To

All Regional Authorities;
All Commissioners of Customs;
Exporting Community.

Subject: Clarification regarding Service Tax Refund.

Attention is invited to the provision contained in paragraph 2.48.1 to 2.48.3 of FTP wherein it has been stated that Service tax on services linked to exports shall be refunded / exempted. In line with this, Department of Revenue have issued Service Tax Notifications from time to time stipulating the methodology to refund the service tax paid on exports. These Notifications are 41/2007, 42/2007, 3/2008 and 17/2008 which can be downloaded from the CBEC website http://www.cbec.gov.in.

2. In addition to this, Department of Revenue has clarified that:

(a) As per Section 66 of Finance Act, 1994, Service Tax is leviable only on taxable services provided in India. Services provided from India to outside India and consumed outside India is not leviable to Service Tax as per Export of Services Rules, 2005. Accordingly, the following Services relatable to Exports are not leviable to Service Tax in India:

(i) Participation in Exhibition outside the country;
(ii) Services availed outside the Country such as Customs House Agent (CHA) Services, Steamer Agent Services, Accountancy Services, Market Research Agency Services, Port Services, Cargo Handling Services, Inspection and Quality Control Services.

(b) Receipt of Export Proceeds by exporters and payment for imports in foreign exchange will not attract Service Tax under the newly introduced “Foreign Exchange Dealer” Service.

(c) Clearing and Forwarding (C&F) Agency Service is not leviable to Service Tax;
(d) Loading and un-Loading Service falls under the taxable service “Cargo Handling Service” as defined under Section 65(23) of the Finance Act, 1994 which specifically excludes handling of export cargo from the levy of Service Tax. Accordingly, loading and un-loading of export cargo does not attract service tax;

(e) While notifying new areas for imposition of Service Tax, Department of Revenue would simultaneously issue Refund Notifications for such Services rendered for exports wherever linkage could be established with exports by verifiable methods.

4. Any difficulty in availing the aforesaid provisions may be brought to the notice of this Directorate.

5. This issues with the approval of Competent Authority.

Sd/-
(Tapan Mazumder)
Joint Director General of Foreign Trade

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