

Bimal Jain

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Dear Professional Colleague,

What is acceptance of Service for the chargeability of Service Tax

Recently, TRU has issued Circular No. 166/1/2013 dated January 1, 2013 which is summarised for your easy digest:

This Circular is being issued upon representation made by life insurance companies that in terms of the practice followed, reminder notices/letters are being issued to the policy holders to pay renewal premiums. Such reminder notices only solicit furtherance of service which if accepted by policy holder by payment of premium results in a service.

Issue: Whether service tax needs to be paid on the basis of such reminder notices/ letters.

Clarification: The point of taxation under Rule 3 of the Point of Taxation Rules 2011 (POT) generally, is the date of issue of invoice or receipt of payment whichever is earlier. The invoice mentioned refers to the invoices as issued under Rule 4A of the Service Tax Rules 1994. No tax point arises on account of such reminders. Thus it is clarified that reminder letters/notices for insurance policies not being invoices would not invite levy of service tax.

Hence, no service tax shall be levied on such reminder letters/ notices issued to the policy holders for payment of premium.

Open for dispute: It is stated in said Circular that the above clarification is issued only for life insurance sector but, why it is applicable only for life insurance sector and not for other Industry/ Sector on same footing of a general POT laws. There may be a similar situation of renewal of agreement is dependent upon acceptance by Customers and Customers may or may not accept the renewal of agreement upon receipt of reminder notices/letters from Service Provider.

You may download the circular from the following link:

<http://www.servicetax.gov.in/st-circulars-home.htm>

Hope the information will assist you in your Professional endeavours. In case of any query/ information, please do not hesitate to write back to us.

Thanks & Best Regards.

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