

SUMMARY OF TAXABLE SERVICES

| | Name of service | Coverage | | Included services | <ul style="list-style-type: none"> • Excluded (Not Covered) • Exemption (Covered but CG given exemption for time being) |
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| | | Sr Provider | Sr Receiver | | |
| (1) | Architect service | Architect [Registered Architect] | A Client | Any service in professional capacity | |
| (2) | Practicing CA Service | Practicing CA [Individual (member + Holding CoP) & Any concern ----- engaged in rendering services in the field of Chartered Accountancy] | A Client | Any service in professional capacity 1) Service of Audit, A/cs Writing, IT Return Preparation and filing etc. 2) CA edits a journal published a Taxman and receives payment for that. 3) CA gives coaching to students and receives payment for that. 4) Mr A has not paid Income Tax. ITO has issued a notice u/s 148 to Mr A for assessing income escaping assessment. Mr has approached CA DG (the renowned PCA) to represent him before the ITO. 5) Mr A has approached CA DG to prepare a representation seeking exemption from excise duty on the product manufactured by it and to explain circumstances of exceptional nature to the Joint Secretary concerned in Ministry of Finance. | <u>Exemption[CA/CS/CWA]</u> Representational services (service of representing client before any statutory authority) shall be exempt from service tax if it relates to ⇒ proceedings initiated by the statutory authority under any law ⇒ by way of issue of notice [E/N 25/2006] |
| (3) | Practicing C.S. Services | Practicing C.S. | A Client | Any service in professional capacity | <u>Exemption [same as for CA]</u> |
| (4) | Practicing CWA Services | Practicing CWA | A Client | Any service in professional capacity | <u>Exemption [same as for CA]</u> |
| (5) | Consulting engineer service | Consulting Engineer i) Professionally Qualified Engineer ii) Any Body Corporate [e.g. TCS] iii) Any Other Firm | A Client | Advice <u>or</u> Consultancy <u>or</u> Technical Assistance in Any Discipline of Engineering <u>Including</u> Computer Hardware Engg [FA, 07(A)] <u>but excluding</u> Computer Software Engg | |
| (6) | CHA (Customs House Agent) Service | Customs House Agent | A client | ⇒ Entry or Departure of Conveyance ⇒ Import or Export of Goods | |

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| | | | | <u>Services covered:</u> 1) Service of filing IGM/EGM for a shipping company; 2) Obtaining “Entry Inward” / “Entry Outward” for the shipping company 3) Arranging for loading of cargo for the client exporter; 4) Filing Bill of Entry / Shipping Bill and getting customs clearance for goods of client | |
| (7) | Fashion designing service | Fashion Designer | Any Person | Fashion Designing [Fash Designing = (Conceptualizing + Creating the Designs + Preparing Patterns) of ⇒ Costumes / Apparel , ⇒ Clothing Accessories , ⇒ Jewellery , ⇒ Other articles wearable by Human Beings] | ⇒ Tailor can't be said to be fashion designer (as he is not so understood in common parlance) – His stitching charges are not subject to ST |
| (8) | Design service [FA, 2007 (New Sr)] | Any Person (other than ⇒ Interior Décorator ⇒ Fashion Designer) | Any Person | Design Services <u>Design Service</u> includes designing of ⇒ Furniture , ⇒ Logos ⇒ Graphics ⇒ Websites ⇒ Corporate identity designing and ⇒ Production of 3 dimensional models <u>Services covered:</u> 1) General Motors (GM) undertakes the services of an expert (DC- Dilip Chabaria) to design the exterior of a new model of car. 2) Pepsi Co undertakes the services of an expert to design the shape of new bottle; 3) Pantaloons Retail has changed his name to FUTURE GROUP and has undertaken services of an expert to design a new logo for it; 4) A person designs a new model of dining table for a departmental store [it is immaterial whether he has got the design patterned or not]. | |
| (9) | Interior decorator service | Interior Decorator (It includes ⇒ Landscape designer) | A Client | Planning <u>or</u> Designing <u>or</u> Beautification of spaces . [Spaces= Open Space (Garden) or Closed Space (Room)] <u>Services covered:</u> VAASTU or FENG-SHUI Service also covered (as these relate to planning of spaces) | ⇒ |
| (10) | Management or Business Consultancy | Management or Business Consultant | A client | Management Consultancy | |

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| | Service [FA, 07(A)] | [No particular qualification necessary] | | It covers services of advice, consultancy or technical assistance in relation to : -Marketing Management -Production Mgmt - IT Resources Mgmt, Financial Mgmt, Human resource Mgmt - Other similar areas of Mgmt | |
| (11) | Manpower Recruitment / Supply Service | Manpower Recruitment / Supply Agency [Any person engaged in providing any service in any manner for recruitment or supply of manpower] | A client | <u>Recruitment</u> or <u>Supply</u> of Manpower (whether permanent or temporary) ⇒ A nursing home proposes to recruit trained nurses who have obtained training from recognized training institutes and have minimum 2 years working experience in nursing. The nursing home approaches an agency which agrees to screen the candidate, short-list them and supply nurses to nursing home.--- Taxable ⇒ A patient suffering from diabetes is critically ill. He is advised to be under care of a trained nurse for a month. An agency provides a trained nurse temporarily for a period of 1 month --- [Labour Contractor supplying labour on temporary basis (either for a particular period or for a particular project) also covered] ⇒ Educational Institutes such as HTs/ IIMs charge a fee from prospective employers like corporate houses/ MNCs, who come to the institutes for recruiting candidates through <u>campus interviews</u> . Whether charges recovered for this are also subject to ST?--- <u>Master Circular (2007)</u> :- Such institutes also fall within the definition of “Manpower Recruitment or Supply Agency”—so they also subject to ST | ⇒ |
| <p>M/s Renu Consultants are a labour contractor of manpower to M/s Sun Creations. They charge to the principal employer for the wages of their labour which amounts to Rs 1,20,000 plus their service charges of Rs 12,000 for arranging the labour. The issue is whether service is payable on the gross amount charged by them or only their charges for labour. Examine the case.</p> <p>ST is payable on the “value of taxable service” which shall be determined with reference to Sec 67 of the FAt, 1994. Sec 67 provides that value of taxable service shall be the gross amount charged by the service provider for the service. M/s Renu Consultant is providing the service of supply of manpower. In relation to their service, they have charged Rs 1,32,000 in totality which is inclusive of Rs 1,20,000 payable by them to labour as wages. CBEC in this context has clarified that the value shall include recovery of staff costs from the recipient e.g., salary and other contributions. Thus, M/s Renu consultant shall be liable to pay service tax on Rs 1,32,000/-. [<i>same view endorsed in PANTHER DETECTIVE SERVICES- 2007- TRIBUNAL</i>]</p> <p>Note: Whether there would be in any change in your answer if agreement provides for direct payment of Rs 1,20,000 by client to the staff and only Rs 12,000 is paid to M/s Renu Consultants, the manpower recruitment or supply agency? NO, CBEC has clarified that “even if agreement does not involve the recipient paying these staff costs to the supplier/service provider (because the salary is paid directly to the individual or the contributions are paid to the respective authority) these amounts are still part of the consideration and hence form part of the gross amount”.</p> | | | | | |
| (12) | Real estate agent service | Real Estate Agent [Who renders service in relation to ⇒ <u>Sale, Purchase,</u> ⇒ <u>Leasing/ Renting</u> of real estate] | A Client | Real Estate <u>Services covered:</u> 1. An industrial firm approaches real estate agent to assist in bargaining for price of piece of land. The assistance offered by the real estate agent is a service in relation to sale/purchase and thus, subject to ST. 2. A MNC Company asks a real estate consultant to advise on the site for a proposed SEZ . The service rendered by real estate consultant is taxable . | |

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| | | and includes --- Real Estate Consultant | | | |
| (13) | Renting of Immovable Property | Any Person | Any Person | ⇒ Renting of immovable property for use in course or furtherance of business or commerce. | |

Step-1: RENTING includes – Renting, Leasing, Licensing or Other Similar Arrangements

But it does not cover [A] Renting a) **by a Religious Body** b) **to a Religious body**
[B] Renting **to an Educational Body [other than CTCC]**

Step-2: IMMOVABLE PROPERTY

| includes | But does not include |
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| (i) Building (or part thereof) and land appurtenant thereto; | Building used solely for residential purposes Buildings used solely for purposes of Accommodation (including Hotels, Hostels, Boarding Houses, Holiday Accommodations, Camping Facilities] |
| (ii) Land incidental to use of such building (or part of building); <i>[e.g., landowner giving land on lease to person who constructed factory on plot]</i> | Land used for Educational, Sports, Circus, Entertainment and Parking purposes; Vacant Land solely used for – Agriculture, Aquaculture, Farming, Forestry, Animal Husbandary, Mining Purposes |
| (iii) Common/ Shared Areas and Facilities relating thereto; | |

Step-3: Renting shall be for use in course or furtherance of business or commerce

(1) For the purpose of this clause, “for use in course or furtherance of business or commerce” includes use of immovable property as
Factories, Warehouses, Theatres, Exhibition Halls and Multiple-use buildings.

(2) If an immovable property is “**partly for use in course or furtherance of business or commerce**” and “**partly for residential or any other purposes**” shall be **deemed to be immovable property for use in course or furtherance of business or commerce.**

Exemption

The **PROPERTY TAX** levied and collected by the local bodies **is allowed to be deducted** from the “Gross Amount Charged” for renting of immovable property for payment of service tax *[Such deduction shall be allowed on .*

However, **no such deduction** is allowed on account of **interest or penalty** paid to local bodies.

Illustration: A person who has rented his immovable property receives a rent of Rs 50,000 per month. He pays service tax on monthly basis (being an individual). He has paid a service tax of Rs 4,800 for the whole financial year. Thus, Rs 400 is the property tax payable for a month.

In this case, the monthly liability of service tax would be calculated as follows:

= [Rs 50,000 – Rs 400], i.e., 49,600 @ 12.36% = Rs 6,130.56 = Rs 6,131 (rounded off to the nearest of rupee)

Rule 6(4-C) of STR, 1994

Notwithstanding anything, where service tax in relation to service of “renting of immovable property” has been paid in excess on account of non-availability of deduction of property tax from the gross amount charged, then assessee may adjust the excess service tax paid by him against the service tax liability of the future period. Such adjustment shall be subject to following conditions:

- i) Such adjustment shall be made within a period of 1 year.
- ii) Intimation of such adjustment shall be given to the SCE within 15 days of such adjustment.

Ministry Clarification There may be situations where property tax is paid after the payment of service tax on the rental. As a result, deduction of property tax paid from rental could not be availed of at the time of payment of service tax. In such cases, Rule 4-C of the Service Tax Rules, 1994 provides for self-adjustment of excess service tax paid without any limit.

