

Tax Hotline

August 02, 2002

NEW SERVICES TO ATTRACT SERVICE TAX IN INDIA FROM AUGUST 16, 2002

Ten new services, such as event management, cable operators, fashion designers, health clubs, insurance auxiliary services and beauty treatment centers will attract 5 per cent service tax from August 16, 2002. The other services, which have been brought under the tax net, are cargo handling, storage and warehousing, rail travel agent and dry cleaners. Though the premium paid on life insurance policies will not attract the service tax, auxiliary insurance services, provided by insurance agents, actuaries, surveyors and loss assessors, will fall under the service tax net.

Cargo-handling services for agricultural produce or goods meant for cold storage have been exempted from service tax. The scope of banking and other financial services has been expanded to include all corporates rendering these services in the service tax net. Hitherto, only banking companies and financial institutions providing these specified services were liable to pay the 5 per cent service tax.

Further, if the service provider is a non-resident or is located abroad without an office in India, the recipient of the service in India would be liable to pay the 5 per cent service tax. Also, the service tax credit rules have been introduced to allow credit for tax paid on input services. The credit may be utilised for payment of tax on the output service falling in the same category of service as that of the input service. This is akin to the VAT ("Value Added Tax") system and is seen to be a move towards introduction of VAT system

Source: *The Economic Times*, August 02, 2002

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