of view of number of services taxed.

Introduction

Tax is order of the day. It has been existing on the earth from the day the mankind started organizing himself for his own well being during all those years for which history is available we see reforms in taxation.

Taxation policy in ancient India was highly logical and based on the principles of economic theory and equity in comparison with the current taxation policies of the government. The tax system of our ancients was quite reasonable, rational ,convenient ,elastic, appealing and based on the principles of maximum welfare with some exceptions.

The classical and renowned Indian works on state craft Contain illuminating discussions on the aspects of taxation. The treasury or the state revenue had always been regarded as one of the vital organs that constitute the state. The Shanti parva in the Mahabharata lays great emphasis on finance (Kosha) the root for existence of the King as he can protect his state and make his people happy only with the help of the funds at his disposal.

Historical Back ground of taxation

Manu smriti postulates the model state of taxation as one where the king collects tax without harming his subjects as a bee collects honey from a flower and the milkman gets milk from the cow. Manu cautioned the king against excessive taxation and said that both extremes should be avoided, namely, either complete absence of taxes or exorbitant taxation.

Taxation is a general concept for devices used by governments to extract money or other valuable things from people and organizations by the use of law. A tax formula contains at least three elements; The definition of the base, the rate structure and the identification of the legal tax payer. A tax is identified by the characteristics of its base, such as income in the case of an income tax.

Over a period of time, due to financial needs of the governments as well as with the intention of equitable distribution of the resources, variety of taxes have come into existence throughout the globe. India is no exception to it. Being a federal system it has taxes levied by the central government as well as State Governments. These taxes are direct as well as indirect taxes.

For state governments and also to the central government revenues from indirect taxes happens to be significant. For Central Government the service tax is an important source of revenue and also a highly promising tax. Being the youngest of indirect taxes service tax has been growing at a very high speed from the point of view of number of services taxed, revenue generated and number of service providers taxed.

In this background the researcher felt that a detailed study of service providers should be undertaken. Before he could take up the study he reviewed the literature available and came to the conclusion that there is a clear gap of research and hence the present study has been undertaken.

Review of literature

Before I am working upon the research study the researcher made an attempt to review the literature available in the field of his research area. Since the research areas chosen for the study being "taxation" the researcher reviewed the reports of the committees appointed by the Government and also the Doctoral works in the field of taxation, in recent years by reviewing those works he felt there is a potential for doing research in the area of service taxation. To choose the specific topic in service taxation the researcher attempted to

review the available literature, in the form of research articles on service taxation .The exercise carried out is presented below.

John Mathai committee :(1953)

Nicholas kaldor committee;(1956)

F.C badhwar committee :(1957

Dr Raja J Chellaiah committee :(1972)

Khel kar committee: (2002)

Review of research articles

Pratima Jain 2022 September ; in her article entitled service tax on authorized service stations taxation and valuation aspects says that services of authorized service stations become chargeable to service tax with affect from 16th July 2001.

N Prabhakaran 2002 September; in his paper entitled ‘Benevolent Penal Provisions’. The outcome of the study is that service tax rules do not provide for any penal provision.

Research Design

In this the researcher has presented the research design adopted for his research study .Main aspects covered in the chapter are statement of the problem, objectives of the study, scope of the study, sampling, primary and secondary data, statistical tools used limitations.

Statement of the problem.

The present study is entitled as“Perceptions of the service providers and tax experts about awareness of service tax- A study of Bangalore city“ .The topic has been selected after reviewing the literature and identifying the research gap.

Objectives of the study

Following are the main objectives of the study

1. To study the concept of service tax and the reasons for the levy of service tax
2. To study the structure and the growth trends in relation to service tax.
3. To study the perception of the service providers regarding common aspects pertaining to service tax.

Scope of the study

The study is based on the empirical survey which spreads geographically, to the city of Bangalore. The sample respondents have been chosen from Bangalore city. The study covers all the major aspects in relation to service tax. Respondents have been chosen from 25 selected services.

Methodology

The study is based on both primary and secondary data. However, the study mainly depends upon the primary data.

sampling

Since the study is mainly based on primary source the data has been collected from the respondents. For this purpose that respondents have been chosen on the basis of sample random method. The number of respondents chosen for the study are 250 respondents spreading over 25 different services.

Statistical tools used

The study has been analyzed by applying simple statistical tools. The important tools used are—percentages, averages, tables, charts, diagrams etc.

Limitations of the study

The study is subject the following limitations

1. The study is mainly based on the survey of service providers. Since, the service providers are huge in number, in the study area, the researcher had a problem in selecting the sample size. However, keeping in mind this and other constraints as many as 250 respondents have been selected for the study.
2. A number of questions answered by the respondents are descriptive in nature, hence the authenticity of inferences in such cases mainly depends upon the Genuineness of the answers given by the respondents.

The concept and growth of service tax

The term service has not been defined under any of the provisions of service tax. However, we are aware of the features of 'service'. Service is intangible ,it is in the form of efforts. It

does not include sale of goods or property or commodities. So “effort exerted by a person

Sl No	Services	Respondents		
		Agree	Disagree	Total
1.	Engineering Consultancy Service	10	-	10
2.	Builder / Promoter Service	10	-	10

in
achiev
ing a
goal”m
ay be
regarde
d as
service.

