

OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE: TRICHY.  
NO.1, WILLIAMS ROAD, CONTONMENT, TRICHY-620 001.

Trade Notice No.3/2007 S. Tax

Dated: 15-3-2007.

**Subject : Liability of 'money changers' to pay service tax  
under 'banking and other financial service' - reg.**

\*\*\*\*\*

Ministry's Service Tax Circular No.92/3/2007 dt. 12-3-07 issued vide F.No.249/3/2007-CX.4 on the above subject is communicated for information, guidance and necessary action.

The contents of this Trade Notice may be brought to the knowledge of all constituent members of the Trade Associations and Chamber of Commerce.

(Issued from C.No.IV/16/905/2007 S.Tax)

Sd./-

(M.G.THAMIZHVALAVAN)  
JOINT COMMISSIONER (T).

To  
The Mailing list I / II / III

---

Copy of Ministry's Service Tax Circular No.92/3/2007 dt. 12-3-07 issued vide F.No.249/3/2007-CX.4 is reproduced below.

---

**CIRCULAR NO. 92/3/2007, Dated : March 12, 2007**

**Subject : Liability of 'money changers' to pay service tax under 'banking and other financial service' - reg.**

Service tax is leviable on foreign exchange (forex) broking service under the category of 'banking and other financial service'. In terms of the provisions of the Finance Act, 1994, foreign exchange broker includes a money changer (authorized dealer of foreign exchange). In this context, a question has arisen as to whether the service provided by a money changer in relation to exchange of foreign currency is a forex broking service for applicability of service tax levy under 'banking and other financial services'.

2. The issue has been examined by the Board. It was noted that 'money changing' and 'foreign exchange broking' are two distinct activities. Money changing is an activity of sale and purchase of foreign exchange at the prevalent market rates. On the other hand, foreign exchange broking is the activity performed as an intermediary, on a commission/brokerage basis, for facilitating the clients who wish to buy or sell foreign exchange. The foreign exchange broker providing foreign exchange broking service does not hold title to the foreign exchange. Accordingly, Board is of the view that service tax is not leviable on money changing *per se*, as such activity does not fall under the category of foreign exchange broking.

3. The instruction issued earlier vide letter F. No. 341/44/2005-TRU, dated 6.10.2005 stands superceded.

\*\*\*\*\*