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| (14) | Advertisement Service | <p>Advertising Agency</p> <p>[Any person engaged in providing any service connected with <u>Making, Preparation, Display or Exhibition</u> of advertisement.</p> <p>It also includes an <u>Advertisement Consultant</u>.]</p> <p><u>[ZODIAC ADVERTISERS – 2003- TRIBUNAL</u></p> <p>For an agency to cover under “Advertising Agency”, <u>execution of all the above mentioned activities (i.e., making /preparation & display/exhibition) would be necessary.</u></p> <p>Further, while considering coverage of an activity under this category, it shall be noted that making of advertisement involves conceptualization, visualization, designing etc. and it is highly creative activity.]</p> | A Client | <p>Advertisement</p> <p><u>[Advertisement includes</u></p> <p>--- Any Notice, Circular, Label, Wrapper, Document, Hoarding</p> <p>--- <u>Any other audit or visual representation by means of light, sound or gas.</u></p> <p>E.g.</p> <ul style="list-style-type: none">■ Neon Signs put up in busy areas or highways (Use of Gas & Light)■ Huge Cut-outs put up on roads or roadsides or theatres (Hoardings)■ Advertisement on balloons flying in high altitudes (use of gas)■ Advertisement recorded on “audio or video cassettes (Audio or visual representation)■ Paintings done on electric poles / inside or outside transport vehicles or railway compartments (Display)] <p><u>Services covered:</u></p> <ol style="list-style-type: none">1. <u>ITC has approached Lintas for production and broadcast of a commercial (showing SRK endorsing its SUN-FEAST biscuits). Lintas has charged Rs 15 lacs for production and broadcast of this 5 minute commercial. [It produces commercial by hiring SRK services (Rs 5 lacs paid) and then it approaches STAR TV for broadcasting the same (Rs 5 lacs paid)]</u>Lintas Ltd can be said to be an advertising agency as it is engaged not only in making/preparation aspect of advertisement but also in its exhibition/display. Lintas Ltd thus liable to ST under this category. [The taxable value in its hand will be entire Rs 15 lacs. The service of STAR TV (which is classifiable under the category of “Broadcasting Service”) shall be treated as an “input service” for Lintas Ltd and thus, it can avail CCR of ST component out of the total amount of broadcasting charges paid to Lintas Ltd.]2. <u>DAVP (Department of Audio or Visual Publicity) of the Govt of India which undertakes preparation of advertisement material on behalf of different ministries and department of CG/SG is also liable to pay ST.</u>3. <u>A person advises a company on how to produce an advertisement so as to enhance marketing of products to a company. Hw is liable to pay ST as it is a taxable service. (advertising consultant)]</u> | <p><u>Services covered:</u></p> <ol style="list-style-type: none">1. <u>Mr A prepares signboard and charges Rs 500 for that.</u>2. <u>Cinema Hall (PVR) is projecting advertisements of DG & Co. either at the beginning of film or during intervals. It has charged Rs 25,000 for that.</u>3. <u>Tata Yellow pages has booked advertisement of DG & Co for publication in its business directory (Yellow Pages). It has charged Rs 700/- for that.</u>4. <u>Tata Yellow pages has appointed Mr A to look out for clients and booking advertisement from them for publication in its business directory (Yellow Pages). Mr A booked DG & CO, collect readymade advertisement from it and a payment of Rs 700/-. Mr A forwards the advertisement to Tata Yellow Pages for publication and gets his commission for his service.--- CBEC has clarified that merely canvassing of advertisements for publishing on commission basis, is not “Advertisement Service” but it falls under “Business Auxiliary Service [Master Circular]</u>5. <u>Metro Railways permits DG & Co to display advertisement in Metro Coaches on payment of rental charges. DG & Co. brings readymade advertisement and display that at Metro Coaches.</u> |
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| (15) | Sale of Ad Space Or Time | Any person | Any person | <p>Sale of <u>space</u> or <u>time</u> for advertisement, in any manner</p> <p>[Sale of space or time for adv <i>[Definition inserted by FA, 2007]</i> Includes</p> <p>(i) Providing space/time for display, advertising, showcasing any product or service in --Video Programme / TV Prog / Films / Music Albums -- Bill Boards, Buildings, Public Spaces (Poll), Conveyances -- Cell Phones, ATM, Internet</p> <p>(ii) Sale of time slots on Radio/ TV by a Person other than Broadcasting Agency</p> <p>(iii) Aerial Advertising</p> <p><u>Services covered:</u></p> <p>6. DMRC (Metro) providing space for displaying on its buses the advertisement of LG AC.</p> <p>7. PVR displaying advertising (through slides) during intermission (sale of time).</p> <p>8. TV serial producer selling time slots to companies for display of advertisements in between the serial</p> <p>9. Yellow Pages. [A Business to Business(B2B) or Business to Consumer (B2C) Directory] published by a media agency, providing for display of advertisements by a corporate.</p> <p>10. Google selling space to advertisers</p> | <p>but excludes:</p> <p>(i) Sale of space for adv in PRINT MEDIA</p> <p>(ii) Sale of time slots by Broadcasting Agency</p> <p><u>[PRINT MEDIA means [Newspaper] + [Books]</u> But does not include Business Directories, Yellow Pages, Trade Catalogues which are primarily meant for commercial purposes]</p> <p><u>Services not covered:</u></p> <p>1. Times of India selling space for Adv</p> <p>2. ICAI selling space for adv in CA Journal to Accounts/Tax Software Company;</p> <p>3. Taxmann selling space for adv in Law Journal to Accounts/Tax Software Company;</p> |
| (16) | Auctioneers' service | Any person | Any person | <p>Auction of property, ⇒ movable or immovable, ⇒ tangible or intangible, <u>in any manner</u> <i>even e-auction is covered</i></p> <p>but it shall not include:</p> <ul style="list-style-type: none"> ■ Auction by Govt <i>[Auction by IT / Ex / Cus Dept]</i> ■ Auction under directions/orders of Court <i>[Auction of assets of company during winding up]</i> | 1) |
| (17) | Business Exhibition Service | An Organizer Of Business Exhibition e.g., ITPO (Indian Trade Promotion Organization] | An Exhibitor | <p>Business Exhibition</p> <p>[It mean an exhibition to market / promote / advertise / showcase Any product or service and which is intended for growth in the business of the producer or provider of such product or service]</p> <p><u>Services covered:</u></p> <p>1. "Delhi Haat" organizes an exhibition of handicrafts.</p> <p>2. ITPO organizing book fair in New Delhi <i>[Master Circular, 2007]</i></p> <p>3. Times of India Group organizing Education Fair</p> <p><u>CBEC Clarification</u></p> <p>Where any Merchandised Establishment [e.g., Shoppers Stop / Pantaloon Retail (Pune Central)] charges fees for display of products of a particular manufacturer—then, that person shall also be liable to ST under this category</p> | |

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| (18) | ATM Operations, Maintenance or Mgmt Service | Any person | Any person | ATM Operations, Maintenance or Mgmt Service It covers ⇒ Site selection, contracting of location, acquisition, ⇒ Financing, ⇒ Installation ⇒ Maintenance ⇒ Cash forecasting, replenishment, reconciliation ⇒ Other value added services. | |
| (19) | Clearing And Forwarding (C&F) Agent Service | C & F Agent <i>[It includes: Consignment Agent]</i> | A client | Clearing <u>and</u> Forwarding Operations <u>Services covered:</u> <i>Manufacturer-----→Agent -----→Buyer</i> <i>Premise Premise [Mr A] Premise</i> i) Mr A is collecting the goods from factory – storing them – and then forward them to buyers as per direction from mfrer ----- Covered – His services are “Clearing AND Forwarding”. ii) Goods delivered to Mr A by the mfrer—Mr A stores them – and then forward them to buyers as per direction from mfrer ----- <u>MEDOPHARMA (P) LTD. – 2006 – TRI (Larger Bench)]</u> The term “clearing and forwarding service” shall be understood as “clearing or forwarding service” iii) Mr A procures the orders from buyers for goods manufactured by Mr B. Mr A promotes sales of product of Mr B. The orders procured are forwarded to Mr B. Mr B dispatches the goods to the buyers, raises invoices and collects payment. Mr A is paid commission for his services of procurement of orders and development of orders for Mr B. | ⇒ |
| (20) | Erection, Commissioning & Installation Service | Erection, Commissioning & installation agency | A Customer | Erection, Commissioning & Installation <u>Services covered</u> 1. Erection, Commissioning or installation of (Plant + Machinery + Equipment) or Structures (whether pre-fabricated or otherwise) 2. Installation of — o Electrical and electronic devices; o Heating, ventilation or air-conditioning; o Thermal insulation, sound insulation, fire proofing or water proofing; o Lift and escalator, fire escape staircases or travelers; | <u>Exemption:</u> • <u>33% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] <u>[E/N 1/2006]</u> |
| (21) | Franchise Service | A franchisor | A franchisee | A franchise [Franchise means an agreement by which franchisee is granted representational right | ⇒ |

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| | | | | <p>⇒ to <u>sell</u> or <u>manufacture</u> goods or to <u>provide service</u> or ⇒ <u>undertake any process</u> identified with franchisor.]</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. McDonald Franchise.(right to manufacture and sell goods) 2. Shahnaz Hussian Franchise (right to sell goods) 3. NIIT Franchise (right to provide service) 4. A soft drink company based in Chennai invents a process to reduce the pesticide content to a prescribed level. The company allows a manufacturer in Mumbai to use the said process on payment of fee. The Chennai based company is liable to ST under this category. (right to undertake any process identified with franchisor) <p><u>CBEC Circular:</u> Franchise is broader term. It covers even “License Production Agreement” – as provisioning of Know-how is not mandatory requirement of an agreement to be a franchise agreement.</p> | |
| (22) | Intellectual Property Right (IPR) Service | Holder of IPR | Any Person | <p>Intellectual Property Service</p> <p>[it covers (a) transferring IPR (excluding copyright), temporarily; or (b) permitting the use or enjoyment of IPR (excluding copyright)]</p> | |
| (23) | Mailing list compilation &/or mailing service | Any person | Any Person | <p><u>Mailing List Compilation</u> and <u>Mailing</u></p> <p><u>It covers any of the following:</u></p> <p>⇒ Compiling and providing list of name, address etc. ⇒ Sending <u>document, information, goods in a packet</u>, by addressing, stuffing, sealing, metering or mailing</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. Bank selling data to Telecom Co.(<i>compilation of list</i>) 2. Telecom Co selling data to Insurance Co. (<i>compilation of list</i>) 3. Google selling data to Tata Teleservices (<i>compilation of list</i>) 4. XYZ Ltd mailing AGM Notice to shareholders of RNRL (<i>mailing sr</i>) | |
| (24) | Management, Maintenance/ Repair (MMR) Services | Any person | A customer | <p>MMR provided by</p> <ol style="list-style-type: none"> 1) Manufacturer or 2) His Authorized Person or 3) Any Other Person | <p>It covers the following:</p> <ol style="list-style-type: none"> 1) <u>Management of properties</u> (whether immovable or movable), 2) <u>Maintenance or Repair of properties</u> (whether immovable or movable), 3) <u>Maintenance or Repair (including reconditioning or restoration) of Any goods or equipment</u> |



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| | | | | | (excluding motor vehicle) “Even software is goods (as held by SC in case of TCS-2005), and hence, maintenance service of software is also covered ---[Master Circular 2007] |
| (25) | Market Research Service | Market Research Agency | A Client | Market research of any Product, Service [both customized or syndicated research] <u>Services covered:</u> 1. Noodle Mfding company engaged an agency to do market research in order to find out how people will respond to its new product, namely, atta noodles (customized research) 2. 3 Cigarette Companies jointly engages an agency to undertake a survey in order to know the smoker’s response to switch from biris to cigarette if retail price thereof are reduced by 60% (syndicated research) | |
| (26) | Opinion Poll Service | Opinion Poll Agency | Any Person | Opinion poll <u>Services covered:</u> 1. Times of India has engaged an agency to conduct a public survey to find out who is the best teacher of IDT in Delhi (response was DG). | |
| (27) | Mining [FA, 2007(A)] | Any Person | Any Person | Mining of Mineral, Oil, Gas <u>Services covered:</u> 1. An Indian Company engages a company “A” to survey a specified area in order to find the existence of petroleum in that area. The company succeeds in locating the existence of oil. Thereafter, the Indian company engages another company “B” to exploit the discovery and operationalise the mining of oil. The service provided by company “B” falls in category of service of mining of oil. The service rendered by company “A” falls in category of “survey of and exploration of oil”. | |
| (28) | Packaging Activity Service (including labeling / branding) | Any person | Any Person | Packaging Activity [excluding that packaging activity which amounts to manufacture within the meaning of Sec 2(f) of Central Excise Act, 1944] | <u>Services not covered:</u> A pharmaceutical co. engages the services of a firm for sticking labels on packages of pharmaceutical products manufactured by it. The label contains details like expiry date, MRP. The service is not covered as such process is covered by Sec 2(f)(iii) of CEA, 1944.. |
| (29) | Photography service | Photography Studio or Agency | A Client | Photography [Photography covers all sort of photography – Still Photography, Aerial Photography, Laser Photography, and even fluorescent photography] | <u>CBEC Clarification:</u> CT-Scan / X-Ray -- not covered (as these are not understood as |

