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Analysis of Service Tax Revenue and Assesseees in India for the Period 1994-95 to 2009-10

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Abstract

The hypothesis of the research is that Service Tax is one of the major sources of revenue to the government. The present research analyses service tax revenue on the basis of tax rate and tax base. The topic covers different type of analysis in relation to service tax revenue during the period 1994-95 to 2009-10. The analyses covered includes All India Year-wise Service Tax Revenue Collection, Number of Services Taxed, Number of Assesseees under the purview of service tax, Growth Percentage in Service Tax Revenue during the period, Growth Percentage in Service Tax Number of Assesseees, Zone wise Service Tax Revenue Collection, Zone wise Service Tax Number of Assesseees. On the basis of analysis the hypothesis Service Tax is one of the major sources of revenue to the government stands accepted.

Keywords: Service tax revenue, Service tax number of Assesseees, Service tax rate, Number of Services Taxed.

Introduction

As per the Finance Act 1994, all service providers in India, except those in the state of Jammu and Kashmir, are required to pay a service tax in India. The provisions related to service tax come into effect on 1st July 1994. When the concept of Service Tax was introduced in India in 1994-95, only three services came under the purview of the tax. Since then, in several phases and installments, the government has brought nearly 117 categories under the ambit of service tax.

The government charges service tax in India on the gross amount which the service providers charge from their clients. By bringing more and more services within the scope of service tax, the government intends to enhance its revenue earnings manifold.

The Service Tax rate used to be 5% when the government first launched service tax in India in 1994. In 2003, this was hiked to 8%, in 2004 it increases to 10.20%, in 2006 it increases to 12.24%, in 2007 it increases to 12.36%. Since 24th February 2009 the rate of service tax in India is 10.30%, including a 2% Education Cess and 1 % Secondary and Higher Secondary Education Cess.

The Service Tax collection has shown a steady rise since its inception in 1994. Ever since the introduction of Service Tax in India since 1994 a sort of interest was generated as to analyze the available Service Tax data with a view to establish certain relations with certain variables such as service tax revenue, number of taxable services and number of service tax Assesseees. In order to have an in depth study through research a topic "Analysis of Service Tax Revenue and Assesseees in India for the period 1994-95 to 2009-10" is selected.

Hypothesis

The following tentative hypotheses were taken up for testing with the help of empirical data collected:

Hypothesis: Service Tax is one of the major sources of revenue to the government.

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Methodology

This study will be mainly based on the secondary data either published or available from the government records or available from websites. The necessary secondary data will be collected mainly from the Budget Documents, published by the Ministry of Finance of Government of India, Various Reports on India’s Tax Reforms, RBI Bulletins-Issues particularly related to budget of Government of India, Various statutes in force in relation to service tax, Notifications, Circulars and Trade Notices, Annual Performance Reports of DGST. The data collected from various sources were tabulated and interpreted with the help of accounting techniques, statistical techniques and computer aided techniques.

The Analysis of Service Tax Revenue and Assesseees in India for the period 1994-95 to 2009-10 is mainly with following different basis.

1. All India Year-wise Service Tax Revenue Collection 1994-95 to 2009-10
2. Number of Services Taxed 1994-95 to 2009-10
3. Number of Assesseees under the purview of service tax 1994-95 to 2009-10
4. Growth Percentage in Service Tax Revenue during the period 1994-95 to 2009-10
5. Growth Percentage in Service Tax Number of Assesseees during the period 1994-95 to 2009-10
6. Zone wise Service Tax Revenue Collection 2004-05 to 2009-10
7. Zone wise Service Tax Number of Assesseees 2004-05 to 2009-10

All India Year-Wise Service Tax Revenue Collection 1994-95 TO 2009-10

Service tax revenue target (SBE) for the year 2009-10 was fixed at Rs.65000 crores i.e. 0.84% higher over the last

year’s SBE of Rs. 64460 crores. This SBE was later revised to Rs.58000 crores and the actual revenue collection during 2009-10 was Rs.58336.36 crores, which exceeded the target by Rs. 336.36 crores (0.58%). However, the revenue realized in 2009-10 i.e. Rs.58336.36 crores was less by 3.90% over the collection of Rs. 60701.89 Crores in the last fiscal year 2008-09, the main reasons for this being the reduction in the rate of Service Tax from 12% to 10% and the overall economic recession. The service tax collections have shown a steady rise since its inception in 1994. They have grown almost 142 folds since 1994-95 i.e. from Rs.410 cores (1994-95) to Rs.58336.36 crores (2009-10)¹. It is depicted in Table-1 and Chart-1.

