

Insurance cos under service tax net for flouting rules

According to the audit, many insurance companies wrongfully availed of the central value-added tax (CENVAT) scheme to avoid taxes on certain services.

The insurance sector may soon come under the purview of service tax, after a FY12-13 CAG report pointed towards irregularities, wherein many insurance companies are said to have flouted tax rules.

The audit conducted had raised questions on a possible case of tax evasion, which is now being investigated by the service tax department.

According to the audit, many insurance companies wrongfully availed of the central value-added tax (Cenvat) scheme to avoid taxes on certain services like administrative ones and in case of life companies that give endowment policies.

Cenvat Credit is a scheme where the manufacturers or the output service providers are allowed a set off taxes paid on inputs.

The service tax department has now taken cognizance of this and will be sending show-cause notices to many big private and public insurance companies.

According to sources, TATA AIA has already received a show-cause notice and few other insurance companies may come under the scanner soon.

TATA AIA in an email has confirmed to CNBC-TV18 that they are examining the matter and will respond to the concerned authorities appropriately. Other insurance companies are yet to respond.

(Moneycontrol.com)