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| | | | | | photography service in common parlance) |
| (30) | Public Relation Service | Any person | Any Person | <p>Managing Public Relations of such person.</p> <p>[Public relations include corporate image management, media relations, press release, press conference, brand support, brand launch, retail support and promotions, crisis communication.]</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. A MNC engages an agency to prepare press releases to inform people on its current activities, further diversifications policies and of marketing strategies. The service provided by agency is covered under this category. 2. A Telecom Company launches a new mobile phone and SRK charges Rs 1 crore to be present in the press conference and answers the questions. SRK has rendered service liable to ST under this category (brand support) | |
| (31) | Scientific & Technical Consultant Services | 1) Scientist or Technocrat 2) Scientific or Technical Institution <i>[IIT= Technical Institution] [National Science Laboratory = Scientific Institution]</i> | A client | <p>Scientific & Technical Consultancy.</p> <p>[advice, consultancy, or scientific or technical assistance, in any disciplines of science or technology]</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. A chemical plant engages a scientist of National Chemical Laboratory to advise them on how to use the effluent treatment plant more efficiently. The service rendered is taxable under this category. 2. A shoe factory consults the Central Leather Institute to advise them on processes to be modified to reduce wastage in the manufacture of shoes. The service provided by Central Leather Institute is taxable under this category. | <p><u>CBEC Clarification:</u></p> <p>Service rendered by Doctors – not covered (as these are not understood as Scientist in common parlance) – their service is “medical service” which is not taxable</p> |
| (32) | Security service | Security agency | A client | <p>Security of any property of a person or any person including</p> <p>⇒ Investigation Service & ⇒ Detection Service.</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. An agency providing security of ATM (by installing video cameras) 2. Agency providing service of security of cars parked in residential colony (by deploying security personnel); 3. Person providing service of verification of antecedents (historical backgrounds) of a prospective bridegroom; 4. Industrialist engages a detective agency to detect the person making calls threatening him and asking for ransom. | |
| (33) | Survey & Exploration Service | Any Person | Any Person | <p>Survey and Exploration of Mineral Oil Gas</p> | <p><u>CBEC Circular. [2004]:</u></p> <p>Scope of this service is limited to the services rendered in relation to survey and exploration</p> |

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| | | | | | <p>only and is not on the activity of actual extraction after the survey and exploration is complete.</p> <p><i>But w.e.f, 2007, even the mining activity is subject to ST as it has been covered by a distinct category "MINING SERVICE" [see Sr No. 27 above]</i></p> |
| (34) | Survey & Map Making Service | Any Person (other than govt authorised agency) | Any Person | <p>Survey & Map Making of any kind</p> <p><u>Services covered:</u></p> <p>1. A private organization is asked by a publisher to prepare the city map of Kottupuram Area of Chennai (India). The service provided by the Pvt Organization is covered under this category.</p> | |
| (35) | Technical Inspection & Certification Service | Technical Inspection & Certification Agency | Any Person | <p>Technical Inspection & Certification</p> <p>[It means- Inspection / Examination of Goods, Material, Process, Immovable Property -- to certify that it qualifies or maintain certain standards.</p> <p><u>Services covered:</u></p> <p>1. An agency inspects a car for certifying its road worthiness, for another 10 years as per the standard specified by the Transport Department of Govt of NCT, Delhi.</p> <p>2. An agency is asked to inspect and certify that the light fitted in the class rooms provide adequate reading light as per the norms fixed by University Grants Commission;</p> | <p>does not include – inspection & certification of Pollution Levels.</p> <p><u>Services not covered:</u></p> <p>1) An agency inspects a caustic soda factory for examining and certifying the pollution level.</p> |
| (36) | Technical testing & analysis service | Technical Testing & Analysis Agency | Any Person | <p>Technical Testing & Analysis of Goods, Material, Process, Immovable Property</p> <p>Excluding:- technical testing and analysis in relation to Human Beings and Animals.</p> <p><u>Explanation: (FA, 2006)</u></p> <p>For the removal of doubts, it is hereby declared that "technical testing and analysis" shall include -- the testing and analysis undertaken for the purposes of clinical testing of drugs and formulations.</p> <p><u>Services covered:</u></p> <p>1. Testing of samples of various edible oil by National Chemical Laboratory (Chemical Testing);</p> <p>2. Testing of samples or iron beams to determine the level of stress it can bear (Physical Testing);</p> <p>3. A manufacture produces gas heaters and asked an agency to test for safety standards;</p> <p>4. Service of Bio-Con to Ranbaxy in relation to clinical testing of "new cancer drug" [However Exemption is available];</p> <p>5. Service of XYZ Ltd to a medicine manufacturing company as to clinical testing of a new drug formulated for ailments of dog [Exemption is not</p> | <p><u>Services not covered:</u></p> <p>1) A pathological laboratory [Dr LalPath / SRL] undertakes testing of urine to detect the presence of inspection causing pain in the stomach of a patient. It is not covered;</p> <p><u>Services Exempted</u></p> <ul style="list-style-type: none"> • Testing of water quality by a Government owned State/District Level Laboratory • <u>Exemption to clinical testing of new drugs</u> Clinical testing service provided or to be provided by a Clinical Research Organization |

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| | | | | available—ST payable also]; | (CRO- organization approved by the Drugs Controller General of India) in relation to testing and analysis of newly developed drugs (including vaccines and herbal remedies) on human participants shall be exempt [E/N 11/2007] |
| (37) | Business Auxiliary Service | Any Person | A Client | <p><u>Business Auxiliary Service</u></p> <p>It covers:</p> <ol style="list-style-type: none"> (1) Promotion or Marketing or Sale of goods of client; or (2) Promoting or marketing of services provided by client; or (3) Any Customer Care Service provided on behalf of the client; or (4) Procurement of goods or services for the client; or (5) Processing of goods for, or on behalf of, the client (where such processing doesn't amount to manufacture under Excise) (6) Provisioning of service on behalf of client; (7) Service incidental or auxiliary to above activities (such as billing, issue, collection or recovery of cheques, maintenance of accounts and remittances, inventory management etc) (8) Services as a commission agent ➔ <p><u>But it shall not cover:</u></p> <p>IT (Information Technology) Service</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. Selling Agent finding out buyer for goods of Mr A on commission basis (Promoting goods of other person); 2. Sachin Tendulkar wears a T-Shirt sporting an "Addidas" logo playing cricket match. (Promoting goods of other person); 3. An outdoor caterer provides services of outdoor catering for supply of food and beverages. An agency enters into an agreement with the outdoor caterer to book orders and maintains accounts for supplies and arranges to deliver food and beverages to the customers (Promoting services of other person); 4. HDFC provides loans for houses. It engages an agency (commonly known as DSA) to procure orders through a network of executives who contact people on phone to give detailed information about the loan facilities and impress upon them the advantage of taking loan from HDFC. The agency provides service to promote the loan service of HDFC. (Promoting services of other person); 5. Bharati Airtel has engaged an agency to provide a helpline to its customers for booking complaints and forwarding them to the company (Customer Care services provided on behalf of client); 6. Buying Agent finding out seller for goods needed by Mr A on commission basis (Procurement of goods for client); | <p><u>Services not covered:</u></p> <ol style="list-style-type: none"> 1. A computer software company designs a computer network for a departmental store and maintains it for inventory control, sale and purchase of goods (It being an IT service); <p><u>Certain J/W Exempt E/N 21/2005:</u></p> <p>Processing services of Job-worker in relation to</p> <ol style="list-style-type: none"> i) Agriculture; ii) Printing; iii) Textile Processing iv) Education <p><u>E/N 21/2005:</u></p> <p>Processing services of Job-worker in relation to</p> <ol style="list-style-type: none"> ii) Cut and polished diamonds and gem stones ; or iii) Jewellery of Gold and other precious metals <p><u>E/N 8/2005:</u></p> <p>When after processing goods are returned to the supplier and the supplier will be using the processed goods for use in or in relation to manufacture of "excisable goods which are dutiable also" then, J/Worker can claim 100% exemption.</p> <p><u>Commission Agent exempt</u></p> <p>Services of Commission Agent in relation to agricultural produce (like, cereals, pulses, fruits, vegetables, spices, sugarcane, rice, coffee, tea etc) are 100% exempt.</p> |

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| (38) | Cleaning Services | Any person | Any Person | <p>Cleaning Activity.</p> <p>[It covers cleaning of Objects or Premises, of</p> <ul style="list-style-type: none"> ⇒ Commercial Building ⇒ Industrial Building, ⇒ Factory <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. A factory producing zinc products employs an agency to clean the backyard in which waste is stored (<i>Cleaning of factory</i>); 2. Ansal Builders employs an agency to clean the windows of malls constructed by it (<i>Cleaning of commercial buildings</i>); | <p><u>Services not covered:</u></p> <ol style="list-style-type: none"> 1. Cleaning of <i>residential buildings</i>; 2. MCD employs a Pvt Agency to <i>clean streets</i> of a Laxmi Nagar. Service of agency is not covered |
| (39) | Support services Of business or commerce | Any person | Any person | <p>Business Support Service.</p> <p>[It means <u>any service in relation to business/ commerce</u></p> <p>Includes –</p> <ul style="list-style-type: none"> ⇒ Evaluation of prospective customers, ⇒ Telemarketing, ⇒ Processing of Purchase orders, ⇒ <u>Accounting and Processing of transactions,</u> ⇒ <u>Managing distribution and logistics</u> ⇒ <u>Infrastructural Support Services</u> (Office + Facilities) <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. Big Bazaar (Retail Chain) engages a firm to keep track of its sales and inventory of items so that the orders can be placed on time. This is business support service (<i>managing distribution and logistics</i>); 2. A manufacturer entrusts the work relating to preparation and issue of invoice to an agency. The agency service is business support service; | |
| (40) | Development and Supply of Content [FA, 2007(New)] | Any person | Any Person | <p>Development and Supply of Content for use in relation to in</p> <ul style="list-style-type: none"> ⇒ Telecommunication services, ⇒ Advertising agency services and ⇒ On-line information and data-base access or retrieval services. | |
| (41) | Internet Access Service | Internet Café | Any Person | Access of Internet. | |
| (42) | On-line Information and Database Access/Retrieval Service <u>[Computer]</u> | Any person | Any Person | <p>Online information or data-base access or retrieval</p> <p>-- in electronic form &</p> <p>-- through computer network.;</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. Service of website operators like <i>taxindiaonline.com, eximnetindia.com,</i> | <p><u>Services not covered</u></p> <ol style="list-style-type: none"> 1. <u>E-Commerce Execution:</u> Charge made for goods sold and not for any sr (and hence, no ST) 2. <u>E-Banking by Banks</u> → Not covered here (as for that proper classification is "Banking & Financial Sr". |