Table 1: All India Year Wise Service Tax Revenue Collection

Financial Year	Revenue Rs. Crores
1994-1995	410
1995-1996	846
1996-1997	1022
1997-1998	1515
1998-1999	1787
1999-2000	2072
2000-2001	2612
2001-2002	3305
2002-2003	4125
2003-2004	7890
2004-2005	14196
2005-2006	23053
2006-2007	37482
2007-2008	51133
2008-2009	60702
2009-2010	58336
Total	270486

Source: Master Data of Service Tax, DGST Mumbai

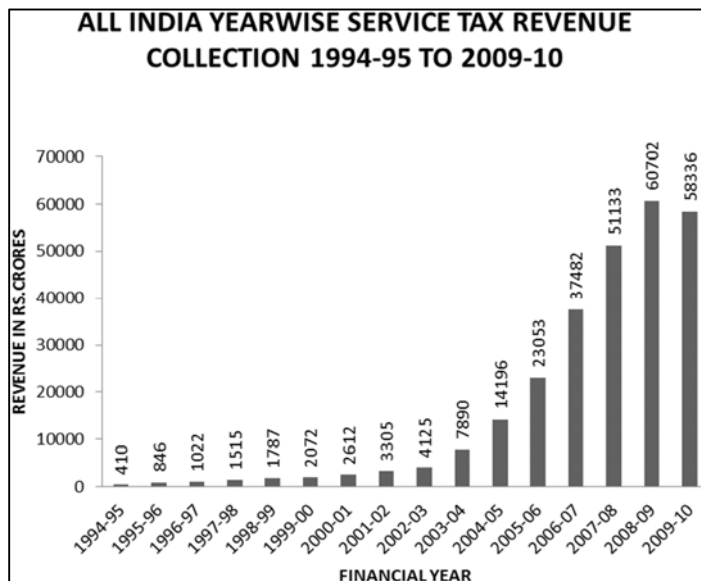


Chart-1

Table-1 and Chart-1 shows All India Year wise Service Tax Collection during 1994-95 to 2009-10. The service tax collection in the year 1994-95 was Rs.410 crores, then it was continuously increased every year, in the year 2008-09 it was Rs.60702 crores. In the year 2009-10 it was decrease to

Rs.58336 crores which was due to decrease in service tax rate and slowdown in economy.

Number of Services Taxed 1994-95 to 2009-10

There is a sustained growth in the number of services taxed during 1994-95 to 2009-10. In the year 1994-95 services

taxed were only three in number. Then every year number of services taxed shows increasing trend. Every year Financial Act adds certain number of services in the service tax manifold. In the year 2009-10 taxable services are 117 in numbers².

Table 2: Number of Services Taxed 1994-95 to 2009-10

Financial Year	Number of Services Taxed
1994-1995	3
1995-1996	6
1996-1997	6
1997-1998	18
1998-1999	26
1999-2000	26
2000-2001	26
2001-2002	41
2002-2003	52
2003-2004	62
2004-2005	75
2005-2006	84
2006-2007	99
2007-2008	100
2008-2009	106
2009-2010	117
Total	847

Source: Master Data of Service Tax, DGST Mumbai

Table-2 indicates Number of Services Taxed during the period 1994-95 to 2009-10. As can be seen from this table there has been an exponential growth in the number of services under the tax net ever since 1994.

