



The Central Government has notified July 1, 2010 as the date on which the provisions of the Finance Act, 2010 relating to the introduction of new taxable services as also the amendments to existing taxable services would come into force. The highlights of the notifications are as follows:

New services which have been made effective :

- Services of permitting commercial use or exploitation of any event organized by a person or organization.
- Services provided in relation to two types of copyright namely, cinematographic films and sound recordings not covered under the existing taxable service of 'Intellectual Property Rights (IPR)'. However, copyrights on original literary, dramatic, musical and artistic work would continue to remain outside the scope of service tax.
- Services provided in relation to health check up undertaken by hospitals or medical establishments for the employees of business entities and health check up or treatment covered under health insurance schemes provided the payment is made directly by the business entity or the insurance company to the hospital or medical establishment.
- Services provided in relation to maintenance of medical records of employees of a business entity.
- Service provided by Electricity Exchanges.
- Services provided by a builder to the buyers pertaining to charges on preferential location or external or internal development of complexes excluding services provided in relation to vehicle-parking space.
- Service provided for promotion or marketing of a 'brand' of goods, services, events etc. of a business entity.

- Service envisaging promotion, marketing or organizing of games of chance, including lottery.

Scope of existing services expanded :

- Air Passenger Transport Service – the definition of taxable service will include domestic journeys and international journeys in any class.
- Information Technology Software Service – the definition of taxable service expanded to levy service tax on right to use software for all purposes.
- Commercial Training or Coaching Service – in the definition of taxable service, an Explanation added to clarify the term 'commercial' to mean any training or coaching, which is provided for a consideration, whether or not for profit, w.e.f. 1st July 2003.
- Sponsorship Service – in the definition of taxable service, the exclusion relating to sponsorship services pertaining to sports removed.
- Construction of complex service – definition of taxable service modified to impose tax on consideration received before the completion of construction activity by the builder/promoter/developer from the prospective buyer.
- Renting of immovable property service – definition of taxable service amended to levy service tax on renting activity *per se* w.e.f. 1st June 2007 and to levy service tax on rent of vacant land provided such land is used for furtherance of business or commerce.
- Airport Services, Port services and Other port services – definition of taxable service amended to include all services provided entirely within the airport/port premises and to remove the pre-condition of obtaining an authorization from the airport/port authority.



- Auctioneer Service - in the definition of taxable service, an Explanation added to clarify the term 'auction by government' to mean an auction involving sale of government property and not when the government acts as an auctioneer for sale of private property.
- Management of Investment under ULIP Service - definition of taxable service amended to provide that the value of the taxable service shall be the higher of the fund management amount charged by the insurer or the maximum amount of fund management charges fixed by the Insurance Regulatory and Development Authority (IRDA).

Amendments in other provisions of service tax law have also been made. In this regard, the Central Government has issued Notification No. 24/2010 to 35/2010 – Service Tax. The highlights of these amendments are as follows:

Exemptions - effective from 1st July 2010

- Air Travel Services with respect to International in-transit passengers and person on board the aircraft engaged by aircraft operator have been exempted from the service tax.
- Maximum limit of Service tax that can be charged from the passenger has been specified in relation to Air Travel Services –
 - For domestic journeys - 10% of the gross value or Rs.100 whichever is less.
 - For International journeys in economy class - 10% of the gross value or Rs. 500 whichever is less.

The exemption is subject to the condition that the credit of duty paid on inputs is not availed under Credit Rules.

- Air Travel Services originating in or terminating in an Airport located in specified North-East States have been exempted from service tax.

- Services of construction of complex provided to specified projects viz. Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awaas Yojana exempted from service tax.
- Sponsorship services provided in relation to specified categories of sports exempted from service tax.
- Specified Services if rendered within a port or airport exempted from service tax.

Exemptions - effective from a date to be notified

- Taxable service provided by an authorized distributor under the Electricity Act, 2003 for the distribution of electricity exempted from service tax.

Abatements- effective from 1st July 2010

- Service tax payable on 25% of the value of taxable services pertaining to Commercial or Industrial Construction and Construction of Complex provided value of land and the material used is included in the gross value of taxable services.

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