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| | Network Service] | | | Indianformer.com, taxmann.com, taxmanagmentindia.com, idtfundas.com | |
| (43) | Internet Telephony Service | Any person | Any person | Internet Telephony Service [IT telephony <u>means</u> telecommunication service through internet and <u>includes</u> ---- Fax, Audio conferencing and Video conferencing] | ⇒ |
| (44) | Telecommunication Service [FA, 2007 (Amended)] | Telegraph Authority | Subscriber | Telecommunication Service. [It includes (i) fixed telephone service as well as Cellular Mobile Telephone Services (including transmission of voice, data and video and outbound telephone service to and from national and international destinations)] (ii) Provision of call management services for a fee (including call waiting, call forwarding, caller identification, call display, call blocking, call answer, etc.) (iii) Facsimile, (iv) Paging; (v) Telegraph; (vi) Telex; (vii) Charging for exclusive use of the circuits (a leased circuit); | |
| <u>Computation of ST liability</u> I) Whether ST is liable on the amount collected as surcharge for delayed payment of telephone bills? → Amount collected for delayed payment of a telephone bill is not to be treated as consideration charged for provisioning of telecom service and therefore, shall not form part of the value of service [Master Circular] | | | | | |
| (45) | Courier service | <u>Courier Agency</u> [Any person] | <u>A Customer</u> | Door-to-Door transportation of time sensitive Documents, Goods, Articles <u>Services covered:</u> <ul style="list-style-type: none"> <u>Service of Speed Post:</u> Speed Post service is service provided by Dept of Post which also falls within the definition of "Courier Agency" (as courier agency means any person – whether commercial concern or not). Hence, service of speed post is also covered. [Master Circular, 2007] <u>"Express Cargo Service" of transporter:</u> Some transporters undertake doo-to-door transportation of goods/articles and they have made special arrangements for speedy transportation and timely delivery of such goods/articles. Such service is also taxable under courier agency service [Master Circular, 2007] | <u>Services not covered:</u> <ul style="list-style-type: none"> <u>Co-loader service</u> (Sr by one courier agency to another courier agency) is not covered – as sr is taxable only when provided to customer (end user) |

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| (46) | Broadcasting Service | <p>Broadcasting Agency/ Organization</p> <p><i>[Any Agency/Organization engaged in broadcasting (whether audio or video)]</i></p> <p>And</p> <p><u><i>In case the broadcasting agency/organization is having its head office situated outside India,</i></u></p> <p>then following shall be treated as "Broadcasting Agency/Organization":</p> <p>--Branch Off -- Subsidiary</p> <p>-- Indian Representative</p> <p>-- Agent in India</p> <p>Which are engaged in the activity of:</p> <p>⇒ Selling of time slots for broadcasting of any programme or</p> <p>⇒ Obtaining sponsorship for programme to be broadcasted</p> <p>⇒ Collecting broadcasting charges</p> <p>⇒ Permitting the right to receive any form of communication</p> | A Client | <p>Broadcasting</p> <p><i>[Both (i) Audio Broadcasting (Radio Channels) (2) Video /TV Broadcasting (TV Channels)]</i></p> <p>[Broadcasting means dissemination of any form of communication (signals/pictures/sound etc) by transmission of electromagnetic waves</p> <p>⇒ through space or</p> <p>⇒ through cable</p> <p>intending to be received by general public either directly or indirectly through the medium of relay stations]</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> 1. Doordarshan undertakes to broadcast a serial produced by a company on payment of 50,000 per hours as charges. Doordarshan is liable to pay ST.<i>[Master Circular]</i> 2. FM Radio-93 charges Rs 50,000 from a cosmetic manufacturer for broadcasting an advertisement. FM Radio 93 is liable to pay ST. 3. ZEE Television Network --- it approaches Ekta Kapoor (Balaji Telefilms) for purchase of rights of its new serial <u>"SAAS –BAHU ---- BORN ENEMIES"</u>---- After purchase of its right (for Rs 200 Crores), it contacts sponsors for advertisement and sells the advertisement slots for Rs 250 Crores --- the advertisements are then broadcasted during intervals during the broadcasting the serial 4. ESPN has taken rights of broadcasting of Cricket Match Series(India vs Pakistan)--- it contacts sponsors for advertisement and sells the advertisement slots for Rs 250 Crores --- the advertisements are then broadcasted during intervals during matches—it also charges MSOs (Multi-System Operator) @ 25/- per month per viewer for permitting him to receive ESPN [It has 200 MSOs in his network and Each MSO has 20,000/- viewers in his network and accordingly, ESPN receives a total payment of Rs 10 crores [(200 * 20,000 Viewers) @ Rs 25 per viewer] from MSOs. <p>---- Some of the viewers are having DTH Set-Up Boxes at their home. ESPN charges Rs 75 per viewer in lieu of permitting access to viewer of his ZEE Channel. The total receipts in this regard is Rs 5 crores.</p> <p><u>MSO:</u> MSO has 20,000 viewers in his network. He pays ZEE TV @ Rs 25/- per month per viewer and obtains right to access ZEE Channel. Apart from normal cable charges of Rs 200/- per month, he also recovers Rs 30/- per month for recovery of his payment to ZEE TV. Thus, he is charging an aggregate of Rs 230 per month from each viewer and transmits the broadcasted TV signals to the viewer home through cables. His total receipt for the month is Rs 46,00,000/-.</p> <p>This MSO also contacts some local shop owners/ banquet halls and persuades them for broadcasting of their advertisement through cables in his entire region (the 20,000 viewers in his network). He gets Rs 10,00,000 in total from 2 clients and broadcasts their advertisement within his own network of 20,000/- viewer. This broadcasting is done</p> |
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| | | | | through his cable network. | |
| (47) | Cable service | Cable operator [including Multi-System Operator (MSO)] | Any person | <p><u>Cable service:</u> [It means transmission by cables of broadcasted TV signals. It includes re-transmission]</p> <p><u>Services covered:</u></p> <ul style="list-style-type: none"> MSO ----- → Consumer MSO ----- → (LCO) ----- → Consumer | • |
| (48) | Programme Production Service | Programme Production Agency [Any Person ¹ which produces a programme on behalf of any another person] | Any person | <p><u>PROGRAMME</u>² [Any audio or visual matter (live or recorded)]</p> <p><u>Services covered:</u></p> <ol style="list-style-type: none"> Doordarshan asks a renowned produce a programme on the adverse effect of smoking, on health, that can be telecast immediately before the news time. The service provided is a taxable service. All India Radio asks a producer to produce a play that conveys the adverse effect of caste system, on society. It is a taxable service. | |
| (49) | Sound recording service | Sound recording Studio/ agency | A client | <p>Sound Recording</p> <p>[Sound Recording covers:</p> <ul style="list-style-type: none"> ⇒ Recording of Sound (whether on cassette or on CDs); ⇒ Editing of recorded sound; ⇒ Mixing of Sound; ⇒ Other post-recording activities] <p><u>Services covered:</u></p> <ol style="list-style-type: none"> A Music Studio records the songs of a playback singer. It is an activity of sound recording and thus, taxable. A studio dubs the sound of a film track. It is a taxable service because it is post-production activity relating to sound recording. | |
| (50) | Video Recording Service | Video Production Agency [Commercial Concern] | A client | <p>Video Recording</p> <p>[Video Production covers:</p> <ul style="list-style-type: none"> ⇒ Recording of Visual Matter (whether on cassette or on CDs) ⇒ Editing of recorded video ⇒ Video Colouring ⇒ Imparting Special Effects ⇒ Transferring from one media to another (CD to Cassette or Cassette to CD) | • |

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| | | | | ⇒ Other post-recording activities] | |
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| (51) | Residential complex construction service | Any person | Any Person | <u>Construction of Residential Complex</u> <i>[Note: Residential building is ≠ residential complex]</i> | <u>67% Abatement Benefit Available [E/N 1/2006]</u> <ul style="list-style-type: none"> • 2 Basic Conditions • <u>2 additional Conditions</u> <ul style="list-style-type: none"> • GAC shall include value of goods/materials used in construction (whether supplied by service receiver or by Constructor) • Sr Activity is not only that of “completion and finishing activity” |
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Step-1: RESIDENTIAL COMPLEX

means --- **any complex** comprising^(*consisting) of —

- (i) **A building or buildings**, having **more than 12 Residential Units**
- (ii) A common area; and
- (iii) Any one or more of facilities or services such as park, lift, parking space, community hall, common water supply or effluent treatment system, located within a premise

and the layout of such premises is approved by an authority under any law for the time being in force,

but does not include --- **a complex which is intended for personal use** as residence of service receiver.

[Explanation: “Residential Unit” means a single house or a single apartment intended for use as a place of residence.]



Step-2: CONSTRUCTION

Construction covers:

- (b) **Construction** of a new residential complex or a part thereof; **or**
- (c) **Completion and finishing services** in relation to residential complex such as glazing, plastering, painting, floor and wall tiling, wall papering, fencing and railing, carpentry and other similar services; **or**
- (d) **Repair, Alteration, Renovation or Restoration** of, or similar service in relation to, residential complex.

Services covered:

1. A builder engages a contractor to construct a complex consisting 20 residential units the layout of which has been approved by DDA. The service provided by contractor is taxable.
2. A builder has a plan to construct a residential complex comprising of 30 residential unit. He awards the contract to 6 contractors, each contractor to construct 5 residential units. In this case, each contractor is liable to ST even though each constructs less than 12 residential unit. (*construction of part of residential complex*)
3. 10 years ago, a Group Housing Society had constructed a residential complex of 30 residential units. The society has now engaged a contractor to provide floor tiling in residential complex. The

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| | <p>service is also taxable.</p> <p>4. A developer advertises for construction of a residential complex comprising of 100 residential units on a plot of land acquired by him from the Haryana Urban Development Authority (HUDA).he invites application for membership on payment of the price of the residential complex in installments. It can be argued that the developer is providing service to individual members in relation to construction. However, developer is not liable to pay ST on the services provided by him to individual members. This is for the reason that he provides service to an individual member for the construction of single residential unit and not construction of a “residential complex”. It is only when a person provides the service of construction of a “residential complex” comprising more than 12 residential unit that the service is taxable.</p> <p><u>Service tax on promoter or developer: Master Circular</u></p> <p>1. DG & Company is a builder of residential complexes. DG & Co engages a contractor, SRK & Co. for construction of a residential complex in Chennai. In this case, SRK& Co are liable to pay service tax and not DG&Co. this is for the reason thatit is SRK&Co who is providing service to DG&Co. [The same applies if DG&Co were a developer or promoter].</p> <p>2. In the above example, assume that DG& Co undertake construction on their own without engaging the services of any other person, then the service provided by DG& Co would be in the nature of self-supply of service and in the absence of any relationship of service provider and service receiver, the question of paying service tax does not arise..</p> <p><u>Computation of ST liability:</u></p> <p>1. A contractor <u>builds a residential complex</u> comprising 30 residential units for a developer. The contractor charges Rs 1,00,000 towards labour charges and Rs 10,00,00 towards the cost of material used in respect of each unit. The contractor can discharge his ST liability <u>availing the abatement benefit</u> [by paying ST calculated on [33% of Rs 11,00,000].</p> <p>2. A residential society comprising 30 residential units engages <u>a contractor to provide for wooden walls</u> (1 m height) in each members drawing room. The contractor charges Rs 1000 as the cost of wood and Rs 300 as his labour charges in respect of each drawing room. The contractor is <u>not entitled to abatement benefit</u> because exemption does not apply to finishing service.</p> <p>3. A residential complex comprising 40 residential units engages <u>the services of a contractor to repair the defects</u> leading to seepage of water during the rainy season. The contractor charges Rs 500 including all costs and labour in respect of each house. In this case, the contractor <u>can avail abatement benefit</u> because repair is not excluded from it purview.</p> | | | | |
| (52) | Commercial/ industrial construction (including pipeline) | Any person | Any Person | <u>Commercial & Industrial Building Construction (including Pipeline Construction)</u> <u>but excluding Construction of :</u> <ul style="list-style-type: none">• Roads• Airports, Railways, Transport terminal,• Bridges, Tunnel , Dam <u>[Construction covers:</u> All activities as mentioned in case of construction of Residential Complex] | <u>67% Abatement Benefit Available [E/N 1/2006]</u> (same as above) <u>Construction of flat by developer on its own and then selling them off –</u> this activity is “sale” and not “service” – no ST [K RAHEJA DEVELOPMENT CORP – 2005- SC] <u>Exempted Service:</u> <u>Construction service (only civil work) of port</u> shall be exempt [E/N 25/2007] |
| (53) | Work Contract Execution Service | Any Person | Any Person | <u>Execution of a WORK CONTRACT</u> <u>excluding</u> <u>Work Contracts in relation to</u> <u>→ Roads</u> <u>→ Airports, Railways, Transport Terminals,</u> <u>→ Bridges, Tunnels, Dams</u> <u>[Work Contract means</u> a contract wherein: (i) Transfer of property in <u>goods involved in</u> the execution of <u>such contract</u> is <u>leviable to sales tax/VAT</u> ; <u>AND</u> (ii) <u>Such contract is for the purposes of carrying out</u> - (a) <u>Erection, Commissioning or installation</u> of Plant, Machinery, Equipment or Structures etc., | |

