

Changes in service tax structure will have great impact on GST

The recent announcement by the government on the changes in the services tax structure will have a positive impact on the goods and services tax (GST), according to JM Kennedy, director of Tax Research Unit, a part of the Central Board of Excise & Customs (CBEC).

“As the country is moving towards implementing GST, it (changes) will help in making things simpler,” he said on the sidelines of a seminar on ‘Impact of budgetary changes – taxation of services’ organised in Hyderabad on Monday.

The seminar was organised by the Federation of Andhra Pradesh Chambers of Commerce and Industry (Fapcci), in association with CBEC, Institute of Cost Accountants of India (ICAI) - Hyderabad chapter, and Institute of Chartered Accountants of India (ICAI).

Recently, the government has expanded the ‘services’ definition to bring in more activities under the tax bracket, and exempted 14 services from the list, taking the total number to 38 services in the negative list.

As of now, 119 services have been defined in the positive list. “The negative list will come into effect from July 1 this year,” Kennedy said.

The exemptions are sale of space for advertisement on the internet and hoardings, copyrights for cinematography, vocational education by institutes affiliated to the National Skill Development Corporation (NSDC), hiring of buses to state transport authorities, erection and commissioning of water supply pipelines, etc.

“Earlier, there were inclusions, exclusions and overlaps of services. Now with the unified definition, it will be much simpler,” Kennedy said.

Currently, the services sector accounts for 60 per cent of the country's GDP, and the government had collected Rs 97,000 crore on account of service tax last fiscal. The government has hiked the service tax rate to 14 per cent, from the earlier 12 per cent in this year's Budget.

According to government estimates, with this new services tax base, CBEC will exceed the collection target of Rs 1.24 lakh crore in the current year.

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