

14 more services get tax rebate

Finance Minister Pranab Mukherjee on Wednesday announced tax exemption for 14 more services, which have been included in the negative list that is set to kick in on July 1.

Sale of businesses, services of lawyers to small firms and construction of metro and monorail will not attract service tax. Also exempted are services provided by advocates with a turnover of up to Rs 10 lakh in the preceding financial year.

"We have made some further changes to the list of exemptions... As a result of these exemptions and some other minor changes, the total number of exemptions has gone up from 34 to 39," Mukherjee said, while unveiling the guidance paper on the negative list regime.

Mergers and acquisitions would have attracted service tax under the new regime if specific exemption was not provided to services in the form of sale of going concern in a new category. "Sale of businesses, by virtue of not being a sale of goods, would have come under the service tax net," said PWC executive director R Muralidharan. "This exemption sets this anomaly right," Muralidharan added.

The new exemptions also cover certain support services in formal education, sub-contractors working for contractors who are already exempt, transportation of passengers by ropeway, cable car or air-tram, public libraries, public conveniences and services provided in a taxable territory where both service provider and recipient are in a non-taxable territory, such as special economic zones and local bodies.

The negative list approach to taxation of services is intended as another step towards the introduction of Goods and Services Tax (GST).

Mukherjee admitted that transition to the negative list regime was not easy, saying that the new guidance note will help limit the possible areas of conflict and litigation.

The guidance paper explains the changes on account of the negative list and attempts to anticipate as well as answer queries that may arise in the minds of taxpayers, an official statement said.

Releasing the 107-page book 'Taxation of service: An Education Guide', Mukherjee said with the expansion of the service tax base, it would be possible for the Central Board of Excise and Customs to exceed the collection target of Rs 1.24 lakh crore in the current fiscal.

The government collected Rs 97,000 crore as service tax in 2011-12. This year, the service tax rate has been raised by 2.0% to 12%.

(Economic Times)