

Draconian Interest

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The rate of interest for delayed payment of service tax under section 75 of the Finance Act, 1994 has been substantially increased vide Notification 12/2014 ST Dt. 11.07.2014. See the following example to understand, as to how this interest liability could be a whopping figure.

S.No.	Description	Amount
1	Service Tax demand for the month January 2014 is being disputed	Rs.10,00,000
2	The issue is finally settled at Tribunal on 31.07.2018 and the assessee decides to pay up the service tax. Let us calculate the interest payable	
3	Interest @ 18 % pa from 05.02.2014 to 30.09.2014 (176 days)	Rs.86,795
4	Interest for the period from 01.10.2014 to 04.02.15 @24 % pa, as this delay is beyond six months and upto one year (127 days)	Rs.83,508
5	Interest for the period from 05.02.15 to 31.07.2018 (1273 days)	Rs.10,46,301
6	Total interest payable	Rs.12,16,604
7	Further there may various penalties also.	

Is it an indirect strategy to make the assesses pre deposit the entire service tax demand, though section 35 F requires only 7.5 % to be pre deposited?