

Finance Act 1994

Section 76 - Penalty for Failure to Pay Service Tax

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Any person, liable to pay service tax in accordance with the provisions of section 68 or the rules made under this Chapter, who fails to pay such tax, shall pay, in addition to such tax and the interest on that tax amount in accordance with the provisions of section 75, a penalty which shall not be less than two hundred rupees for every day during which such failure continues or at the rate of two per cent. of such tax, per month, whichever is higher, starting with the first day after the due date till the date of actual payment of the outstanding amount of service tax:

Provided that the total amount of the penalty payable in terms of this section shall not exceed the service tax payable.

Illustration

X, an assessee, fails to pay service tax of Rs. 10 lakhs payable by 5th March. X pays the amount on 15th March. The default has continued for 10 days. The penalty payable by X is computed as follows:--

2% of the amount of default for 10 days = $2 \times 10,00,000 \times 10/31 = \text{Rs. } 6,451.61$

Penalty calculated @ Rs. 200 per day for 10 days =Rs. 2,000

Penalty liable to be paid is Rs. 6,452.00.];

1. Substituted by the Finance Act, 2006.
