

# Study on Reasons for Dissatisfaction about Service tax Laws; A Study of Bangalore city

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**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, convient, 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 happen 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.

**Key words;** Toll, Laissez-Faire, Ad Hoc, Ejusdem Genervis, Per- Se

## 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.

The concept of taxation discussed by the sage Kautilya 2100 years ago, are still valid and relevant. Koutilya was deeply conscious of the maximum limit of tax that can be safely demanded from the citizens .He said, just as one plucks fruits from a garden as they ripen ,so shall a king have the revenue collected as it becomes due , just as one does not collect unripe fruits , he shall avoid

taking wealth that is not due because that will make the people angry and spoil the very source of revenue.

### **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 taxpayer. 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 happen 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.

K.N Raj committee: (1972)

L.K Jha committee: (1976)

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**

Hariom Jindal 2003 October ; Has attempted in his paper titled ‘ procedure for payment of service tax’ to analyze and critically reveal the procedure under service tax.

Pratima Jain 2002 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 “ Study on Reasons for Dissatisfaction about service tax Laws - 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.
4. To study the reasons for dissatisfaction about 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 10 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 simple random method. The number of respondents chosen for the study is 91 respondents spreading over 10 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 91 respondents have been selected for the study.

2. The 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.

3. Owing to constraints of time and money the Researcher is unable to enlarge the scope of the study and the size of the sample.

### **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 in achieving a goal" may be regarded as service.

### **Need for service tax.**

For several decades, the focus of attention of developed and developing countries was on primary and secondary sectors. The tertiary sector comprising of service activities was perceived only as a byproduct 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 its growth went unnoticed for several years.

### **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 seventh 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 organized 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 exhibits the reasons for dissatisfaction about the existing service tax laws .The field work reveals that 40.66% of the respondent service providers have opined that , service tax laws are lengthy and time consuming , 34.07% of the respondent service providers opined that laws are not easy to understand .

19.78% of the selected respondent service providers felt that laws are not written in local languages and the remaining 05.49% of the respondent service providers opined that laws are not properly implemented by the authorities. However, it is significant to note that CA, ICWAI and ACS service providing respondents were satisfied about service tax laws.

## Findings

Findings derived from the study of 91 respondent's service providers belonging into 10 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 34.07% of the respondents feel that the service tax Laws are not easy to understand .
3. The study says that 19.78% respondents opine that laws are not written in local language.
4. The study says that 40.66% respondents opine that it takes a lengthy procedure and time consuming effort to refer.
5. The study shows that 5.49% respondents opine that laws are not properly implemented.

## Suggestions

1. Though majority of the service providers are dissatisfied about the service tax laws are not properly implemented ,and laws are lengthy in procedure and time consuming to implement , for which authorities look upon in redressing the opinion of respondent service providers.
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.

## REASONS FOR DISSATISFACTION ABOUT SERVICE TAX LAWS

SI NO	RESPONDENTS SERVICES	Reasons for dissatisfaction				Total
		Laws are not easy to understand	Laws are not written in local languages	Lengthy procedure and time consuming	Laws are not properly implemented	
1	Stock Broking Services	04	01	05	00	10
2	Advertising agency services	03	03	04	00	10
3	Air travel agent services	02	00	06	02	10
4	Consulting engineer services	03	00	06	01	10
5	Man power recruitment agency	04	02	04	00	10
6	CA, ACS, ICWAI Services	00	01	00	00	01
7	Security agency services	03	04	03	00	10
8	Authorised service station	04	02	04	00	10
9	Goods transport agency	05	03	02	00	10
10	Builder / Promoter services	03	02	03	02	10
Total No of Respondents		31	18	37	05	91
Percentages		34.07%	19.78%	40.66%	5.49%	100%

## 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.

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