

## INDIRECT TAXES UPDATE - 12

### SERVICE TAX

#### Optional Composition Scheme for Distributor or Selling Agents of Lotteries

An optional mode of payment of service tax has been provided to a distributor or selling agent of lotteries by inserting sub-rule (7C) in rule 6 of the Service Tax Rules, 1994. The distributor or selling agents rendering the taxable service of promotion, marketing or organising/assisting in organising lottery can discharge their service tax liability in the following manner instead of paying service tax @10%:

Where the guaranteed lottery prize payout is > 80%	Rs. 6000/- on every Rs 10 Lakh (or part of Rs 10 Lakh) of aggregate face value of lottery tickets printed by the organising State for a draw.
Where the guaranteed lottery prize payout is < 80%	Rs. 9000/- on every Rs 10 Lakh (or part of Rs 10 Lakh) of aggregate face value of lottery tickets printed by the organising State for a draw.

In case of online lottery, the aggregate face value of lottery tickets will be the aggregate value of tickets sold. The distributor or selling agent will have to exercise such option within a period of one month of the beginning of each financial year. The option once exercised cannot be withdrawn during the remaining part of the financial year.

For the financial year 2010-11, the distributor or selling agent will have to exercise such option by 07.11.2010. The new service provider can exercise such option within one month of providing the service. Once exercised, the option cannot be withdrawn during the remaining part of that financial year.

The expressions “distributor or selling agent”, “draw”, “online lottery” and “organising state” will have the same meaning as is assigned to them under Lottery (Regulation) Rules, 2010.

*[Notification No. 49/2010 ST dated 08.10.2010]*

#### Persons marketing lottery tickets to authorized Distributors/Selling Agents opting for new Composition Scheme exempt from service tax

Persons marketing the lottery tickets, other than the authorized distributors or selling agents, have been exempted from service tax if the distributor or selling agent avails of optional composition scheme notified vide *Notification No. 49/2010 ST dated 08.10.2010* in respect of such lottery during the financial year.

However, the exemption will not be available when such person markets lottery tickets to the distributors or selling agents who have not opted for the above-mentioned composition scheme.

Here, “distributor or selling agent” will have the meaning as is assigned to them under Lottery (Regulation) Rules, 2010.

*[Notification No. 50/2010 ST dated 08.10.2010]*

**New services introduced vide the Finance Act 2010 to be classified under the residual category of the Export of Services Rules, 2005 and Taxation of Services (Provided from Outside India and Received in India) Rules, 2006**

New services notified through the Finance Act, 2010 fall under rule 3(1)(iii) and rule 3(iii) of the Export of Services Rules 2005 and the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 respectively. In other words, under both the Export and Import Rules, the new services will fall under the residual category.

*[Circular No. 129/11/2010-ST dated 21.09.2010]*

*The complete text of above notifications and circular are available at [www.cbec.gov.in](http://www.cbec.gov.in)*

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