

## **Train travel, passport fee, capitation fee may come under service tax net**

Travel by train, passport fee, capitation fees to education institutions and non-compete fees given by companies may come under tax net as the government considers a 'negative list' model to tax services, which will boost its tax revenues significantly.

Most countries follow the negative list model-where a list of exempted services is specified and every other service is taxable-to tax services, but India follows a positive list model, or naming the services that are taxed.

The Central Board of Excise and Customs has now proposed switching over to the negative list model in a concept paper that invites comments from all stakeholders.

A decision on adoption of this model and composition of the list will be taken after taking into account views of all stakeholders, a finance ministry official said. "This paper is being put out only to elicit views of public on the concept and what services should be kept out of service tax net," he said.

The concept paper said, "Positive list has the advantage of definitiveness, which is an essential pre-requisite for a good taxation law. However, this very advantage starts getting eroded as the number of services increases."

A negative list-based service tax represents a fundamental change in India's approach to taxation in services. And it can lead to a significant jump in tax revenues as many more services come under tax net.

According to the concept paper, only 16% of the service sector, which contributes almost 63% of the gross domestic product, is taxed at present. About 20-25% of the service sector contribution to the GDP may be taxed under the negative list regime, it said.

The move comes as a part of the government's preparation of a roadmap for transition towards goods and services tax, or GST, which will mark a comprehensive indirect taxes reform.

The concept paper was prepared based on inputs revived from industry and other stakeholders. The negative list model has also been proposed by states in their model of GST.

At present 116 services are taxed by the central government. States do not yet have power to tax services.

The paper has listed 27 categories of services in the negative list under nine heads: government

services, social welfare, public utilities, agriculture and animal husbandry, transport, financial services, construction, health and education.

The exemption list includes select government services, services provided by non-profit organisations, interest and dividend on investments, equity sale and purchase, public transport by buses, taxis and autos, primary education, religious services and services provided by political parties.

The list is only an indicative one for an extensive debate on the subject, the official said.

At current prices, the contribution of services, including construction, to the Indian economy in 2010-11 stood at 50 lakh crore, or nearly 63% of the gross domestic product. But its contribution to the total tax kitty was only about 10% at a little over 70,000 crore.

The negative list model will add significant numbers to the revenue, the concept paper said, but added, "It may not sound astounding as some sections believe it to be."

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