

KARNATAKA STATE BEVERAGES CORPORATION LIMITED**Circular No.152.**

16.11.2007.

Liquor Sourcing Policy 2007-08 – Levy of Service Tax on penalty for old stocks

Circular No.121 dated 25.11.2006 reads as follows:-

“1.0 Liquor sourcing policy for the year 2006-07, issued vide circular 104 dated 19.06.2006, Clause 8.03 envisages levy of penalty on stocks of liquor other than those imported from outside India, that are more than 3 months old at the rate of Rs.60/- per carton box per month or part thereof.

2.0 The penalty was levied and collected for the years 2003-04, 2004-05 and 2005-06, as per the rates prevailing in the respective years.

3.0 The Commissioner of Service Tax, Bangalore, has issued a demand for payment of service tax at the applicable rates on the amount of penalty for old stocks (earlier known as demurrages, storage fee). We have filed an appeal before the CESTAT contesting the demand of service tax by the Commissioner, Service Tax, Bangalore.

4.0 Without prejudice to our stand before the CESTAT, it is proposed to collect service tax at applicable rates (presently 12.24%) on the amount of penalty for old stocks w.e.f. 01.04.06, and remit the same to the Government of India. The amount will be remitted under protest without prejudice to our contention before the CESTAT. Debit notes for service tax will be raised along with the penalty for old stocks. In the event, the appeal before CESTAT going in favour of the Corporation, the amount of service tax collected from the distilleries will be refunded after receipt of the amount from the service tax department.”

The appeal filed before the CESTAT has been decided in favour of KSBCL. Hence there is no need to collect service tax anymore, on the amount of penalty for slow moving stocks. Hence no service tax be collected with immediate effect on penalty for slow moving stocks. Further, the amount of service tax collected from the distillers will be refunded after receipt of the amount from the service tax department.


Managing Director

To

- i) All Manufacturers & Suppliers
- ii) OSD(F)/ED-O/ CS & ED (A&A)
- iii) GM/DGM(O)/AGM(O)/CA(IA)/AAO/Managers
- iv) All IML Depot Managers
- v) Circular – Master File