

### SERVICE TAX

#### CBEC seeks comments/suggestions on the Concept Paper on Negative List of Services

Pursuant to the announcement made by the Honourable Finance Minister while presenting the Union Budget , 2011, the CBEC has initiated an informed public debate on widening the tax base by introducing a negative list of services (See Annexure below). The salient features of the Concept Paper issued by the CBEC explaining the concept and need of negative list of services are as under:

- (i) Negative list of services implies two things:
  1. A list of services which will not be subject to service tax;
  2. Other than the services mentioned in the negative list, all other services will become taxable which fall within the definition of the 'supply of services'
- (ii) Broadly the following questions can arise in a public debate on introduction of a negative list based comprehensive approach to taxation of services:
  1. Negative vs positive list: should the country adopt a negative list? What will be the proper timing: at the time of GST or even earlier?
  2. How to define 'service', for the purpose of taxation?
  3. What are the services which should be placed in the negative list?
  4. How comprehensive the coverage should be while drawing the negative list? What should therefore be the policy on taxation of important sectors e.g. education, health, public services, charitable and NGOs, infrastructure etc.?
  5. What are the likely revenue implications
- (iii) In addition to above some other considerations found relevant are as follows:
  - a. Administrative considerations: taxation of Government, difficult to tax sectors e.g. margin-based financial services.
  - b. Under contractual obligations: Specified international bodies and diplomatic missions
  - c. Welfare considerations: welfare of vulnerable sections of society, essential education, public health; public transport, services by non-profit entities, religious services, promotion of art, culture and sports.

**Possible Negative List of Services**

Sector	S. No.	Negative List	Remarks
<b>1. By specified persons</b>	1.	Notified services provided by: a. Government* and Judiciary; b. RBI; and c. government regulatory bodies	List of these services or the principle for exclusions will be worked out based on the outcome of the debate
	2.	Services provided by individuals to Government in relation to their representation on any council, commission or similar body set up by the Government	
	3.	Service <b>by</b> UN, international bodies, diplomatic missions under diplomatic and consular arrangements as per laid down conditions (details to be specified)	Services provided <b>to</b> such entities to remain exempt as at present.
<b>2. Social welfare and public utilities</b>	4.	Services provided by organizations registered as non-profit entities in matters relating to public and social welfare activities-excluding education and health (covered separately)-including charitable fund-raising events, sponsorships to charitable events and voluntary donations to charity	Public and social welfare activities will be suitably defined and may be restricted to specified fields only
	5.	Funeral, burial, crematorium and mortuary services	
<b>3. Agriculture &amp; animal husbandry</b>	6.	Services directly used for growing, cultivation, harvesting of the agricultural produce, horticulture, animal husbandry, forestry, dairy, poultry farming and pisciculture (including renting of vacant land exclusively or predominantly for any such purpose)	Certain support services in relation to agriculture and allied activities may be separately exempted
<b>4. Financial Sector</b>	7.	Sale, purchase or acquisition of securities and debts on principal-to-principal basis	Acquisition of shares in lieu of services will be liable to tax
	8.	Interest	
	9.	Dividend on investments	
	10.	Inter-bank sale and purchase of foreign currency	
<b>5. Transport</b>	11.	Transport of passengers by:	

		<p>a) public transport buses on a point-to-point basis (except tourist buses) and stage-carriage basis;</p> <p>b) public transport in ship or vessel of less than 15 net tonnage on a point-to-point basis;</p> <p>d) by metered taxis or three-wheeler auto rickshaw plying within the precincts of a city</p>	
	12	Transport of goods to a destination outside India by any means of transport	
	13	Supply of goods carriage to a person engaged in the business of transportation of goods	
<b>6. Construc-tion &amp; Real Estate</b>	14	<p>Construction, works-contract, repair, alteration, renovation or restoration of:</p> <p>a) roads, airports, railways, transport terminals, bridges, tunnels, dams, canals, irrigation and flood control waterworks including watershed development and water-bodies, water treatment plants and water supply pipelines;</p> <p>b) buildings owned by Government, other than meant predominantly for industrial or commercial use, including government hospitals and educational institutions</p> <p>c) residential building comprising of a single dwelling unit;</p> <p>d) homeless shelter, orphanage, old-age home, rehabilitation &amp; de-addiction centre, child day-care home or place of worship</p>	
	15	Renting of personal dwelling for residential use of a person below a threshold (to be finalized after debate) and when used otherwise as a hotel, inn, guest house, club or campsite or similar accommodation	
<b>7. Education</b>	16	Pre-school, school and recognized education** and vocational training recognized by NCVT except as capitation fee, donations or similar charges in relation to admission	

<b>8. Health</b>	17	<p><b>Option 1:</b> Services provided by a clinical establishment with a turnover below Rs 4 crore in the previous year</p> <p><b>Option 2:</b> Hospital, medical care, diagnostic, para-medical services except in relation to preventive health check-up within the precincts of a clinical establishment, cosmetic or plastic surgery</p>	Services to specified sections and by public hospitals may be exempted under option 1.
<b>9. Others</b>	18	Copyright services of original literary, dramatic, musical and artistic works.	
	19	Services provided by independent journalists, PTI & UNI for providing news	
	20	Services provided by sportspersons, as a player, coach or referee/umpire and performing artists in that capacity (excluding as brand ambassadors)	
	21	Religious services provided by any person.	
	22	Services provided by a political party recognized by Election Commission of India	
	23	Services provided by a trade union to its members	
	24	Representational services provided by an advocate to individuals	
	25	National or international prize/award in recognition of achievement in the field of art, literature, science, sport, economics or public life	
	26	Tolls except services in relation to collection of tolls	
	27	Betting and gambling except services in relation to promoting, marketing or organizing games of chance, including lottery services	

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#### **Feedback**

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