

CLARIFICATION ON SERVICE TAX ON REMITTANCES

CIRCULAR NO. 163/14/2012-ST, DATED 10-7-2012

Concerns have been expressed in various forums regarding the leviability of service tax on the remittance of foreign currency in India from overseas.

2. The matter has been examined and it is clarified that there is no service tax *per se* on the amount of foreign currency remitted to India from overseas. In the negative list regime, 'service' has been defined in clause (44) of section 65B of the Finance Act 1994, as amended, which excludes transaction in money. As the amount of remittance comprises money, the activity does not comprise a 'service' and thus not subjected to service tax.

3. In case any fee or conversion charges are levied for sending such money, they are also not liable to service tax as the person sending the money and the company conducting the remittance are located outside India. In terms of the Place of Provision of Services Rules, 2012, such services are deemed to be provided outside India and thus not liable to service tax.

4. It is further clarified that even the Indian counterpart bank or financial institution who charges the foreign bank or any other entity for the services provided at the receiving end, is not liable to service tax as the place of provision of such service shall be the location of the recipient of the service, *i.e.* outside India, in terms of Rule 3 of the Place of Provision of Services Rules, 2012.

5. This Circular may be communicated to the field formations and service tax assesseees, through Public Notice/ Trade Notice.