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| | | | | <p>(b) <u>Construction of commercial or industrial building or civil structure or a part thereof, or of a pipeline of conduit,</u></p> <p>(c) <u>Construction of residential complex</u> or a part thereof;</p> <p>(d) <u>Completion and finishing services, Repair, Alteration, Renovation or Restoration</u> of, or similar services, in relation to (b) and (c); or</p> <p>(e) <u>Turnkey projects</u> including engineering, procurement and construction or commissioning (EPC) projects.</p> | |
| | <p><u>Compute the service tax liability:</u> <u>-A] Normal Assessment [Service Tax (Determination of Value) Rules, 2006 ---- Rule 2-A]</u> <u>Rule 2-A:</u> <i>The value of taxable service in case of work contracts shall be determined in the following manner:</i> <u>Gross Amount Charged (GAC) for the work contract</u> (excluding VAT/ST i.r.o. goods involved) <u>Less:</u> <u>the value of transfer of property in goods involved in execution of said work contract</u></p> <p><i>[Where VAT/Sales Tax has been paid on the actual value of transfer of property in goods involved in execution of the work contract, then</i> <u>“such value adopted for the purposes of payment of VAT/Sales tax” shall be taken as “value of transfer of property in goods involved in the execution of the said work contract”</u> <i>for determining the value of work contract service.</i></p> <p><u>-B] Composition Scheme [Work Contrat (Composition Scheme for Payment of ST) Rules, 2007—Rule 3]</u> <u>Rule 3:</u> (1) <i>Notwithstanding anything contained in Sec 67 of FA, 1994 and Rule 2-A of Valuation Rules, 2006</i> <i>The person liable to pay ST in relation to work contract service shall have the option to discharge his ST liability on the works contract, instead of paying ST @ 12%, by paying an amount equivalent to <u>2% of gross amount charged for work contract</u>.</i> <u>Explanation:</u> <i>For the purpose of this rule, <u>Gross Amount Charged for the work contract shall not include VAT/Sales Tax</u> paid on transfer of property in goods involved in the execution of the said work contract.</i></p> <p>(2) <i>The assessee shall not take cenvat credit of on inputs used in or in relation to said works contract.</i></p> <p>(3) <i>The assessee who opts to pay service tax under these rules shall exercise such option in respect of a work contract prior to payment of ST in respect of said work contract and the option so exercised shall be applicable for the entire work contract and shall not be withdrawn till the completion of said works contract.</i></p> | | | | |
| (54) | Site Preparation service | Any person | Any Person | Site formation , Clearance, Excavation, Earth-moving, Demolition, Other similar Service | <u>Service exempted when provided in relation to:</u> <ul style="list-style-type: none"> • Roads • Airports, Railways, Transport terminal, • Bridges, Tunnel , Dam • <u>Port</u> |

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| (55) | Commercial training & coaching service | Commercial Training & Coaching Centre (CTCC) | Any Person | Coaching Or Tutorial Coaching (CTC) | <p><u>Services Not covered:</u></p> <ol style="list-style-type: none"> 1. <i>Play-way School/ Creche</i> training children for getting admission in nursery classes. 2. A sports school trains for a fee, the prospective sports persons, by imparting them coaching – No ST (<i>sport coaching</i>) 3. College providing coaching of B.Sc Degree recognized by Delhi University – not liable to ST (<i>as its course is recognized by law</i>) 4. NIFT providing 4 year course to students on payment of fee – No ST (<i>as its course is recognized by law</i>) <p><u>Exempted Coaching</u></p> <ol style="list-style-type: none"> 1. Service provided by Vocational Training Institute & Re-creational Training Institute (but not Computer Training Institute) <ol style="list-style-type: none"> (i) <u>“Vocational Training Institute”</u> means a CTCC which provides vocational training or coaching that impart skills to enable the trainee to seek employment or undertake self-employment, directly after such training or coaching. (ii) <u>“Recreational Training Institute”</u> means a CTCC which provides training or coaching relating to recreational activities such as dance, singing, martial arts or hobbies. (iii) <u>“Computer Training Institute”</u> means a CTCC which provides coaching or training relating to computer software or hardware. 2. Training or Coaching by an Institute or establishment in any subject leading to issuance of any certificate/ degree/ diploma/educational qualification recognized by law is exempt from ST (if payment is not made to CTCC directly but made to the institute/establishment issuing qualification) e.g., ICAI is providing coaching to the PE-I student. The course has a paper on advance computing. The ICAI has no faculty to teach the advance computing. ICAI asks the IIPA(Indian Institute of public Administration) to provide training in computing to its students. Students pay to ICAI and ICAI pays to IIPA. In this case, IIPA is exempt from payment of ST. |

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| (56) | Health & fitness service | Health Club & Fitness Service | Any Person | Health & Fitness Service [it shall include: 1) steam bath 2) sauna 3)solarium 4) spa 5) Reducing or Slimming Salons 6) Gymnasium 7) Yoga / Meditation 8) Massage] | But excludes: Therapeutic Massage <u>Services Not covered:</u> • Therapeutic Message (given by specialized doctors –for treating medical problems)—not covered here (as these are “medical services” – not chargeable to ST) |
| (57) | General Insurance Business Service | An insurer carrying on general insurance business (including Re-insurer) | Policy Holder Or Any Person | <u>General Insurance Business</u> <u>Services covered:</u> iv) ICICI Prudential <-----Mr A v) GIC <-----ICICI Prudential <----- Mr A | <u>Exempted Policies</u> 1) Universal Health Insurance Scheme; 2) Personal Accidental, Insurance Scheme; 3) Jan Arogya Bima Policy; 4) National Agricultural Insurance Scheme; 5) Cattle Insurance; |
| (58) | Life insurance service | An insurer carrying on Life insurance business (including Re-insurer) | Policy Holder Or Any Person | <u>Risk-Cover in Life Insurance</u> A] “Pure-Risk Policy”[Premium = Risk-Cover Component only= Rs 50,000/-] B] “Composite Policy” /Premium= Risk-Cover Component + Saving Component] [Rs 1,20,000 = Rs 50,000 (Risk) + Rs 70,000 (Saving)) | |
| <p><u>Rule 6(7-A) of ST Rules, 1994: Special Manner of Payment of ST by a Life Insurer:</u> <u>An insurer carrying on life insurance business</u> liable for paying the service tax in relation to the risk cover in life insurance provided to a policy holder shall have the option ⇒ to pay an amount calculated at the rate of 1% of the gross amount of premium charged by such insurer towards the discharge of his service tax liability instead of paying service tax at the rate specified in section 66 of Chapter V of FA, 1994:</p> <p>Provided that such option shall not be available in following 2 situations - (a) the entire premium paid by the policy holder is only towards risk cover in life insurance; (b) the part of the premium payable towards risk cover in life insurance is shown separately in any of the documents issued by the insurer to the policy holder</p> <p><u>Compute the service tax liability of insurance service provider</u> <u>Case-A]</u> “Pure-Risk Policy”[Premium = Risk-Cover Component only= Rs 50,000/- (ST Extra)] <u>Option 1: Normal Regular Assessment</u> → ST liab = <u>Option 2: Special Manner of Assessment</u> → ST liab = <u>Case-B]</u> “Composite Policy” [Premium= Risk-Cover Component + Saving Component] [Rs 1,20,000 = Rs 50,000 (Risk) + Rs 70,000 (Saving) (ST Extra) <u>Option 1: Normal Regular Assessment</u> → ST liab = <u>Option 2: Special Manner of Assessment</u> → ST liab =</p> | | | | | |

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| (59) | Insurance auxiliary service | <ul style="list-style-type: none"> • Actuary, • Surveyor • Loss Assessor • Insurance Broker • Insurance Agent • Insurance Consultant | An Insurer <small>(including Reinsurer)</small> Policy-holder | Insurance Auxiliary Service <i>(concerning general or life insurance business)</i> | <u>Reverse Charge:</u> <i>Insurance Auxiliary service provided by Insurance Agent falls under "Reverse Charge" [i.e., insurance agent not liable to pay ST – rather, Insurance Company is liable to pay ST]</i> |
| (60) | Asset Management Service by an individual [FA, 2007] | Individual | Any Person | Asset management (including Portfolio Management and all forms of fund management) | vi) |
| (61) | Banking & other financial services | 1) Banking Company 2) Financial Institution (including NBFC) 3) Any other Body Corporate 4) Any Other person Any Commercial Concern (FA, 2007)) | A Customer | <u>Banking & Other Financial Services</u> It covers: (1) Leasing Services (including equipment leasing and hire-purchase); (2) Merchant Banking Services ; (3) Securities and Foreign Exchange Broking; (4) Asset Management Services (including portfolio management, all forms of fund management, custodial and depository services) but excluding cash management ; (5) Advisory and other auxiliary services (including investment and portfolio research and advice, advice in mergers and acquisitions and advice on corporate re-structuring (6) Provision and transfer of information and data processing ; (7) Banker to an issue service (8) Other financial services, namely → Lending → Issue of DD/ Pay Order/ Letter of Credit, → Providing Bank Guarantee/ Overdraft Facility/ Bill Discounting Facility, → Providing safe deposits / lockers, → Operation of Bank Accounts, → Money Transfer Facility (Telegraphic Transfer / Mail Transfer / Electronic Transfer) --- Added by FA, 2006 | <u>Valuation of Service</u> 1. Lending Service → Interest Element shall not form part of TV (Rule 6 of ST Valuation Rules, 2006) --- However, file charges or other charges shall form part of TV. 2. Lease/ Hire Purchase Financing → TV shall be 10% of (Lease Management/Documentation Fee + Interest Amount] (bcoz of E/N) <u>Exempted Service</u> 100% Exemption when provided to CG/ SG in relation to collection of duties and taxes levied by Govt. |
| <u>Master Circular</u> Issue 1: Whether service of “Money Changers” is covered as foreign-exchange broking? Clarification: ‘Money changing’ and ‘foreign exchange broking’ are two distinct activities. Money changing is an activity of sale and purchase of foreign exchange at the prevalent market rates. On the other hand, foreign exchange broking is the activity performed as an intermediary, on a commission/brokerage basis, for facilitating | | | | | |

the clients who wish to buy or sell foreign exchange. The foreign exchange broker providing foreign exchange broking service does not hold title to the foreign exchange. Accordingly, ST is not leviable on money changing per se, as such activity does not fall under the category of foreign exchange broking.

Issue 2: Whether service of “Chit Fund” is covered under this category?

