

Flash on Revised Concept Paper on “Negative List” of Services



November 21, 2011

The Central board of Excise and Customs (“CBEC”) had issued a concept paper on “**Taxation of Services based on a Negative List**” in August, 2011 to seek feedback from all stakeholders. Taking into account the feedback received from different stakeholders on the above concept paper CBEC has come out with a Revised Concept Paper on November 18, 2011 on which feedback has been sought from all stakeholders by December 15, 2011.

The revised concept paper has retained the definition of “Service”, however in response to the suggestions that only economic activities for a consideration should be taxed CBEC, has proposed to introduce a charging section which will achieve the objective of confining the taxability to such activities only.

An evaluation of charging section reveals that activities which may not qualify as economic activities such as activities of religious entities, political parties, as well as awards for excellence would be out of the tax net.

The Key changes in the negative list are:

- Non-AC second class passenger travel and any class travel by Metro and Monorail is included in negative list
- The scope of “Financial Services” has been enhanced to include Mutual funds and actionable claims.
- A broader exemption under “Health services” without any upper limit as to turnover is proposed
- An exemption up to rupees one Lac per month per unit is proposed for renting of personal dwelling.

Additionally, suggestions on scope of entry related to construction sector in Negative List to define “*specified infrastructure for larger public good*” has been invited.

Conclusion

The revised concept paper has touched upon some of the concerns raised by stakeholders. However, it is silent on the concerns relating to Export of Services Rules and CENVAT Credit issues.

Contacts

Delhi

Vivek Mishra/R. Muralidharan
Ph: +91(124) 3306000

Mumbai

Dharmesh Panchal/S Satish
Ph: +91 (22) 6689 1000

Kolkata

Somnath Ballav/Siladitya Sarkar
Ph: +91(33) 2357 9100/ 4404 6000

Bangalore

Pramod Banthia
Ph: +91(80) 4079 6000

Hyderabad

Pramod Banthia/N V Raman
Ph: +91(40) 6624 6394

Chennai

Sriram B/Niranjana JV
Ph: +91(44) 4228 5000

Pune

Suresh Rohira/G.P Kawathekar
Ph: +91(20) 4100 4444

Ahmedabad

Dharmesh Panchal/Niren Shethia
Ph: +91 (22) 6689 1000

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