Number of Assesseees under the Purview of Service Tax 1994-95 to 2009-10

As against 1204570 Assesseees till 31.03.2009, the total assessed base was 1307286 as on 31st March, 2010, thus marking an increase of 102716 (8.53%). There is a sustained

growth in the assessee base from 3943 numbers in 1994-95 to 1307286 in the year 2009-10³. In the year 2005-06, the small service providers, providing services of value not exceeding Rs. 4 lakhs, were exempted from payment of service tax by notification No.6/2005 dated 1.3.2005. As a result, some of the existing registrants went out of the tax net and surrendered their registration with the Department. However, large number of registrants continued with the registration, even if their turnover was below Rs. 4 lakhs. The assessee-base statistics from 1994-95 to 2009-10 are shown Table-3. As can be seen from the Table-3 and Chart-2 there has been an exponential growth in the number of Assesseees, as well as, number of services under the tax net ever since 1994. The period of 1996-99 showed the maximum growth in the assessee base. Then 2004-05 had 92% growth (i.e. an addition of nearly 3.7 lakhs Assesseees).

Table 3: Number of Assesseees 1994-95 to 2009-10

Financial Year	Number of Assesseees
1994-1995	3943
1995-1996	4866
1996-1997	13982
1997-1998	45991
1998-1999	107479
1999-2000	115495
2000-2001	122326
2001-2002	187577
2002-2003	232048
2003-2004	403856
2004-2005	774988
2005-2006	846155
2006-2007	940641
2007-2008	1073075
2008-2009	1204570
2009-2010	1307286
Total	7384278

Source: Master Data of Service Tax, DGST Mumbai

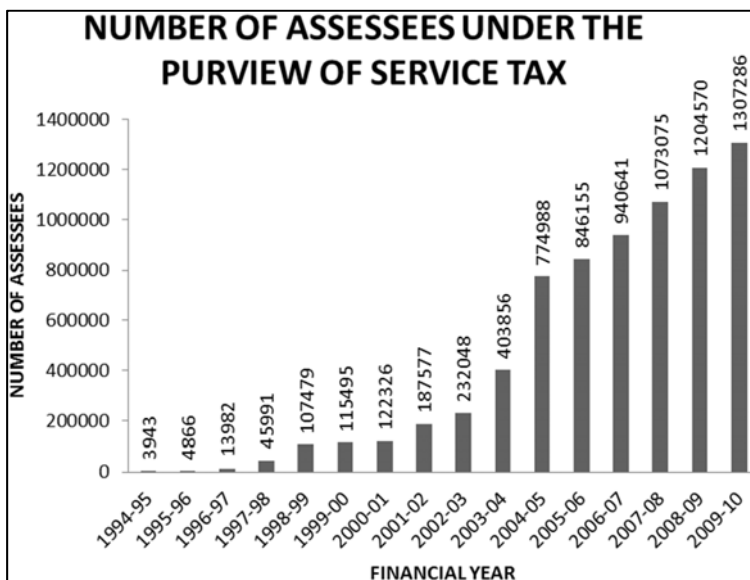


Chart-2

Growth Percentage in Service Tax Revenue during the Period 1994-95 to 2009-10⁴

As can be seen from the Table-4 there has been a continuous growth in the service tax revenue, since 1994. The period of 1995-96 showed the maximum growth in the service tax

revenue. Then 2003-04 had 91.27% growth. In the year 2009-10 there has been negative growth by 3.90% over Rs.60702 crore in 2008-09. It is mainly due to decrease in service tax rate.

Table 4: Growth Percentage in Service Tax Revenue

Financial Year	Revenue Rs. Crores	Growth %
1994-1995	410	Base Year
1995-1996	846	106.34
1996-1997	1022	20.80
1997-1998	1515	48.24
1998-1999	1787	17.95
1999-2000	2072	15.95
2000-2001	2612	26.06
2001-2002	3305	26.53
2002-2003	4125	24.81
2003-2004	7890	91.27
2004-2005	14196	79.92
2005-2006	23053	62.39
2006-2007	37482	62.59
2007-2008	51133	36.42
2008-2009	60702	18.71
2009-2010	58336	-3.90

Growth Percentage in Service Tax Number of Assesseees during the Period 1994-95 to 2009-10⁵**Table 5:** Growth Percentage in Service Tax Number of Assesseees

Financial Year	Number of Assesseees	Growth %
1994-1995	3943	Base Year
1995-1996	4866	23.41
1996-1997	13982	187.34
1997-1998	45991	228.93
1998-1999	107479	133.70
1999-2000	115495	7.46
2000-2001	122326	5.91
2001-2002	187577	53.34
2002-2003	232048	23.71
2003-2004	403856	74.04
2004-2005	774988	91.90
2005-2006	876155	9.18
2006-2007	940641	11.17
2007-2008	1073075	14.08
2008-2009	1204570	12.25
2009-2010	1307286	8.53

As can be seen from the Table-5 there has been an exponential growth in the number of Assesseees, under the tax net ever since 1994. The period of 1996-99 showed the maximum growth in the assessee base. Then 2004-05 had 91.90% growth (i.e. an addition of nearly 3.7 lakhs Assesseees).