- (a) **Simple Chit Funds:** In this case, members agree to contribute the fund a certain amount at regular interval. Lots are drawn periodically and the member, whose name appears, gets the periodical collection. No separate charge is charged from the members.
- (b) **Business Chit Funds:** In this case, there is a promoter known as foreman who draws up the terms and conditions of the scheme and enrolls subscribers. Every subscriber. Every subscriber has to pay his subscription in regular installments. The foreman charges a separate amount for the services provided. Some states prescribe a ceiling limit for the amount to be charged by such promoter for the services provided. Commission amount is retained by the promoter as consideration for providing the services in relation to Chit Fund.

Clarification: RBI has clarified the business of a Chit Fund is to mobilize cash from subscribers and effectively cause movement of such cash to keep it working and, therefore, the activity of Chit Fund is in the nature of cash management.

- (b) In case of **Simple Chit Funds**, no consideration is paid or received for the services provided and, therefore, the question of **levy of ST does not arise**.
- (c) In the case of **Business Chit Funds**, cash management is provided for a consideration and therefore, **leviable to ST** under “Banking & Financial Service”.

Issue 3: Whether depository services and Electronic Access to Securities Information (EASI) provided by CDSL is liable to ST under “Banking & Financial Service”?

Clarification: ‘Definition of “Banking & Financial Service” specifically includes “provision and transfer of information and data business”. Services provided by CDSL falls within the scope of ‘provision and transfer of information and data processing’. These services are not in the nature of “on-line information and database access or retrieval”. Therefore, **the depository services provided for a fee are liable to ST under Banking & Financing Service**.

Issue 4: Whether Service tax is leviable on ‘asset management and all other forms of fund management’ under the category of ‘banking and other financial service’. In this context a question has arisen as to whether the service tax would be chargeable on the ‘entry and exit load’ amount charged by a mutual fund to the investor?

Clarification: In terms of the Tenth Schedule to the SEBI (Mutual Fund) Regulation, 1996, the initial issue expenses are amortized over a period of the scheme, and the entry and exit load charges are paid by the investors to the fund to meet these expenses. Any unamortized portion of expenses is included in calculation of NAV. **Hence, entry and exit load charges are not towards fund management service provided by the AMC but to meet the initial issue expense and other specified expenses, incurred by the mutual fund. It is accordingly clarified that “entry and exit load” charged by mutual fund would not attract service tax levy under the category of fund management service.**

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| (62) | Credit Card, Debit Card, Charge Card or Other Payment Card Service | Any person | Any person | <p><u>“Credit Card, Debit Card, Charge Card Or Other Payment Card Service”</u></p> <p><i>It covers</i></p> <p>i) Sr of issuing bank to the card holder;</p> <p>ii) Sr of DSA to issuing bank</p> <p>iii) Sr of issuing bank to merchant establishment (regarding settlement of their dues from card holder)</p> <p>iv) Sr relating to promoting of goods or services through such card</p> <p>v) Sr of Any person allowing use of his ATM by the card holder</p> | |
| (63) | Credit Rating Agency Services | Credit rating agency | A client | <p>Credit Rating of -Financial Obligation, Instrument or Security</p> <p><u>[CBEC Clarification:</u> Surveillance of assigned credit rating is also a mandatory part of service of credit rating and hence, <u>surveillance fee shall also form part of TV.]</u></p> | 3) |
| (64) | Forward Contract | Member of a | Any | Forward Contract | vii) |

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| | Service | Recognized / Registered Association | Person | [Forward Contract means a contract for delivery of goods and which is not a ready delivery contract.] | |
| (65) | Recovery Agent's Service | Any person | Banking Co FI (including NBFC) Any Other Body Corporate or A Firm | Recovery of sum dues to such person | |
| (66) | Registrar to an issue service | Registrar to an issue | Any person | Sale or Purchase of Securities <u>Services covered</u> <i>1. A construction company decides to go for public investment. It appoints a financial company to advertise in newspapers, receive applications and manage allotment of shares as per policy approved by the construction company. The financial company acts as a registrar to an issue. Its services covered under this category.</i> | viii) |
| (67) | Share Transfer Agent's Service | Share Transfer Agent <i>[STA means a person who maintains record of holders of securities and deals with all the matters connected with the transfer or redemption of securities or activities incidental thereto.]</i> | Any person | Securities | ix) |
| (68) | Stock broker service | Stock Broker [including sub-broker] | Any Person | Sale / Purchase of Listed Securities <u>Services covered:</u> <i>x) Stock-Broker ----- → Investor</i> <i>xi) Stock-Broker----- → Sub-Broker----- → Investor</i> | |

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| | | | | <p>xii) <i>Stock-Broker</i> ----- → <i>Investor</i> [BSE]</p> <p><i>Stock-Broker</i> [NSE]</p> | |
| (69) | Underwriter Service | Underwriter | Client | Underwriting | |
| (70) | Air travel agent service | Air Travel Agent (ATA) | Customer | Booking of passage for travel by air | |
| <p>Rule 6(7) of ST Rules, 1994: Special Manner of Payment of ST by a Life Insurer: Air Travel Agent, shall have the option,</p> <p>⇒ to pay an amount calculated</p> <p>--- at the rate of [0.60%] of the basic fare in the case of domestic bookings, and</p> <p>--- at the rate of [1.20%] of the basic fare in the case of international bookings, of passage for travel by air, during any calendar month or quarter, as the case may be, towards the discharge of his ST liability instead of paying ST at the rate specified in Section 66 of Chapter V of FA, 1994 and</p> <p>⇒ the option, once exercised,</p> <p>⇒ shall apply uniformly in respect of all the bookings of passage for travel by air made by him and</p> <p>⇒ shall not be changed during a financial year under any circumstances.</p> <p>xiii) Compute the service tax liability of Air Travel Agent:</p> <ul style="list-style-type: none"> ■ Air-Fare recovered from passenger (which is to be paid to the Airlines in which seat of customer is booked) = Rs 10,000/- ■ Charges recovered from Customer for whom seat is booked = Nil ■ Commission received from Airline = 20% of Air Fare= Rs 2,000/- <p>Option 1: Normal Regular Assessment → ST liab =</p> <p>Option 2: Special Manner of Assessment → ST liab =</p> | | | | | |
| (71) | Rail travel agent service | Rail Travel Agent (RTA) | Customer | Booking of passage for travel by RAIL | |
| (72) | Other Travel Agent Service | Any Travel Agent (other than ATA / RTA) | Customer | Booking of passage for travel by any mode other than by Air or by rail | |
| (73) | Rent a cab service | Rent –A-Cab Scheme Operator's [Any person engaged in the business of renting of cab]. | Any Person | <p>RENT A CAB</p> <p>[Cab means following rented for carrying passengers for hire/reward</p> <p>(a) Motor Cab [MV to carry upto 6 passengers (excluding driver)]</p> <p>(b) Maxi Cab [MV to carry > 6 but upto 6 passengers (excluding driver)]</p> <p>(c) Any Motor Vehicle constructed to carry more than 12 passengers (excluding driver) [Added by FA, 2007]</p> | <p>CBEC Clarification: <i>Ambulances</i> are not meant for carrying passengers on hire or reward. Hence, question of levy does not arise.</p> <p>Exemption:</p> |

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| | | | | <u>However, [Maxi Cab + MV (clause c) shall not be treated as cab if it is rented for use by an educational body (other than a CTCC).</u> | <ul style="list-style-type: none"> <u>60% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] [E/N 1/2006] |
| (74) | Tour operator service | Tour Operator <i>[Any person engaged in the business of – <u>Planning, Scheduling, Organizing or Arranging</u> Tour –in whatever mode of transport (which may include ⇒ arrangements for accommodation ⇒ sightseeing or ⇒ other similar services)</i> | Any Person | TOUR | <u>Exemption:</u> <ul style="list-style-type: none"> <u>Partial Exemption to any tour (package or otherwise)</u> <u>75% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] [E/N 1/2006 (as amended in Year 2007)] <u>Partial Exemption if service is solely for booking of accommodation</u> <u>90% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] [E/N 1/2006] |
| (75) | Travel by By cruise ship | Any person | Any person | Transport of such person ⇒ <u>embarking from any port in India</u> ⇒ <u>By a Cruise Ship</u> <i>[Cruise Ship is a ship/vessel used for providing recreational or pleasure trips]</i> | |
| (76) | International Air Travel Service | Aircraft Operator | Passenger | ⇒ Scheduled / Non Scheduled air transport of such passenger embarking in India for International Journey <i>(from India to outside India)</i> ⇒ In any class (other than Economy Class) | <u>Service Excluded:</u> <ol style="list-style-type: none"> Domestic Air Travel Service International Air Travel service in Economy Class <u>What is Economic Class?</u> <ol style="list-style-type: none"> Non-Sch Air Transport → No class is economy Class Sch Air Transport → <ol style="list-style-type: none"> Single Class = Economy Class Multiple Classes → Class with lowest fair is economy class |
| <u>Master Circular</u> <u>Issue 1:</u> In the case of international journey commencing from an Indian airport involving stopover/ transfer at intermediate airports outside India before reaching the destination (say Mumbai-Dubai-London-New York), whether service tax would be leviable on the value indicated in the ticket or on the value attributable to the first sector (Mumbai-Dubai)? <u>Clarification:</u> Aim of the passenger is to travel from Mumbai to New York. Actual Destination of the international journey is the criteria to decide the value of the service (in this case, New York). Stopover / transfer at intermediate airports is incidental and part of the main journey, is of no consequence for levy of ST. Service tax is leviable on the total consideration of a single composite service relating to the entire journey, i.e., value indicated on the ticket for the entire journey. | | | | | |

Issue 2: In case the international journey also includes travel in a domestic sector as part of the international journey (say Delhi-Mumbai-London), whether service tax is leviable excluding the value attributable to the domestic sector or on the total value of the ticket treating the domestic sector as integral part of international journey?

Clarification: In this case, the journey is a single composite journey. The aim of the passenger is to travel from Mumbai to New York. **Part of travel in domestic sector can not be segregated from the single journey.**

Service tax is leviable on the total value of ticket treating the domestic sector as integral part of the integral journey.

Issue 3: In the case of journey commencing from an airport outside India and completed at an airport outside India but including a sector wherein the passenger disembarks and subsequently embarks at an Indian airport as part of international journey (say Sydney-Mumbai-Dubai-Singapore-Sydney), whether service tax is leviable for Mumbai-Dubai sector only or on the total value of the ticket?

Clarification: In this case, the journey being a single one and aim of the passenger is not to travel from India to a place outside India, **service tax is not leviable.**

Issue 4: Whether ticket issued outside India for an international journey commencing from India (say Delhi-London) is leviable to service tax?

Clarification: Service tax is payable by the service provider for the taxable service provided. **Place of purchase/ issue of ticket is of no relevance or consequence to determine the levy of service tax.** Service tax is leviable as long as the passenger embarks in India for an international journey, in any class other than economy class.

Issue 4: In the case of round trip/return ticket, whether service tax is leviable on the total value of the ticket or only half the value of the ticket?

