

## Huge increase in interest rate for delayed ST payment unjustified : 15-07-2014



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It is shocking to see the increase in the interest rates effective from October 1, 2014, announced by the Government, vide Notification No.12/2014-ST, dated 11.07.2014 in terms of which, the interest rate for delayed payment of service tax which is already at a high rate of 18%, would go up further, depending on the delay. I've used the table provided in the said circular, as under -

<b>Sl.No. (1)</b>	<b>Period of delay (2)</b>	<b>Rate of simple interest (3)</b>
1.	Up to six months	18 per cent.
	More than six months and up to one year	18 per cent for the first six months of delay and 24 per cent for the delay beyond six months.
2.	one year	18 per cent for the first six months of delay; 24 per cent for the period beyond six months up to one year and 30 per cent for any delay beyond one year.
3.	More than one year	

An interest rate of 30% is unheard of in any civilized country. Given the fact that service provider is liable to pay service tax even before collecting his dues from his customers, this steep increase looks totally unjustified. This high interest rate under the service tax law is to be compared with a modest interest of 18% under the VAT laws of most States, irrespective of the delays.

Compare these high interest rates payable by the hapless assessee, with the interest that the Government is supposed to pay for delayed refunds, etc. which continues to stand at a ridiculously low rate of 6% per annum, over the last 10 years or so. The assessee has to move the heavens to get interest, even in cases where he is able to get a judicial decision in his favour.

Considering that even the States charge only 18% for delayed payment of VAT, where is the justification for the Central Government to go in for this steep increase?

If this is not tax terrorism, what is?