

STEP CLOSER TO THE GOODS AND SERVICE TAX (GST)

PRESS RELEASE, DATED 20-6-2012

1. In a function held today (20-6-2012) in North Block, Hon'ble Finance Minister released the Guidance Paper on the new approach to service tax. The public release of the Guidance Paper marks the culmination of the year long efforts made by the Government to introduce a negative list based comprehensive approach to taxation of services as a part of the Budget exercise. The new approach to taxation of services is intended to take the country and the economy a step closer towards the introduction of Goods and Service Tax (GST).

2. The release of the Guidance Paper on the new approach marks the end of the positive list based selective approach to taxation of services, which is in vogue since 1994. The Guidance Paper has become necessary to explain the changes which have been brought about as a result of the new approach. The Guidance Paper brings out in a lucid language, the magnitude and depth of the changes arising on account of the introduction of the new approach. Comprehensive in coverage, the Guidance Paper attempts to anticipate and answer almost all the questions that may arise in the minds of an ordinary taxpayer in the wake of implementation of the new approach.

3. In his speech the Finance Minister recalled how inputs for the new approach have been obtained practically from all the sections of the society through a process of consultation which spanned over a period of close to one year. Finance Minister termed the new approach as a splendid collaborative effort between the various sections of stakeholders. He expressed his thanks to all the stakeholders, particularly those from the business, industry and professions, who gave their valuable inputs in the form of views, suggestions and ideas. He expressed the hope that the Guidance Paper should reduce the chances of litigation and minimize the possible areas of conflict between the revenue and the taxpayers.

4. The Hon'ble Finance Minister further opined that the new approach is not a revenue augmentation measure but intended to make compliance simple and administration of service tax law easier.

5. While releasing the Guidance Paper Hon'ble Finance Minister also announced some new exemptions as follows:

- (a) Service provided by advocates to other advocates and business entities upto a turnover of Rs. 10 lakh in the preceding financial year.
- (b) Exemption to firm of advocates on the same lines as individual advocates.
- (c) Auxiliary educational services and renting of immovable property provided by educational institutions in respect of education exempt from service tax.
- (d) Exemption to services provided to Government and local authorities also extended to governmental authorities, government authority defined as any entity established by a special law with 90% or more control by Government and set up to carry out any of the functions entrusted to municipalities under Article 243W of the Constitution.
- (e) Services relating to works contract to a scheme under JNNURM or Rajiv Awaas Yojna.
- (f) Construction of monorail or metro projects.
- (g) Transportation of passengers in a ropeway, cable car or air-tram way.

- (h) Services provided to Government, local authorities or a governmental authority for the repairs and maintenance of an aircraft.
- (i) Services by sub-contractors by way of works contract to another main contractor providing works contract services which are exempt.
- (j) Service providing in a taxable territory where both service provider and service receiver are located in a non-taxable territory.
- (k) Services of public libraries by way of lending of books, publications or any other knowledge enhancing content or material.
- (l) Services by Employees State Insurance Corporation (ESIC) to persons governed under Employees Insurance Act.
- (m) Services by way of transfer of a going concern as a whole or an independent part thereof.
- (n) Services by way of public conveniences such as provision of facilities of bathroom, washroom, lavatory urinals or toilets.

With the new additions, the number of exemptions in the 'mega exemption' notification, popularly referred as 'exempt list' has gone up to 38.

6. The Hon'ble Finance Minister observed that the final version of the Place of Provision of Services Rules, 2012 is already issued, which has the potential to serve as a framework for discussion on the inter-state taxation of services under the GST. He complimented his team of officers in the Tax Research Unit, Chairman, CBEC and the Finance Secretary for putting forward their best efforts to make the new approach to taxation of services, a reality. Observing that revenue collections from service tax have grown to more than Rs. 97,000 crore which reflects both the impact of new policy initiatives and improved compliance. Hon'ble Finance Minister said that during the first two months of the current fiscal, service tax revenue has grown in excess of 40%. He also expressed the hope that under the new approach the CBEC should be able to exceed the targeted service tax collection of Rupees 1,24,000 crore during the current financial year.