

## Course Code – COM (H) 226

### Lecture 15



# Meaning

Service Tax is a destination based consumption tax in the form of Value Added Tax. Service Tax is an indirect tax imposed on specified services (taxable services) provided by a service provider (Company, Individual, Firm etc.).

Service Tax was first brought into force with effect from 1 July 1994. All service providers in India, except those in the state of Jammu and Kashmir, are required to pay a Service Tax in India.

Initially only three services were brought under the net of Service Tax and the tax rate was 5%. Gradually more services came under the ambit of Service Tax. In accordance with the Annual Budget 2012-13, the current Service tax rate has been increased from 10% to 12%.

# Charge of Service Tax

As per Section 66 of Finance Act, 1994, **Service Tax** is charged at **12%** of the value of taxable services. In addition to this, **2% Education Cess** and **1% Higher Education Cess** is payable on taxable services. Thus, total Service Tax is **12.36%** and it will be collected in such manner as prescribed.

# Exemption from Service Tax

In some cases, the Central government can grant exemption on Service Tax, by issuing a notification u/s 93 of Finance Act, 1944. The Service Tax Exemption provided may be

**Partial** or **Total** Service Tax

**Conditional** or **unconditional**

**Following are the general Exemptions from Service Tax**

Small Service Providers (whose turnover is less than Ten Lakhs)

Export of Services

Service to UN Agencies

Services provided within Special Economic Zone (SEZ)

Services provided to foreign diplomatic missions, family members of diplomatic missions  
etc.

Services provided by RBI

Goods and materials supplied while provided services

Thank You