Need for service tax.

For
several
decades,
the
focus of
attentio
n of
develop
ed and
developi
ng

countries was on primary and secondary sectors. The territory sector comprising of service activities was perceived only as a by product of development in the primary and secondary sectors. Many countries believe that the service sector, have low employment potential , less remunerative and productive, had poor revenue generating capacity with a negligible and slow growth opportunities. In view of these negative impressions about the service sector, it was given only a step motherly treatment by the policy makers as well as the tax authorities for a long time. As a result it's growth went unnoticed for several years.

AWRENESS OF THE RESPONDENTS ABOUT SERVICE TAX

3.	Stock Broking Service	09	01	10
4.	Security Agency Service	09	01	10
5.	Goods Transport Operator Services	09	01	10
6.	Air Travel Agents	10	-	10
7.	Advertising Agency	08	02	10
8.	Membership of Clubs Associates	04	06	10
9.	Health and Fitness Services	09	01	10
10.	Authorized Service Stations	05	05	10
11.	Courier Services	06	04	10
12.	Dry Cleaning Services	08	02	10
13.	Manpower Recruitment Agents	10	-	10
14.	CA, ICWAI, ACS Services	10	-	10
15.	Commercial Coaching and Training	09	01	10
16.	Real Estate Agents	09	01	10
17.	Out Door Catering Services	08	02	10
18.	Cable Operators	06	04	10
19.	Beauty Parlour	09	01	10
20.	Internet Café	07	03	10
21.	Tours and Travels	06	04	10
22.	Business Auxiliary Service	08	02	10
23.	Sound Recording and Photography	06	04	10

24.	Shamiyana Suppliers	05	05	10
25.	Cab Operators	04	06	10
	Total Number of Respondents	194	56	250
	Percentage	78%	22%	100%

Structure of service tax in India

Legislative history

The provisions relating to service tax came into effect from 1-7-1994 and gain their authority by virtue of entry number 97 of the union list of the seven schedule under article 246 of the constitution under which the central government is empowered to levy and collect any tax not mentioned either in the state list or in the concurrent list. Service tax extends to whole of India except the state of Jammu and Kashmir and applies to all taxable services provided on or after July 1st 1994. Vide chapter 5 of the finance act, 1994 service tax was initially imposed on three services in the organised sector namely, communications, general insurance and stock broking .Sections 64 to 96 of the finance act 1994 and service tax rules as amended from time to time, provide the base for procedural and operations.

Analysis and Interpretation

The table shows awareness of the respondents about service tax. Out of 250 respondents 194 (78 percent) respondents are aware and the remaining 56 (22 percent) respondents are unaware. It can be observed that out of 25 selected services, CA , ICWA , ACS services , builder services, air travel agent services and manpower recruitment agency services are significantly aware and low literate service providers like cab operators, Shamiyana suppliers, tours and travels service providers are majority (more than 05) unaware, about service tax.

Findings and Suggestions

Findings derived from the study of 250 respondents service providers belonging into 25 selected services in relation to general aspects concerning service tax

1. Majority 78% of the respondents are aware about service tax
2. The study shows that 45% of the respondents are aware about service tax through electronic media, 28% of the respondents are aware through tax consultants , 16% of the respondents are aware through other sources like friends relatives etc and the remaining 15% responded are aware through print media.

3. Majority 76% of the respondents are aware about the serial number, reference number, code and accounting code number, for his or her service..

Suggestions

1 . Though majority of the service providers are aware about the service tax in general most of the respondents lack awareness about specific important aspects concerning service tax. Hence, it is suggested that the department should make an effort to educate that service providers through various measures including the use of electronic media which appears to be an important tool in creating awareness.

2 . Majority of the respondents have disagreed with the present rate of service tax, disagreed with the inclusion of their service and service tax, disagreed with the expansion of service tax net in general and apprehensive about the negative effects of service tax on the growth of small service providers. So, it is suggested that the government take care of all these issues while expanding the service tax net.

Conclusion

The researcher is of the opinion that the above mentioned suggestions , if not pigeon hold , will go a long way in improving the service tax structure , so as to serve the requirements of the service providers and also making the operation of service tax system a smooth affair.

Bibliography;

1. Government of India ,final report of the tax reforms committee ,ministry of finance ,department of economic affairs ,New Delhi ,1992
2. Government of India, final report on rationalization and simplification of the tax structure ,ministry of finance ,department of economic affairs ,New Delhi ,1968
3. Government of India ,final report on rationalization and simplification of the tax structure, ministry of finance ,department of economic affairs ,New Delhi ,1991.
4. Government of India ,report of the indirect taxation enquiry committee, ministry of finance, department of economic affairs , New Delhi ,1978.
5. Kothari C.R. “Research Methodology Method and Techniques”, Viswa Prakash Publications, Bangalore, 2000.
6. Krishnaswamy, O.R., “Methodology of Research in Social Sciences”, Himalaya Publishing House, Bombay, 1993.

7. Mittal,J.K. "Law Practice and Procedure of Service Tax", Bharat Law House Pvt. Ltd., New Delhi. 2004.
8. Mohan Lavi, R. "Service Tax (Concept, Practice and Procedure)" Bharat law House Pvt.Ltd., New Delhi, 2003.