A close-up photograph of a hand holding a golden key. The hand is positioned on the left side of the frame, with the thumb and index finger gripping the key's head. The key is held horizontally, pointing towards the right. The background is a dark blue gradient.

Tax Review

Service Tax Update

April 2011 - Update 1



Service Tax

- Service Tax authorities issued a series of notification - Notification 29/2011-ST to Notification 37/2011, all dated 25 April 2011
- The Notifications have been issued primarily to effect the enactment of new services / change in scope of old services and provide corresponding abatements / exemptions
- All these Notification shall apply from May 1, 2011

Summary of all Notifications:

Notification No.	Particular
29/2011	Enacts amendments in section 65 and section 66
30/2011	Exempts Health check-up and medical treatment services provided to business entity or insurance companies
31/2011	Exempts accommodations where declared tariff is less than Rs. 1,000/- per day
32/2011	Withdraws the exemption provided to chartered accountant, cost accountant, company secretary with respect to representation before the statutory authority

Summary of all Notifications:

Notification No.	Particular
33/2011	Exempts certain commercial coaching
34/2011	Provides abatement for accommodation and restaurant services
35/2011	Option for calculating taxable value for levy of service tax given to insurance company
36/2011	Amends Export of Service Rules to incorporate the new taxable services of accommodation and restaurant services
37/2011	Amends Import of Service Rules to incorporate the new taxable services of accommodation and restaurant services



Service Tax

Accommodation Services



Accommodation services provided by hotel, inn, guest house etc.

- Section 65(105) (zzzzw) has been added to Finance Act, 1994 w.e.f. 01st May, 2011. The new section provides for levy of service tax on services provided to any person by a hotel in relation to providing of accommodation for a continuous period of less than three months.
- Exemption provided to accommodations with the declared tariff of less than Rs 1000/- per day and would be charged upon the gross amount charged for the value of services
- "Declared tariff" includes charges for all amenities provided in the unit of accommodation like furniture, air-conditioner, refrigerators etc., but does not include any discount offered on the published charges for such unit.
- An abatement of 50% on this service has also been provided vide Notification No 34/2011, dated 25.04.2011.
- The service has been placed under Category-I (place of immovable property) of Import Rules and Export Rules.





Service Tax

Restaurant Services



Restaurant services

- Section 65(105) (zzzzv) has been added to Finance Act, 1994 w.e.f. 01st May, 2011. The new section provides for levy of service tax on any restaurant having facility of air-conditioning in any part of it, at any time during the financial year and having a license to serve alcoholic beverages in its premises.
- An abatement of 70% on this service has been provided vide Notification No 34/2011, dated 25.04.2011 which is meant to separate such portion of bill which relates to the deemed sale of meal and beverages.
- All service of food and beverages, including alcoholic beverages within specified restaurant would be subjected to service tax.
- The service has been placed under Category-I (place of immovable property) of Import Rules and Export Rules.
- This should however not cover in room dining, mini bar consumption and home delivery of food. However, we await further clarification from the government on this aspect.



