

## Service tax exemption 'half-hearted': exporters

*The finance ministry Monday came out with a relief measure of refunding the service tax that exporters pay for port, road transport and rail services, but exporters termed it as a 'half-hearted measure'.*

The finance ministry Monday came out with a relief measure of refunding the service tax that exporters pay for port, road transport and rail services, but exporters termed it as a 'half-hearted measure'.

'While exports are subject to various kinds of service tax, the present notification only provides for refund of service tax on port services, services of transport of goods by road or rail from inland container depot to the ports of exports,' Ganesh K. Gupta, president, Federation of Indian Export Organisations (FIEO) said in a statement.

'Sectors that generate high employment are worst affected by the appreciation of rupee and will continue to bear the incidence of input service tax,' Gupta added.

Providing some relief to exporters who have been hit by the rising rupee, the finance ministry Monday decided to refund the service tax they paid for port, road transport and rail services.

The government had been collecting a 12-percent service tax and an additional cess of three percent on these services.

Commerce minister Kamal Nath had promised to waive this tax during the annual review of India's foreign trade policy in April and the finance ministry finally notified the order Monday, officials said.

Exporters are already eligible for service tax exemption for some input services - like those of solicitors and chartered accountants - that are used for export.

While port, road transport and rail freight services were not found to be input services in the real sense, the finance ministry felt an exemption could be given since they can be linked to exports.

'The issue of extending refund of service tax paid on taxable services that are not input services but could be attributable to export goods was examined. The government held discussions with stakeholders and identified the above mentioned taxable services for which refund could be provided wherever use of the said taxable services could be linked to exports,' said an official statement.

*Indo Asian News Service (Staff Writer, © IANS)*