Clarification: Service tax is leviable on **the total value of the ticket.**

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| (77) | Transport of goods by air service | An Aircraft Operator | Any person | Transport of goods by air <u>Services covered</u> 1. Indian Airlines provides the service of transporting cargo from New Delhi to Chennai. Indian Airline charges Rs 200 per kg for transport of such cargo. Indian Airline is liable to ST. | Exemption: 100% exempt when in relation to transport of export cargo. |
| (78) | Transport of goods In containers by rail service | Any person (Other than Govt Railway) | Any person | Transport of goods ⇒ in container ⇒ by rail <u>Services covered</u> 1. An importer uses the services of CONCOR for the transport of his cargo in containers from Mumbai in ICD Delhi. Since CONCOR is not a Government Railway Service, it is liable to pay service tax on the service provided to the importer. | Exemption: • 70% Abatement Benefit Available [2 Basic Conditions to be fulfilled] [E/N 1/2006] |
| (79) | Transport of goods by road service | Goods Transport Agency | Custom er | Transport of goods -- by road- -- in goods carriage [Rail is not a goods carriage – Hence, railway transportation is not covered here, but that service is also taxable separately] | Exemption: (1) ST exempt when provided in relation to transport of Fruits, Vegetables, Eggs or Milk. (2) When provided in relation to transport of goods (other than Fruits, Vegetables, Eggs Or Milk), ST exempt in any of the 2 |

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| | | | | | <p>situations:</p> <p>I) When Gross Amount charged (freight amount) for <u>an individual consignment consignment</u> is upto Rs 750/- (Individual Consignment)</p> <p>or</p> <p>ii) When Gross Amount charged (freight amount) for <u>all the consignments</u> carried in a goods transport carriage is upto 1500/-, (Fully Loaded Truck)</p> <p>(2) <u>75% Abatement Benefit Available [E/N 1/2006]</u> [2 Basic Conditions]</p> |
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Reverse Charge [Rule 2(1)(d)(v) of ST Rules, 1994]

In relation to

Goods Transport Service provided or to be provided by GTA

--- Where **either** Consignor **or** Consignee falls under any of following:

- Any factory registered under Factories Act, 1948;
- FSD // SSD ;
- Any society registered under the Societies Registration Act, 1860;
- Registered partnership firm;
- Any company established under the Companies Act, 1956;
- Any corporation established under any law;
- Any Body Corporate established under any law;
- Any co-operative society;

Person liable for payment of ST shall be

the person paying the freight [whether consignor or consignee];

“Freight Paid” Bitly

- ABC Ltd ----- → DEF Ltd
- ABC Ltd ----- → Mr A
- Mr A ----- → DEF Ltd
- Mr A ----- → Mr B

“Freight To Be Paid” Bitly

- ABC Ltd ----- → DEF Ltd
- ABC Ltd ----- → Mr A
- Mr A ----- → DEF Ltd
- Mr A ----- → Mr B

Illustrations explaining exemption of GTA:

1 Truck (Full) ---- Carrying goods booked by Mr A ---- Total Freight Rs 600/-

Total Truck Load Benefit – Available (as Total Truck Freight = < 1,500)

Individual Consignment Benefit --- Available (as Freight =< 750)

GTA can claim exemption from angle of “Total Truck Load Benefit”. It can also claim exemption from angle of “Individual Consignment Benefit”. ----- So, effectively it need not pay any ST.

1 Truck (Full) ---- Carrying goods booked by Mr A ---- Total Freight Rs 1400/-

Total Truck Load Benefit – Available (as Total Truck Freight = < 1,500)

Individual Consignment Benefit --- Not Available (as Freight > 750)

GTA needn't claim exemption from angle of “Individual Consignment Benefit”. GTA can claim exemption from angle of “Total Truck Load Benefit”. ----- So, effectively it need not pay any ST.

1 Truck (Full) ---- Carrying goods booked by Mr A ---- Total Freight Rs 700/-
--- Carrying goods booked by Mr B ---- Total Freight Rs 600/-
--- Carrying goods booked by Mr C ---- Total Freight Rs 500/-

Total Truck Load Benefit – Not Available (as Total Truck Freight > 1,500)

Individual Consignment Benefit ---

Mr A's Consignment --- Available (as Freight = < 750)

Mr B's Consignment --- Available (as Freight = < 750)

Mr C's Consignment --- Available (as Freight = < 750)

GTA needn't claim exemption from angle of "Total Truck Load Benefit". It can claim exemption from angle of "Individual Consignment Benefit". ---- So, effectively it need not pay any ST.

1 Truck (Full) --- Carrying goods booked by Mr A ---- Total Freight Rs 800/-
--- Carrying goods booked by Mr B ---- Total Freight Rs 1,000/-
--- Carrying goods booked by Mr C ---- Total Freight Rs 500/-

Total Truck Load Benefit – Not Available (as Total Truck Freight > 1,500)

Individual Consignment Benefit ---

Mr A's Consignment --- Not Available (as Freight > 750)

Mr B's Consignment --- Not Available (as Freight > 750)

Mr C's Consignment --- Available (as Freight = < 750)

GTA can't claim exemption from angle of "Total Truck Load Benefit". It can, however, claim exemption in respect of "Consignment of Mr C" from angle of "Individual Consignment Benefit". In respect of consignment of Mr A and Mr B, ST is payable.

However, in respect of these two consignments, further benefit of "Master Exemption: 1/2006" can be claimed. i.e., 75% abatement in freight charged can be claimed (subject to fulfillment of basic conditions as mentioned in E/N 1/2206). Thus, amount of ST payable shall be as under:

ST in respect of Mr A's Consignment --- [25% of Rs 800] * 12.36%

ST in respect of Mr B's Consignment --- [25% of Rs 1,000] * 12.36%

Who shall pay service tax to Govt?

Case-A: Mr A has send goods to Mr B.

Case-A: Mr A has send goods to DEF Ltd.

CBEC Clarification

- Vide rule 2 (1) (d) of the STR, 1994, in certain cases, the person who pays or is liable to pay freight for the transport of goods by road in a goods carriage, has been made liable to pay service tax, instead of the service provider, namely, the GTA. In such cases, the Revenue Audit of the Comptroller & Auditor General of India has objected to the availment of benefit of the aforesaid exemption.*

The issue has been re-examined. These notifications exempt taxable services from so much of service tax as specified therein, irrespective of the person made liable to pay service tax. It is, therefore, clarified that any person who is made liable to pay service tax, while discharging service tax liability on such service, is entitled to avail of the benefit of exemption in terms of E/N 1/2006-ST, subject to fulfilment of the conditions prescribed therein by adopting the following procedure:

- A doubt has been raised whether the above mentioned conditions are required to be fulfilled by the person paying service tax as a recipient of service or the GTA ---i.e., whether it is GTA who shall not avail cenvat credit or whether it is freight payer (in our example, Mr A) who shall not avail cenvat credit?*

It is clarified that it is the GTA who should not have claimed cenvat credit.

- How Freight payer can ensure that GTA has not availed the credit?*

A declaration by the service provider, in all such cases, on the Consignment Note (i.e., Bilty), to that effect will serve the purpose.

Applicability of 6/2005: Small Scale Exemption

Mr A, a GTA has rendered services of "transportation of goods by road" during FY 2007-08. The details of services rendered are as follows:

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| Services rendered to Companies (in respect of such services GTA is not liable to pay ST to the credit of CG, rather the corporate client is liable to pay ST to the credit of CG) | Rs 8 lacs | |
| Services rendered to Individuals (in respect of such services GTA is liable to pay ST to the credit of CG) | Rs 7 lacs | |

E/N 6/2005 specifically provides that

“For the purposes of determining “**aggregate value not exceeding 8 lacs**”, to avail exemption under 6/2005, **in relation to taxable service provided by a GTA, the payment received** towards the gross amount charged by such GTA **for which the person liable for paying service tax is as specified u/s 68(2) read with STR, 1994, shall not be taken into account.**

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| (80) | Transport of goods (other than water) Through pipeline or other conduit | Any person | Any Person | Transport of goods (other than water) through pipeline <u>Services Not covered:</u> xiv) Transportation of <i>Petroleum Products, Natural Gas, LPG, Chemicals, Coal Slurry and other similar products.</i> | |
| (81) | Maintenance/ Repair Of [Motor Car/ LMV / 2-Wheeler] | Authorized Service Station | Customer | 1) Servicing Or Repair, 2) Reconditioning Or Restoration Of ⇒ <u>Motor Car</u> ⇒ <u>LMV</u> <small>Light Motor Vehicle</small> , ⇒ <u>2 Wheeled Motor Vehicle</u> | <u>Services Not covered:</u> xv) <i>Servicing, repairing etc of Heavy Vehicle [Trucks / Buses / Road Roller etc] is not covered as these are not “MOTOR CAR / LMV / 2-Wheeled Motor Vehicle” [Master Circular]</i> |
| <p><u>Master Circular</u> <i>Issue: Whether spare parts sold by a service station during the servicing of vehicles is liable to payment of service tax?</i> <i>Clarification: Service tax is not leviable on a transaction treated as sale of goods and subjected to levy of sales tax/VAT. Whether a given transaction between a service station and the customer is sale or not, is to be determined taking into account, the real nature and material facts of the transaction. Payment of VAT/Sales Tax on a transaction indicates that the said transaction is treated as sale of goods.</i> <i>Any goods used in course of providing service are to be treated as inputs used for providing the service and accordingly, cost of such inputs form integral part of the value of the taxable service.</i> <i>Where spare parts are used by a service station for servicing of vehicle, service tax should be levied on the entire bill (including the value of spare parts) raised by the service provider, namely, service station. However, service provider is entitled to take input credit of duty paid on such parts.</i></p> | | | | | |
| (82) | Airport Services | Airport Authority (or Any Person Authorized by it) | A client | An Airport or Civil Enclave <u>Services covered:</u> xvi) <i>It covers Air Operation Service, Air Traffic Services, Aeronautical Communication, Meteorological Services, Cargo & Passenger Handling Services etc.</i> | |
| (83) | Cargo handling service | Cargo Handling Agency | Any Person | Cargo Handling Service [Cargo Handling = Loading, Unloading, Packing or Unpacking of cargo] | <u>Services not covered [CBEC Clarification]</u> I. <i>Container Freight Stations (CFS) undertake handing of empty containers. It is not taxable</i> |

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| | | | | <p><i>["Transportation Activity" is different from "Cargo Handling Activity"]</i></p> <p><u>Services covered</u></p> <p>1. A packer and mover agency undertakes packaging, loading and unloading of household articles when a person shifts from one house to another. The service provided is taxable as cargo handling service.</p> | <p>as cargo handling service because empty containers are not cargo.</p> <p><u>Exemption:</u></p> <ul style="list-style-type: none"> Cargo handling service in relation to AGRICULTURAL PRODUCE is exempt. |
| (84) | Storage and WHing Service | Storage and W/H Keeper | Any Person | <p>Storage and W/Hing of GOODS</p> <p>[Excluding:</p> <ol style="list-style-type: none"> Cold Storage Services (in relation to any goods) Storage Sr in relation to agricultural produce <p><u>Services covered</u></p> <p><u>Master Circular:</u> Storage and warehousing of empty container would be covered within the scope of "storage and warehousing service", as empty containers are goods.</p> | |
| (85) | Port service | Port Authority (or Any Person Authorized by it) | A client | <p>Port Services</p> <p>[It means any service rendered in relation to <u>Vessels or Goods</u>.]</p> <p><u>Services covered</u></p> <ol style="list-style-type: none"> It generally consists of cargo handling service, container handling service, service of labour for handling goods, storage of goods. <u>Dry-Docking Service</u> (Sr of Repair of Ship in case of damage)—covered as it is also in relation to vessel | <p><u>Demurrage Charges</u> shall form part of TV (these shall be deemed to be in relation to service of goods)—CBEC Clarification <i>(doubtful in Authors Opinion)</i></p> |
| (86) | Dredging Services | Any person | Any Person | <p>Dredging</p> <p>[Dredging means removal of material like sand, rocks, debris, plants or animal matter from</p> <p style="padding-left: 40px;">⇒ River, Port, Harbour</p> <p style="padding-left: 40px;">⇒ Backwater, Estuary.</p> <p><u>Services covered</u></p> <p><u>1.</u> Dredging Corporation of India is engaged in removal of sediments on the bank of Ganges running through State of Bihar. The Company is liable to pay ST.</p> | <p><u>Services Not covered</u></p> <p>1. Municipal Corporation of Delhi (MCD) engages a firm for removal of garbage from the drainages flowing across the area of South Delhi. The firm is not liable to pay ST as dredging in this case is not in relation to any river, port, harbor, backwater or estuary [CBEC Clarification].</p> |
| (87) | Ship management service | Any person | Any person | <p>Ship Mgmt Service.</p> <p>It covers</p> <p>⇒ Supervision of the maintenance, survey and repair of ship;</p> | |

