

Note on Service Tax

Some of the banking services have been brought under the service tax net. Banks need to ensure that all unpaid service tax liability is adequately provided. This tax was introduced in the financial year 1994, and now extended to all major service industry including banks. Services mentioned in clause (a) of section 65 (12) of the Finance Act, 1994 is taxable if provided by:

- (a) Banking company and financial institution including NBFCs from 16th July, 2001
or
- (b) Any other body corporate from 16th August, 2002
- (c) Any other commercial concern from September 10, 2004

Services mentioned in clause (b) of section 65 (12) of the Finance Act, 1994 is taxable if provided by:

- (a) Banking companies, financial institutions including NBFCs and other body corporates from July 1, 2003
- (b) Commercial Concerns from 10th September, 2004

Rate of Service Tax

- a) From 18.04.06 to 10.05.07 : 12% + Education Cess
2% of Service Tax
- b) With Effect From 11.05.07 : 12% + Education Cess
2% of service tax + S. &
HE Cess 1% of service Tax (i.e. 12.36%)