

Service Tax :

Introduction

& its Applicability to NGOs

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Service Tax – Evolution

- Commenced effective – 15th July 1994 with tax at 5% on 3 services.
- 2003 – rate went up to 8%
- 2004 – rate went up to 10% with 2% Education Cess brought in
- 2006 – 12% rate
- 2007 – cess enhanced to 3% (for higher & secondary education) rate 12.36%
- 2012 – Concept of covering all services except ones covered by Negative & Exempt Lists effective 1-7- 2012
- Tax amount went up from Rs 410 Crore in 1994-95 to whopping Rs 132,518 crores in 2012-13.

Applicability of Service Tax

- Applicable to entire India, except J&K
- Applicable on taxable services
- Basically burden of service tax is to be borne by consumer, however services provided by following are exempt – RBI, UN and associated agencies, foreign diplomatic and consulate missions & certain govt. agencies.
- Effective 1st July 2012 all services are taxable at 12.36% (12%+3% cess on service tax), except Negative List and Exempt services.

Introduction to legislation

- Quite complicated
- No separate Act, but included under Finance Act 1994
- Courts have examined from time to time however it has stood the legislative scrutiny.
<http://www.constitution.org/cons/india/shedo7.htm>
- Sections 64 to 98
- Section 64 – Scope and Application
- Section 65B – Definitions
- Section 66A – Charge of service tax (prior to 1-7-12)
- Section 66B - Charge of service tax (post 1-7-12)
- Section 66C – Place of provisions of services
- Section 66D – Negative List
- Section 66E – Declared Services,
- Other sections mainly cover procedural issues, including Cenvat

Negative List – S.66D

- A total of 18 services are covered.
- No Service Tax will be levied on services covered under this list. (*see Pg 32 of reading materials.*) Major ones are :
 - UN, RBI, Govt agencies (with some exceptions)
 - Agriculture, Toll charges, Renting for residential purposes
 - Trading, process of manufacture,
 - Education – pre school and upto higher secondary, advance education, approved vocational course.

Exemptions

- Covered by Notification No. 25/2012 (updated by Finance Act 2013 – *see Reading Materials, Pg 42*)
- 38 activities listed in the list. Major ones include
 - Clinics, Doctors & para-medics
 - Renting of religious places
 - Advocates to non-business entities
 - Training / coaching for arts, culture, sports
 - Services or renting of property to educational institutions
 - Sports related services
 - A number of services provided to Govt / local authorities

Exemptions*cont'd*

- A service for construction/ repairs of religious building registered under S. 12AA
- Construction of single residential Units, housing complex for upto 60 sq metre units.
- Services by a performing artist
- Hotels, Guest Houses below per day tariff of Rs 1000/-
- No service tax on restaurants without any air-conditioning / central heating.
- Transportation of relief materials for disaster victims, agriculture produce, etc.
- Services provided to Govt. normally undertaken by local body, including sanitation, water supply, public health, etc.

Charitable Activities

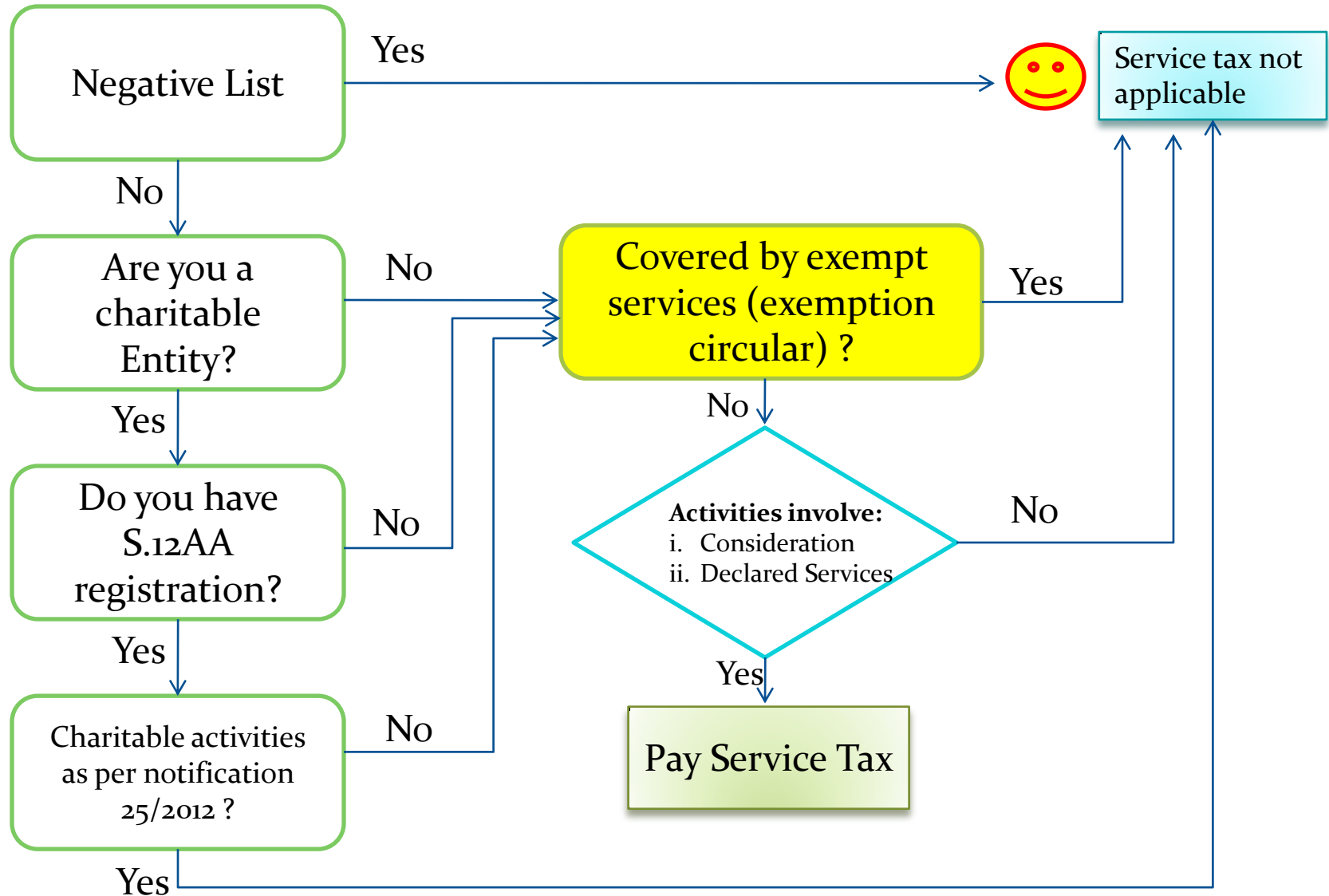
Under Circular 25/2012

- Public Health
- Religious / spirituality
- Education / skill Development
- Environment
- For General Public benefit clause (dropped effective Apr'13)

Under definition of taxable services

- Donations generally not taxable
- Grants (Consideration major criteria)

Applicability of Service Tax NGOs





THANK YOU

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