

Applicability of Service Tax on “site formation and clearance, excavation and earthmoving and demolition service” provided in relation to renovation of water bodies



TAX ALERT

Applicability of Service Tax on “site formation and clearance, excavation and earthmoving and demolition service” provided in relation to renovation of water bodies

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Facts: The Appellants were engaged in providing service in relation to restoration of water resources and water bodies without making any payment of service tax. The Revenue demanded service for such service on the ground that the same will be classified under “site formation and clearance, excavation and earthmoving and demolition services” and hence, taxable.

Held: The nature of aforesaid Service when seen in a broad sense can be considered as renovation of water sources and water bodies which are excluded from the definition of taxable Service vide Notification No. **17/2005-ST** under the aforesaid head and allowed the appeal.

Current Position:

Effective from 01.07.2012, the definition section 65B of the Finance Act, 1994 has been done away with consequently withdrawing the exemption for services provided in relation to water sources or water bodies.

On the contrary exemptions to specified services has been provided vide exemption Notification no. 25/2012-ST dated 20.06.2012. Vide point no. 12(e) of such notification service provided to the Government, a local authority or governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of pipeline, conduit or plant for water supply, water treatment, or sewerage treatment or disposal is exempt from applicability of Service Tax.

Hence, under current service tax laws, in order to obtain exemption, service in relation to water bodies or water sources will be chargeable to service tax unless provided to the Government, a local authority or governmental authority.