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Title: Issue regarding levying service tax on NRI remittance fee/commission.

SHRI K.C. VENUGOPAL (ALAPPUZHA): Madam, the Central Government issued a circular on 14.10.2014 imposing 12.36 per cent service tax on NRI remittance fees paid for distributing money sent to the NRI families. This Circular was issued in reversal of the earlier circular issued by the same authorities in July, 2012 which clarified that no service tax will be levied on NRI remittance fee/commission. This new Circular is unfair to NRI community in Kerala and in other parts of the country. This promotes black money/hawala transactions and hence a need to be withdrawn. The Central Board of Excise and Customs *vide* its Circular dated 14th October, 2014 has suggested to levy service tax on NRI remittance fees by reversing its own earlier Circular.

The effect of the new Circular is that the NRI remittances related service fee will now come under the Service Tax levy at 12.36 per cent with immediate effect, which was earlier outside the Service Tax net.

Considering the importance of migrant remittances in the economic development of a country, none of the developing and developed countries, levy any tax on services related to migrant remittances. Service Tax levy on banking and money transfer related service provided to the NRIs would increase the cost of sending money, as the banks and money transfer agencies would either recover this extra cost from the NRIs or deduct such cost from the amount to be remitted to the nominee in India. However small is the extra cost, this will affect the majority of the NRIs who are low income workers. Thank you.

HON. SPEAKER:

Shri M.B. Rajesh and

Shri P.K. Biju are allowed to associate with the matter raised by Shri K.C. Venugopal.