

INDIRECT TAXES UPDATE - 1

New services and amendments made in the existing services to be effective from 01.07.2010

The Central Government has notified 01.07.2010 as the date on which the new services introduced by the Finance Act, 2010 would become effective. Further, the amendments made in the existing service vide the Finance Act, 2010 would also become effective from 01.07.2010 [Notification No. 24/2010 ST dated 22.06.2010].

Air travel of specified persons exempted

With effect from 01.07.2010, air transport of following persons shall be exempt from service tax:

- (a) persons in transit in the course of international journey who have not passed through immigration;
- (b) crew members on board the aircraft [Notification No. 25/2010 ST dated 22.06.2010].

Maximum service tax for domestic air journey (all class) Rs.100 and Rs.500 for international air journey (economy class)

In case of domestic air journey (all class) service tax will be leviable @ 10% of the gross value of the ticket or Rs.100 per journey, whichever is less. In case of international air journey undertaken in economy class service tax will be leviable @ 10% of the gross value of the ticket or Rs.500 per journey, whichever is less. These special provisions will apply only where excise duty credit has not been taken on inputs used for providing such taxable service.

Economy class would mean the class attracting the lowest standard fare and where there is only one class of travel, that class. This notification will become effective from 01.07.2010 [Notification No. 26/2010 ST dated 22.06.2010].

Air journeys originating/terminating in North-Eastern States exempted

With effect from 01.07.2010, air transport of passengers embarking on a journey originating or terminating in an airport located in any of the North-Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura) or at Bagdogra located in West Bengal shall be exempt from service tax [Notification No. 27/2010 ST dated 22.06.2010].

Construction of complex service in relation to Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awaas Yojana exempted

With effect from 01.07.2010, the construction of complex service in relation to Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awaas Yojana shall be exempt from service tax [Notification No. 28/2010 ST dated 22.06.2010].

Abatement of 75% for construction services

With effect from 01.07.2010, service tax shall be payable on 25% of the gross amount charged in case of “commercial or industrial construction services” and “construction of

complex services” provided the gross amount charged includes the value of goods and materials supplied/provided/used for providing the taxable service and the cost of land. This exemption will not be available in cases where the taxable services provided are only completion and finishing services [Notification No. 29/2010 ST dated 22.06.2010].

Sponsorship services provided for tournaments/championships organised by specified bodies exempted

With effect from 01.07.2010, the sponsorship services provided for the tournaments or championships organised by the following bodies shall be exempt from service tax:

- (i) National Sports Federations or Federations affiliated to such National Sports Federations, where the participating teams or individuals represent any District, State or Zone;
- (ii) Association of Indian Universities – Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India (for the physically challenged), Special Olympics Bharat (for the mentally challenged);
- (iii) Central Civil Services Cultural and Sports Board;
- (iv) Indian Olympic Association as part of National Games;
- (v) Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA) Scheme [Notification No. 30/2010 ST dated 22.06.2010].

Specified services provided within a port or an airport exempted

A negative list of services provided within a port or an airport has been notified with effect from 01.07.2010. In other words, the following services provided within a port or an airport shall be exempt from service tax with effect from 01.07.2010:

- (i) repair of ships/boats/vessels owned by the Government (including Navy or Coast Guard or Customs) but excluding Government owned Public Sector Undertakings;
- (ii) repair of ships/boats/vessels where such repair amounts to ‘manufacture’ as per section 2(f) of the Central Excise Act, 1944;
- (iii) supply of water;
- (iv) supply of electricity;
- (v) treatment of persons by a dispensary, hospital, nursing home or multi-specialty clinic (except cosmetic or plastic surgery service);
- (vi) services provided by a school or centre to provide formal education other than those services provided by commercial coaching or training centre;
- (vii) services provided by fire service agencies
- (viii) pollution control services [Notification No. 31/2010 ST dated 22.06.2010].

Taxable services provided for distribution of electricity exempted

Taxable services provided by a distribution licensee, a distribution franchisee, or any other person authorized to distribute power under the Electricity Act, 2003 for distribution of

electricity have been exempted from service tax *[Notification No. 32/2010 ST dated 22.06.2010]*.

Exemption to transport of goods by the Government railways extended till December 2010

Service tax levy on transport of goods by the Government railways and transport of goods by rail otherwise than in containers would be applicable from January 2011 instead of July 2010. Consequently, exemption for transport of notified goods like defence military equipments, railways equipment /materials, postal mail bags by rail and abatement of 70% of the gross amount charged for transport of goods by the Government railways and transport of goods by rail otherwise than in containers would be effective from January 2011 *[Notification No. 33-35/2010 ST dated 22.06.2010]*.

Architect/Chartered Engineer/Licensed Surveyor notified as 'authority competent' to issue a completion certificate in respect of residential/commercial complex

With effect from 01.07.2010, a registered architect or a registered chartered engineer or a licenced surveyor of the local body of the city/town/village/development or planning authority (in addition to any Government authority) have been notified as competent authority to issue a completion certificate in respect of residential or commercial or industrial complex, as a precondition for its occupation *[M.F.(D.R.) Order No. 1/2010 dated 22.06.2010]*