

Flash on Draft Circular on Refunds of Service Tax



November 1, 2011

The Central board of Excise and Customs ("CBEC") on October 28, 2011 has issued a draft circular to address the problems faced by exporters in obtaining refunds of Service tax and has sought suggestions from all stakeholders before finalization of these instructions. Suggestions are requested to be sent to CBEC by November 30, 2011.

The draft circular proposes following guiding principles to identify and link the input services that have gone into providing output services, thus eligible for refunds:

- All input services other than those used exclusively for domestic business will be eligible for refunds;
- There is no need to split an input service invoice for domestic and export business.

Additionally, an illustrative list covering 68 eligible services for refund is enclosed as an Annexure to the draft circular. This non-exhaustive list also prescribes some other conditions subject to which the refund of respective services would be eligible. The major condition amongst others is that the credit should not be allowed in case the input service is for personal use of employees.

Conclusion

The CBEC with this draft circular intends to bring an end to a series of disputes arising out of refund processing, more particularly, to the issues where the eligibility of various input services for refund is in dispute. However, there are other administrative and operational aspects such as unjust enrichment, time limits etc. which needs further deliberation.

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