

OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE
No.1, WILLIAMS ROAD, TRICHIRAPALLI – 620 001.

MINUTES OF THE MEETING OF THE RAC

TRADE NOTICE: 24 / 2007

26
Dated: .09.2007

The Regional Advisory Committee meeting of Trichy Central Excise Commissionerate for Organised, SSI and Service Tax Sectors was held on 25.09.2007 at 11.30 hrs. at Head Quarters Office, Trichy. Shri Bhikhoo Ram, Commissioner of Central Excise, Trichy chaired the meeting.

2. The following members of the Trade attended the meeting.

SL. No.	NAME OF THE MEMBERS S/SHRI.	RAC	ASSOCIATION / UNIT REPRESENTED
01	R.M. Bairavan,		Karaikal Industries Forum, Karaikal.
02	M.Balraj		Handloom Export Cloth Manufacturers Association, Karur.
03	M. Sivakannan		Karur Textile Manufacturers Export Association.
03	K. Venkatesh		Madras Cements Ltd., Dalavoi.
04	S. Abdul Rasheed.		Trichy District Small & Tiny Industries Association
05	S.Punniamoorthy		BHEL Small Scale Industries Association, Trichy.

3. Shri. V. Parthiban, representing Tamil Nadu Chewing Tobacco Manufacturers Association and Shri. C. Basker, Karur Industrial Estate Entrepreneurs Association sent intimations regarding their inability to attend the meeting.

4. The following Departmental Officers were present.

S/Shri.

- 1) V. Manivaannan, Additional Commissioner, Headquarters, Trichy
- 2) Vasa Seshagiri Rao, Additional Commissioner, Headquarters, Trichy
- 3) Smt. Bertsie Sundaram, Deputy Commissioner, Trichy II Division
- 4) A. Rajendran, Assistant Commissioner (Tech) and Trichy I Division

5. At the outset, the Chairman welcomed all the Members of the Regional Advisory Committee. The following points were raised by members and replies were given.

^ **SERVICE TAX:**

Point 1 raised by Karaikal Industries Forum, Karaikal : An industry – A, does job works of a semi finished product to another industry – B, which finishes the product and markets it with Central Excise duty paid. This in fact refers to the production of Sodium Silicate, the semi finished product and is not as such marketable since it is an intermediate product.

Under this situation does the job working industry using their infrastructure facilities like machinery, power and the rest inclusive of Labour subject to payment of Service Tax.

Reply: If the process undertaken by ‘A’, the job worker does not amount to manufacture, then ‘A’ has to pay Service Tax under the category Business Auxiliary Service.

However, if the final product is cleared by the principal manufacturer i.e ‘B’ on payment of duty, then ‘A’ is entitled for exemption under notification no. 8/2005 – ST dated 1.3.2005 subject to the fulfillment of the conditions stipulated therein.

Point 2 raised by Karaikal Industries Forum, Karaikal : Does Back Product Office (BPO) services linked to a foreign connected BPO in India subject to Service Tax when invoice is raised.

Reply: For deciding the service tax liability, the details of actual service rendered and the contract entered are required.

During the meeting, Shri R.M.Bairavan, President, Karaikal Industries Forum, explained that the main exporter is engaged in the pre press service at Chennai and they have sub contracted to different small service providers situated in various places. He wanted to know whether Service Tax is to be paid by Small service providers or not.

The Chairman replied that the small service providers are rendering the services on behalf of the principal and the services rendered by them squarely fall within the meaning of the Business Auxiliary Service category and therefore they are liable to pay Service Tax.

However, they are eligible for threshold exemption of Rs. 8 lakhs under notification no. 6/2005-ST dt. 1.3.2005 as amended by Notification no. 4/2007-ST.

Point 3 : Shri. M. Sivakannan representing Karur Textiles Forum sought clarification with regard to payment of Service Tax by the exporter on the commission paid to their foreign agents who do not have office in India. Also he requested the Chairman to depute officers to attend a meeting proposed to be convened by them for clarifying doubts on Service Tax.

Reply: In terms of Rule 2 (1) (d) (iv) of Service Tax Rules, 1994, the service receiver is liable to pay Service Tax since the service providers i.e the foreign agents do not have office in India. Hence, exporters are liable to pay Service Tax on the commission paid to their foreign agents.

The Chairman also replied that a mutually convenient date can be fixed for the meeting on Service Tax and specific issues may be communicated to the department in advance.

6. The meeting ended with thanks from Chair.

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(VASA SESHAGIRIRAO) 26 9 07
ADDITIONAL COMMISSIONER

To
As per mailing list II & III.

Copy submitted to: The Chief Commissioner of Central Excise, Coimbatore.
Copy to:- The Under Secretary, CBEC, CX-9 section, North Block, New Delhi.