

# Tax Hotline

April 29, 2003

## NO LEVY OF SERVICE TAX ON EXPORT OF SERVICES

The Finance Minister while introducing the Finance Bill, 2003 ("Bill") had issued Notification No. 2/2003 dated March 1, 2003 ("Notification No. 2/2003") that has rescinded earlier Notification No. 6/99-Service Tax dated April 9, 1999 ("Notification No. 6/99") . This later Notification exempted taxable service from payment of service tax if the payment for services rendered was received in convertible foreign exchange and the foreign exchange was not repatriated outside India. Consequent to the issue of the Notification No. 2/2003, service tax would be leviable on all taxable services consumed or rendered in India, irrespective of whether the payment therefor is received in foreign exchange or not.

The withdrawal of the Notification No. 6/99 had raised several doubts whether the export of services would continue to remain tax free. In order to address these apprehensions, the Finance Ministry has issued a clarification on April 25, 2003 that the Service Tax is a destination based consumption tax and is not applicable on export of services. With regard to the services of secondary service provider, it is clarified that since such services are consumed in India, service tax would be leviable on the same.

It is also clarified that in case of service consumed/provided in India in the manufacture of goods which are ultimately exported, no credit of service tax paid can be availed or reimbursed at present as inter-sectoral tax credit between services and goods is not allowed.

The Bill has also proposed to increase the rate of service tax from 5 per cent to 8 per cent. In this context, it is clarified that the increased rate of service tax at 8 per cent would be applicable when the Bill is passed. Where invoices are already raised before passing of the Bill, but payments are received after the passing of the Bill, the service tax would be applicable at the rate of 5 per cent. If however the invoice is raised subsequent to the passing of the Bill, the service tax would be applicable at the enhanced rate of 8%.

Source: [http://www.finmin.nic.in/press\\_room/april\\_details.htm](http://www.finmin.nic.in/press_room/april_details.htm) as visited on April 29, 2003

## DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### Fintech

May 05, 2025

### Medical Device Industry in India

April 28, 2025

### Clinical Trials and Biomedical Research in India

April 22, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

[Click here to view Hotline archives.](#)

## Video

### Yyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**SIAC 2025 Rules: Key changes &  
Implications**

February 18, 2025