Zone Wise Service Tax Revenue Collection 2004-05 To 2009-10

Zone wise performance in service tax revenue collection of all zones for the period 2004-05 to 2009-10 is given in the Table-6⁶.

Table 6: Zone Wise Service Tax Revenue Collection Rs. Crores

Sr. No.	Zones	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Ahmedabad	601.98	859.99	1251.11	1717.22	2017.58	1975.44
2	Bangalore	761.04	1259.22	2107.06	2796.46	3455.56	3175.00
3	Bhopal	274.57	463.81	681.88	938.32	1148.91	1046.25
4	Bhubaneshwar	153.07	263.94	424.68	692.75	817.23	784.50
5	Chandigad	386.15	512.47	705.23	842.73	948.23	680.96
6	Chennai	1092.73	1645.36	2681.65	3530.82	3620.48	3335.02
7	Kerala	355.78	458.36	708.49	956.76	1009.78	907.12
8	Coimbatore	348.43	460.96	753.69	946.01	932.91	765.95
9	Delhi	2110.90	3691.93	5916.73	8440.15	10178.93	9895.07
10	Hyderabad	437.75	723.06	1248.19	1823.11	2190.72	2039.34
11	Jaipur	280.18	426.38	664.29	832.16	914.59	817.14
12	Kolkata	941.44	1270.40	1741.67	2317.12	2744.61	2712.79
13	Lucknow	304.13	464.33	525.13	647.31	769.49	704.90
14	Mysore	191.15	267.77	418.02	566.73	661.51	604.49

15	Meerut	253.48	459.81	768.77	1001.77	1145.74	1082.45
16	Mumbai-I	3979.68	7099.05	12400.42	17314.08	20205.11	18440.84
17	Mumbai-II	130.76	166.30	220.98	277.38	350.13	315.80
18	Nagpur	231.34	381.67	594.32	683.63	761.88	725.04
19	Pune	514.64	917.11	1498.35	2062.32	2393.24	2184.01
20	Ranchi	164.55	232.16	379.27	525.72	636.26	655.99
21	Shillong	85.01	128.20	189.51	228.89	279.92	299.39
22	Vadodara	216.65	433.03	709.52	902.51	980.57	963.11
23	Vishakhapatnam	216.36	311.36	477.69	647.45	859.48	814.03
24	LTU	0.00	0.00	141.00	535.48	1935.58	3202.84
	Grand Total	14031.77	22896.67	37207.65	51226.88	60958.44	58127.47

Source: As Reported by Zones

The Table-6 shows the Zone wise performance in service tax revenue collection during 2004-05 to 2009-10. There are 24 zones which are collecting service tax revenue. The service

tax revenue reported by such zones is as depicted in the Table-6.

Table 7: Zone Wise Service Tax Revenue Collection trend

Sr.No.	Zones	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Ahmedabad	100	143	208	285	335	328
2	Bangalore	100	165	277	367	454	417
3	Bhopal	100	169	248	342	418	381
4	Bhubaneshwar	100	172	277	453	534	513
5	Chandigarh	100	133	183	218	246	176
6	Chennai	100	151	245	323	331	305
7	Kerala	100	129	199	269	284	255
8	Coimbatore	100	132	216	272	268	220
9	Delhi	100	175	280	400	482	469
10	Hyderabad	100	165	285	416	500	466
11	Jaipur	100	152	237	297	326	292
12	Kolkata	100	135	185	246	292	288
13	Lucknow	100	153	173	213	253	232
14	Mysore	100	140	219	296	346	316
15	Meerut	100	181	303	395	452	427
16	Mumbai-I	100	178	312	435	508	463
17	Mumbai-II	100	127	169	212	268	242
18	Nagpur	100	165	257	296	329	313
19	Pune	100	178	291	401	465	424
20	Ranchi	100	141	230	319	387	399
21	Shillong	100	151	223	269	329	352
22	Vadodara	100	200	327	417	453	445
23	Vishakhapatnam	100	144	221	299	397	376
24	LTU	100					
	Grand Total	100	163	265	365	434	414