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| | | | | <p>⇒ Engagement or providing of crews ⇒ Receiving the hire or freight charges on behalf of the owner; ⇒ Arrangements for loading and unloading; ⇒ Negotiating contracts for bunker fuel and lubricating oil; ⇒ Payment, on behalf of the owner, of expenses incurred in providing services or in relation to the management of ship; ⇒ Dealing with insurance, salvage and other claims; and ⇒ Arranging of insurance in relation to ship.</p> <p><u>Services covered</u></p> <p>1. Mr Bedi, a former captain of merchant navy, enters into an agreement with a shipping company to arrange for recruitment of seamen for its newly acquired ship. Mr Bedi is liable to pay ST under this category.</p> <p>2. A shipping company, operating ships between Vishakhapatnam and Korea, has an agreement with a person in Vishakhapatnam and authorizes him to collect the freight for the cargo booked in Visakhapatnam. The person is liable to ST under this category.</p> <p>3. A shipping company enters into contract with an agency in Mumbai to deal with the insurance claims filed by any of the clients for loss or damage of cargo. The agent is liable to pay ST under this category.</p> | |
| (88) | Steamer Agent Service | Steamer agent | Shipping line | <p>1) Ship Husbandry Or Dispatch Or 2) Any Administrative Matter Related Thereto</p> <p><u>Services covered</u></p> <p>1. A steamer agent books order for shipping of cargo from Mumbai to Karachi while the ship would be berthed in Mumbai. His service is taxable under this category.</p> | |
| (89) | Convention service | Any person | A client | <p>Holding of convention</p> <p>[Convention means a formal meeting or assembly which is not open to general public (and its principal purpose shall not be entertainment)]</p> <p><u>Services covered</u></p> <p>1. ICAI holds a seminar of tax experts in the FICCI Auditorium to discuss the future of service tax in India. It is a convention. The charges taken by FICCI from ICAI shall be subject to ST.</p> | <p><u>Exemption:</u></p> <ul style="list-style-type: none"> • 40% Abatement Benefit Available [2 Basic Conditions to be fulfilled] • 1 additional Condition Exemption benefit only when catering service also provided as a part of convention service". [E/N 1/2006] |
| (90) | Event Management Service | Event manager | A client | <p>Event Management</p> <p>[Event management means Planning, promotion, organizing or presentation of Any Event (whether art, entertainment, business, sports, marriage^[Added by FA, 2007] or any other)]</p> <p><u>Services covered</u></p> <p>1. An MNC approaches an event manager to advice on the planning of a</p> | |

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| | | | | <p><i>proposed international conference on health care</i> in new Delhi. The event manager charges Rs 1,00,000 for rendering this advice. It is liable to pay ST under this category.</p> <p>2. ZEE Ltd engages a firm for <i>organizing and conducting award-ceremony function (Zee-Cine Awards)</i>. The firm charges Rs 5,00,000 for arranging places, organizing compeering, receiving the guests , providing for beautification of hall and stage, arranging for parking. The firm is acting as an event manager and liable to ST.</p> <p>3. A college approaches a company for <i>managing their sports day</i>. The company provides for the ground, arranges for making of areas, and provides for refreshment and arranging for preparation of medals, and manages the entire function. The company is liable to pay ST.</p> | |
| (91) | Mandap Keeper Service | Mandap Keeper | Client | <p>Use Of Mandap</p> <p>[Mandap means any immovable property let out for holding Any Official, Social, Business Function]</p> <p>Explanation: For the purpose of this service, social function includes "marriage function". [Added by FA, 2007]</p> <p><u>Services covered</u></p> <p>1. A 5-Star Hotel allows the usage of its hall for a marriage function. The service provided is the service in relation to use of mandap. It is taxable.</p> <p>2. If a hall is allowed to be temporarily occupied for the purpose of holding any dance, drama or music programme or competitions, ST becomes payable as service provided by a mandap keeper. This is for the reason that dance, drama, music programmes or competitions are social functions. [Master Circular]</p> | <p><u>Services Not covered</u></p> <p>1. Hall let out for conducting Religious function (<i>bhajan, kirtan, prayers etc.</i>) is not taxable. KRISHNAPUR MUTT 2006-TRIBUNAL: Marriage is a sacred religious function and not a social function and no ST is leviable</p> <p><u>Exemption:</u></p> <ul style="list-style-type: none"> • <u>40% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] • 1 additional Condition Exemption benefit only when catering service also provided as a part of mandap keeper service". [E/N 1/2006] • <u>Religious place</u>, namely, a place which is meant for conduct of prayers or worship, if used as mandap is exempt from ST. |
| (92) | Pandal/ Shamiana Contractor Service [Tent Walas] | Pandal/Shamiana | Customer | <p>Pandal/Shamiana</p> <p>[Pandal or Shamiana means a place specially prepared or arranged Any Official, Social, Business Function]</p> <p>Explanation: For the purpose of this service, social function includes "marriage function". [Added by FA, 2007]</p> | <p><u>Services not covered</u></p> <p>1. A place prepared for religious discourse on Bhagwad Gita is not pandal or shamiana [CBEC Circular]</p> <p>2. A place prepared as a ground for holding a cricket match is not pandal or shamiana..</p> <p><u>Exemption:</u></p> <ul style="list-style-type: none"> • <u>30% Abatement Benefit Available</u> [2 Basic Conditions to be fulfilled] • 1 additional Condition |

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| | | | | | <p>Exemption benefit only when catering service also provided as a part of mandap keeper service”.</p> <p><u>[E/N 1/2006]</u></p> |
| (93) | Outdoor catering service | <p>Outdoor caterer</p> <p><i>[It means a caterer engaged in providing catering services at</i> ⇒ <u>a place other than his own</u> <i>but including a place provided by way of tenancy /otherwise by the person receiving such services]</i></p> | A client | <p>Outdoor catering</p> <p>[Catering means supply of ⇒ food, ⇒ edible preparations, ⇒ alcoholic beverages, ⇒ non-alcoholic beverages, ⇒ crockery and similar articles, or ⇒ accoutrements for any purpose or occasion.]</p> <p><u>Services covered</u></p> <ol style="list-style-type: none"> 1. Mumbai Tiffinwalas supplying tiffins boxes to students / office-goers at their hostles/homes/offices. 2. Taj Hotels providing catering services to Kingfisher Airlines; 3. Taj Hotels providing catering services to Shatabdi Railway; 4. A school provides a “shed” on annual rent basis to a person to supply soft drinks in school children. The service of providing soft drinks is to be treated as a service of an outdoor caterer. 5. A factory provides a space for a canteen and engages a caterer to provide lunch to its workers. The factory charges rent of Rs 10,000 per month from the caterer. The service of providing lunch is a service of an outdoor caterer. | <p><u>Exemption:</u></p> <ul style="list-style-type: none"> • <u>50% Abatement Benefit Available</u> <i>[2 Basic Conditions to be fulfilled]</i> <p><u>Services covered</u></p> <ol style="list-style-type: none"> 1. A factory provides a space for a canteen. The service is provided by canteen contractor to employees/workmen directly. In this case, the canteen will not come within the new definition, <i>since the place is not provided by person receiving the service.</i> [CA Final, May 2007] |
| (94) | Sponsorship service | Any Person receiving sponsorship | -Body Corporate -Firm | <p>Sponsorship of any event (other than sports event)</p> <p>[Sponsorship includes i) Naming an event after sponsor ii) Displaying the sponsor’s logo or trading name iii) Giving sponsor exclusive booking rights or priority booking rights]</p> <p><u>Services covered</u></p> <ol style="list-style-type: none"> 1. HLL sponsors a week-long seminar on “New Dimensions of Food Supplements” organized by a food manufacturing company. The company is incorporated outside India. Since a company incorporated outside India is included in definition of a body corporate, the sponsorship is taxable. In this case, the food manufacturing company, being the service provider, is liable to pay ST. | <p><u>Services Not covered</u></p> <ol style="list-style-type: none"> 1. Pepsi Co sponsors the one-day cricket match in Nagpur. The organizer of the match is not liable to pay service tax because sponsorship relates to event is not included in a taxable category. |

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| | | | | <u>Reverse Charge:</u> Person receiving sponsorship is not liable to pay ST – Body Corporate or Firm shall be liable to pay ST | |
| (95) | Beauty treatment service | Beauty Parlour | A Customer | <u>Beauty Treatment</u> <i>[It includes -- Hair Cutting, Hair Dyeing, Hair Dressing, Cosmetic Treatment, Manicure, Pedicure - <u>Counseling Services</u> on beauty, face-care or make-up]</i> <u>Services covered</u> 1. A beauty parlour advises a would-be-bride on the type of make up that would suit her on the wedding day. The service comes within the scope of beauty treatment. 2. Preparing eye-lashes for a lady is also beauty treatment. (Definition is inclusive definition) 3. A gents beauty parlour, offers to do shaving, face massage and hair cutting . All the 3 services are covered. (Definition is inclusive definition) | <u>Services not covered</u> • Cosmetic Surgery /Plastic Surgery → Not Covered Here (as these are “medical services” – not chargeable to ST) – [CBEC Clarification] |
| (96) | Club/ Association Service | Club /Association <i>[It means Any person/ body of person <u>but excludes</u> 1. Body of Persons established or constituted under law; 2. Any person/Body of Person engaged in Trade Union Activities / Promotion of Agriculture/ Horticulture / Animal Husbandry; 3. Charitable / Religious / Political Clubs / Associations; 4. Press / media Clubs / Association</i> | Member Of Club / Association | Provision of Services / Facilities / Advantages for ⇒ Subscription, ⇒ <u>Any Other Amount</u> <u>Services covered</u> 1. Delhi Gymkhana Club provides certain sports and entertainment facilities to its members for a subscription fee. The club is liable to pay ST on the subscription fee collected. 2. A club charges Rs 10,000 for providing hall to its members to organize a social function (like marriage). The club is liable to pay ST on this amount also (because the word “any other amount”) <u>CBEC Circular:</u> Life Membership Fee shall also form part of taxable value. | <u>Exemption: [E/N 8/2007]</u> A resident welfare association is exempt from payment of service tax on the service provided to its members, subject to the following 2 conditions : ii) The sole criterion for its membership is the residential status of a person ; iii) The consideration received from an individual by the association does not exceed Rs 3000 per month e.g., 1. A co-operative Housing society forms a resident welfare society and charges a monthly subscription of Rs 500 from its members for providing common services like providing for security, parking facility, cleaning of lanes. The society is exempt from payment of ST. 2. Some senior citizens of Punjabi Bagh area of Delhi form an association to organize picnics and pleasure trips on a monthly subscription of Rs 1000. The membership is open to all senior citizens living in Punjabi Bagh area or any other place in Delhi this association is not exempt from tax because the sole criterion is not the residential status. |

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| | <p><u>Master Circular</u> Issue: <i>Whether a club enjoying exemption under the Income Tax provisions as a public charitable institution gets automatically excluded from levy of service tax under category of “Club or Association Service”?</i> Clarification: <i>Exemption under Income Tax Act on the ground of being a public charitable institution is of no consequence or relevance for service tax purposes. Levy of Service tax is entirely governed by the provisions contained in the FA, 1994 and rules made thereunder. Whether a club or association is engaged in activity having objectives which are of charitable nature or not is to be purely determined purely on the facts or circumstances of the case.</i></p> | | | | |
| (97) | Dry Cleaning Service | Any person | Any Person | Dry cleaning6 <u>Services covered</u> 1. Dyeing 2. Darning [CBEC Circular] | <u>Services Not covered</u> 3. Wet Washing [CBEC Circular] |