

## Green Initiative in Corporate Governance

## Amendments to Service Tax Provisions

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## “Green Initiative in Corporate Governance”

As a “Green Initiative in the Corporate Governance”, the Ministry of Corporate Affairs (“MCA”) has permitted companies to serve documents onto its members through electronic mode.

In sync with the provisions of the Information Technology Act, 2000 which permit service of documents in electronic mode, MCA has passed a circular on April 21, 2011 stating that a company would be deemed to have complied with section 53 of the Companies Act, 1956 (which enumerates the procedure for service of documents in hard copies), if the service of a document to its members has been effected through electronic mode. It is, however, important that the company should have asked its members beforehand to register their e-mail addresses and any changes thereto with the company.

In a case, where any member has not registered his e-mail address with the company, the company would be required to follow the procedure prescribed in section 53 of the Companies Act, 1956 for effecting service of any document.

## Amendments to Service Tax Provisions

On April 25, 2011, Ministry of Finance (“MoF”) has notified a series of amendments to the provisions of service tax. These notifications will come into effect on May 1, 2011 and primarily prescribe:

1. Service Tax Exemption on Medical Services – The Finance Act, 2011 (“FA”) stipulated levy of service tax on services provided to any person by a clinical establishment, or by a consulting doctor concerning diagnosis, treatment or care for illness, disease, injury, deformity, abnormality or pregnancy in any system of medicine. The MoF has now exempted the above service from levy of service tax.
2. Conditional Service Tax Exemption for Hotels, Inns, Guest Houses, Clubs or Campsites – The FA prescribed levy of service tax on provision of accommodation to a person by a hotel, inn, guest house, club or campsite, by whatever name called, for a continuous period of less than three months.

The MOF has now exempted the above service from levy of service tax, if the “declared tariff” for provision of such accommodation is less than Rs. 1,000/- per day. The term “declared tariff” has been defined to include charges for all amenities provided in the unit of accommodation like furniture, air-conditioner, refrigerators etc., but does not include any discount offered on the published charges for such unit. If the above condition is not satisfied, service tax will be levied on 50% of the value of the service.

3. Revival of Service Tax on Representational Services by CAs, ICWAs and CSs – On July 13, 2006, MoF had issued a notification exempting from levy of service tax, the services provided by practicing chartered accountants, cost accountants and company secretaries relating to representation of their clients before any statutory authority in any legal proceedings.

MoF has now issued a notification rescinding the aforesaid notification dated July 13, 2006. Consequently, service tax will now be levied on any representational services provided by practicing chartered accountants, cost accountants and company secretaries to their clients.

4. Partial Service Tax Exemption to Restaurants – The FA prescribed levy of service tax on provision of services by any air conditioned restaurant, having license to serve alcoholic beverages, in relation to serving of food or any beverage to its customers. MoF has now exempted 70% of the value of the above service from levy of service tax.