Table-7 shows the Trend of Zone wise performance in service tax revenue collection during 2004-05 to 2009-10⁷. In this table 2004-05 is treated as base year and revenues of each zone in this year is assumed as 100. The data in Table-6 is reduced in the trend percentage form by considering revenue figure in the respective year divided by revenue figure in the base year and multiplying it by 100. The Table-7 shows increase in trend of revenue during 2004-05 to 2008-09 in respect of all zones. The revenue of these zones

shows declining trend in the year 2009-10. It is due to reduction in the service tax rate and the overall economic recession.

Zone Wise Service Tax Number of Assesseees 2004-05 to 2009-10

Zone wise service tax number of Assesseees of all zones for the period 2004-05 to 2009-10 is given in the Table-8⁸.

Table 8: Zone Wise Service Tax Number of Assesseees

Sr.No.	Zones	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Ahmedabad	47130	51116	57850	61820	62636	64419
2	Bangalore	31422	40141	49003	61743	71836	77489
3	Bhopal	43936	46339	46322	50345	49396	53346
4	Bhubaneshwar	9782	11847	14406	17215	16805	18986
5	Chandigarh	33669	35908	38211	41855	43540	45464
6	Chennai	38559	41985	51147	57546	69191	70475
7	Kerala	33028	19274	20121	21276	23386	24158
8	Coimbatore	45962	45407	48957	51396	61743	64286
9	Delhi	71319	89384	104127	124982	144699	156811
10	Hyderabad	20324	23692	27338	35948	40947	45578
11	Jaipur	45602	42540	46041	49416	53303	56370
12	Kolkata	32138	37588	30616	38507	51966	64996
13	Lucknow	32548	36112	37387	40303	46490	54438
14	Mysore	20190	18970	20040	21861	24059	23636
15	Meerut	27692	28920	31396	34381	36439	45890
16	Mumbai-I	89260	110665	132974	159502	178328	188843
17	Mumbai-Ii	2244	2542	2958	3356	3810	4375
18	Nagpur	33951	36661	39569	44134	48511	52340
19	Pune	40110	47295	56028	63508	73920	83075
20	Ranchi	14613	14785	15637	19361	24392	27303
21	Shillong	8587	9266	9873	10914	12399	13303
22	Vadodara	30353	30952	34937	37065	38576	39810
23	Vishakhapatnam	22569	24766	25613	26506	27654	31379
24	LTU	0	0	90	135	544	516
	Grand Total	774988	846155	940641	1073075	1204570	1307286

Source: As Reported by Zones

Table 9: Zone Wise Service Tax Number of Assesseees Trend

Sr.No.	Zones	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Ahmedabad	100	108	123	131	133	137
2	Bangalore	100	128	156	196	229	247
3	Bhopal	100	105	105	115	112	121
4	Bhubaneshwar	100	121	147	176	172	194
5	Chandigarh	100	107	113	124	129	135
6	Chennai	100	109	133	149	179	183
7	Kerala	100	58	61	64	71	73
8	Coimbatore	100	99	107	112	134	140
9	Delhi	100	125	146	175	203	220
10	Hyderabad	100	117	135	177	201	224
11	Jaipur	100	93	101	108	117	124
12	Kolkata	100	117	95	120	162	202
13	Lucknow	100	111	115	124	143	167
14	Mysore	100	94	99	108	119	117
15	Meerut	100	104	113	124	132	166
16	Mumbai-I	100	124	149	179	200	212
17	Mumbai-II	100	113	132	150	170	195
18	Nagpur	100	108	117	130	143	154
19	Pune	100	118	140	158	184	207
20	Ranchi	100	101	107	132	167	187
21	Shillong	100	108	115	127	144	155
22	Vadodara	100	102	115	122	127	131
23	Vishakhapatnam	100	110	113	117	123	139
24	LTU	100					
	Grand Total	100	109	121	138	155	169