Service Tax

Expansion of Scope of existing services



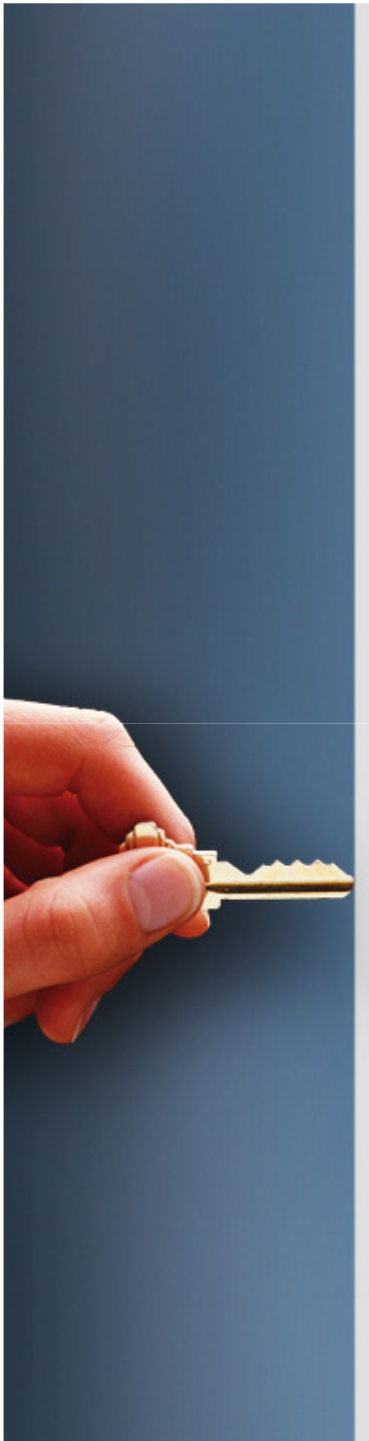


Commercial Coaching and Training Services

- The scope of Section 65(105) (zzc) has been broadened. Before amendment, unrecognized education which is imparted by an institute that issues any certificate or diploma or degree or any educational qualification recognized by law was not taxable under this category. Now it is proposed to subject all such unrecognized education to tax.
- An exemption has been provided to:
 - Pre-school coaching and training, and
 - To any coaching or training leading to grant of certificate or diploma or educational qualification or degree recognized by any law for the time being in force.

Club or Association Services

- The scope of Section 65 (105) (zzze) has been increased vide this amendment. Earlier the services provided by a club or association to its members were subjected to tax but now in addition to this, services provided to non-members by the clubs or associations have also been brought in the tax net.



Authorized Service Station

- The definition provided under Section 65(105) (zo) has been substituted with a new definition according to which services provided to any person by any other person, in relation to any service for repair, reconditioning, restoration or decoration or any other similar services, of any motor vehicle other than three wheeler scooter auto rickshaw and motor vehicle meant for goods carriage are chargeable to tax.

Support Services of Business or Commerce

- The Definition provided under Section 104C has been amended and words 'operational assistance for marketing' has been replaced with 'operational or administrative assistance in any manner'. This would expand the scope of the business support services under Section 65 (105) (zzzq).

Life Insurance Services

- The definition provided under Section 65(105) (zx) has been substituted with a new definition according to which services provided to a policy holder or any person by an insurer, including re-insurer carrying on life insurance business is chargeable tax. Earlier services relating to risk cover were taxed under this head but now in addition to this, services relating to managing investment for the policy holder have also been brought in the tax net.
- Further, an option has been given to insurance company carrying on life insurance business to charge service tax on either on the following basis:
 - on the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of policy holder, if such amount is intimated to the policy holder at the time of providing of service
 - 1.5% of the gross amount of premium charged from policy holder in all other cases
- However, such option shall not be available in cases where the entire premium paid by the policy holder is only towards risk cover in life insurance

Health Check-Up and Treatment Services

- The definition provided under Section 65(105) (zzzzz) has been substituted with a new definition according to which services provided to any person (i) by a clinical establishment or (ii) by a doctor, not being an employee of a clinical establishment, who provides services from such premises for diagnosis, treatment or care for illness, disease, injury, deformity, abnormality or pregnancy in any system of medicine shall be chargeable to tax.
- The definition of clinical establishment has also been provided to mean a hospital, maternity home, nursing home etc. having in its establishment the facility of central air conditioning in any part of its premises and having more than twenty five beds at any time during the financial year and offering services for diagnosis, treatment or care for illness, disease, injury, deformity, abnormality or pregnancy in any system of medicine; or an entity which carries out diagnosis of diseases but does not include an establishment owned or controlled by the government or local authority.
- The above service has been granted exemption from levy of service tax vide Notification No. 30/2011





Service Tax

Other Amendments



Other Amendments

- Henceforth, services of representation before any statutory authority by a practicing Chartered Accountant or Cost Accountant or Company Secretary has been made taxable.



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