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ST CIR NO-146/15/2011

Dated: September 20, 2011

Subject: S T – Audit of the accounts of M/s Bharat Sanchar Nigam Ltd, Tiruchirapalli

Issue of eligibility or otherwise of Notification No.03/1994 - ST dated 30.6.1994 in case of telephone services for local calls provided through Village Panchayat Telephones – regarding.

Reference has been received from the Chief Commissioner, Central Excise, Coimbatore, wherein, a clarification has been requested for uniformity in assessment as regards levy of service tax on telephone services rendered by M/s BSNL through Village Panchayat Telephone (VPT) with local call facility, after M/s BSNL have become a public sector unit.

2. The issue in brief is that M/s. BSNL, which was earlier (that is, prior to 1.11.2000) known as Department of Telecommunications, had been rendering telephone services through Village Panchayat Telephone (VPT) for local call facility.

2.2 Notification No.3/94-ST dated 30.6.1994 exempts specified taxable services and includes interalia - '*Departmentally run Public Telephones for local calls*' (Sl.No.12 of the table under the Notification). Thus, upto 31.10.2000, the Department of Telecommunications was correctly availing exemption under the above provisions for rendering the said services. However, after 1.11.2000, Department of Telecommunications was corporatized into M/s BSNL, a public sector undertaking. **Therefore, a doubt has arisen as to whether M/s BSNL would be eligible for the said exemption under Sl.No.12 of the table appended to notification No.3/94, since it is not a government department anymore.** There have been conflicting views on the subject and a clarification has therefore been requested.

3. The matter has been examined. As per Sl.No.13 of the table appended to the Notification No.3/94(S.T.) dated 30.6.94, there is exemption for '*Guaranteed Public Telephone operating only for local calls*' and therefore, M/s. BSNL is eligible for exemption under this provision. In this context, the PSU Division of Department of Communications, Ministry of Communications and IT, has also clarified that Village Public Telephones (VPTs) with facility of local calls (without 95 dialing facility or STD facility) would fall under the category of '*Guaranteed Public Telephone operating only for local calls*'. .

4. Thus, even after 1.11.2000, M/s. BSNL continue to be covered under the ambit of the said notification (by virtue of Sl.No.13 of the table appended to the notification) and, therefore, are clearly eligible for exemption.

5. It is requested that all pending matters on this issue may please be decided accordingly.

**Deepankar Aron
Director (Service Tax)**