Table-9 shows the Trend of Zone wise number of Assesseees during 2004-05 to 2009-10⁹. In this table 2004-05 is treated as base year and number of Assesseees of each zone in this year is assumed as 100. The data in Table-8 is reduced in the trend percentage form by considering number of Assesseees figure in the respective year divided by number of Assesseees figure in the base year and multiplying it by 100. The Table-9 shows increase in trend of number of Assesseees during 2004-05 to 2009-10 in respect of all zones with certain

exceptions. The trend in the year 2005-06 of some zones shows declining trend which is due to the exemption to small service providers, providing services of value not exceeding Rs. 4 lakhs, were exempted from payment of service tax by notification No.6/2005 dated 1.3.2005. As a result some of the existing registrants went out of the tax net and surrendered their registration with the department. There is overall increase in number of Assesseees during the period 2004-05 to 2009-10.

Conclusions

To study the topic under research a theoretical and numerical data is considered. The researcher collected authentic data from the Department of Revenue, Ministry of Finance, Government of India. The collected data is analyzed by using accounting techniques and statistical techniques. In addition computer assisted techniques also used. These techniques are comparative statements and trend statements. The chart and graphs are prepared in support of numerical data in tables. On the basis such analysis of topic under study the following conclusions were drawn.

1. There has been phenomenal rise in the revenue significance of Service Tax mainly because of increasing number of services subject to the tax and simultaneous & significant rise on the rate of Service tax.
2. Table-1 and Chart-1 indicates that the service tax collections have shown a steady rise since its inception in 1994. They have grown almost 142 folds since 1994-95 i.e. from Rs.410 cores (1994-95) to Rs.58336.36 crores (2009-10). The service tax revenue in the year 1994-95 was Rs. 410 crores increased to Rs. 60702 crores in the year 2008-09 and decreased to Rs.58336 crores in the year 2009-10. The main reasons for this being the reduction in the rate of Service Tax from 12% to 10% and the overall economic recession. Overall it shows significant rise in service tax collections over the 16 years period.
3. Table-2 shows that in the year 1994-95 services taxed were only three in number. Then every year number of services taxed shows increasing trend. Every year Financial Act adds certain number of services in the service tax manifold. In the year 2009-10 taxable services are 117 in numbers. Service tax introduced with 3 services in the organized sector. Since then, in several phases and installments, the government has brought 117 categories under the ambit of service tax. It shows Increasing number of services subject to the tax. Looking to increasing trend in the number of taxable services, the intensity of the government seems to be absolutely clear to tax maximum number of services.
4. Table-3 and Chart-2 indicates that as against 1204570 Assessee till 31.03.2009, the total assessed base was 1307286 as on 31st March, 2010, thus marking an increase of 102716 (8.53%). There is a sustained growth in the assessee base from 3943 numbers in 1994-95 to 1307286 in the year 2009-10. It shows increase in number of Assessee 332 times over the 16 years period.
5. As can be seen from the Table-4 there has been a continuous growth in the service tax revenue, since 1994. The period of 1995-96 showed the maximum growth in the service tax revenue. Then 2003-04 had 91.27% growth. In the year 2009-10 there has been negative growth by 3.90% over Rs.60702 crore in 2008-09. It is mainly due to decrease in service tax rate.
6. As can be seen from the Table-5 there has been an exponential growth in the number of Assessee, under the tax net ever since 1994. The period of 1996-99 showed the maximum growth in the assessee base. Then 2004-05 had 91.90% growth (i.e. an addition of nearly 3.7 lakhs Assessee).
7. The Table-7 shows increase in trend of revenue during 2004-05 to 2008-09 in respect of all zones. The revenue of these zones shows declining trend in the year 2009-

10. It is due to reduction in the service tax rate and the overall economic recession.

8. The Table-9 shows increase in trend of number of Assessee during 2004-05 to 2009-10 in respect of all zones with certain exceptions. There is overall increase in number of Assessee of zones during the period 2004-05 to 2009-10.
9. On the basis of different analysis the hypothesis Service Tax is one of the major sources of revenue to the government stands accepted.

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