

INDIRECT TAXES UPDATE – 167

SERVICE TAX

Clarification regarding services related to renting of precincts of a religious place meant for general public

The Central Government vide [Notification No. 40/2016-Service Tax, Dated: September 6, 2016](#) has amended Mega Exemption Notification No. 25/2012-Service tax dated June 20, 2012 by elaborating existing **entry 5(a)** to grant service tax exemption to services by a person by way of “renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act), or a trust or an institution registered under sub clause (v) of clause (23C) of section 10 of the Income-tax Act or a body or an authority covered under clause (23BBA) of section 10 of the Income-tax Act; or.”

Further, Central Government vide [Circular No. 200/10/2016-Service Tax, Dated: September 6, 2016](#) has also clarified the meaning of the term “**precincts**” and provided that it should not be interpreted restrictively but shall include all immovable property of the religious place located within the outer boundary walls of the complex (of buildings and facilities) in which the religious place is located. The immovable property located in the immediate vicinity and surrounding of the religious place and owned by the religious place or under the same management as the religious place, may be considered as being located in the precincts of the religious place and would be eligible for the benefit of exemption under *Notification No. 25/2012-Service Tax, Sl. No. 5(a) dated 20.6.2012.*

[\[Notification No. 40/2016-Service Tax, Dated: September 6, 2016 & Circular No. 200/10/2016-Service Tax, Dated: September 6, 2016\]](#)

Comment: *The restriction of the religious place to be owned and managed by the charitable or religious trust, institution or a body specified under Income Tax Act has left the ground open for levy of service tax for the bodies not covered under the prescribed sections of Income Tax Act, 1961. The exemption has become more explicit with this amendment.*

Further, clarity over the term “Precincts” has put to rest the difficulty/ disputes in interpreting scope of entry 5(a) of the Mega Exemption Notification. While the definitions of “Religious Place” “General Public” and “Renting” were provided in the Mega Exemption Notification or the Finance Act, 1994, the absence of the definition of term “Precincts” led to interpretational issues thereby adding to the litigations.

Source: www.cbec.gov.in

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