

**Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit**

M.Vinod Kumar

Joint Secretary (Tax Research Unit)

Tel: 011-23093027; Fax: 011-23093037

e-mail: m.kumar58@nic.in

D.O.F. No. 334/03 /2014-TRU
New Delhi, dated February 17, 2014.

Dear Madam/Sir,

Subject: Union Budget 2014(Interim): changes in Service Tax - reg.

In the Interim Union Budget, in Service Tax, two amendments have been made in notification number 25/2012-ST dated June 20, 2012:

1.1 **Handling, storage or warehousing of rice:** The definition of ‘agricultural produce’ in section 65B(5) of the Finance Act, 1994, leads to a differential treatment between paddy and rice. Paddy is covered by the definition of agricultural produce which loses its essential characteristic after milling into rice. To rationalize the levy and to equate paddy and rice, an exemption has been extended to handling, storage and warehousing of rice also. The mega exemption notification has been amended to insert an entry at sl.no. 40 which reads as “services by way of loading, unloading, packing, storage or warehousing of rice” [amendment Notification No.4/2014-ST dated 17th February 2014].

1.2 **Transportation of rice:** A clarification has been issued by way of circular [Circular No. 177/3/2014 dated 17th February 2014] that “food stuff” includes rice and hence service tax on transportation of rice by rail or a vessel or by a Goods Transport Agency by way of transport in a goods carriage, is exempt as per sl.nos. 20(i) and 21(d) of Notification 25/2012-ST.

1.3 **Milling of rice:** In the same circular referred above in para 1.2, it is also clarified that milling of paddy into rice carried out as job work is covered by the exemption at sl.no.30 of notification 25/2012-ST, since such milling of paddy into rice is an intermediate production process.

1.4 **Services provided by cord blood banks:** Health Ministry had recommended that services provided by the cord blood banks should be treated as health care services and should be exempted. By inserting entry sl.no.2A in the exemption notification No. 25/2012-ST, which reads as “2A. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation”, an exemption has been extended. This would cover services provided by cord blood banks, such as collection of umbilical cord blood, processing the same for segregation of stem cells, testing and cryo-preservation of stem cells.

2. In case of any doubt pertaining to the above changes, a reference may be made to the undersigned or Shri J.M.Kennedy, Director, TRU at jm.kennedy@nic.in

Sincere regards,

Yours sincerely

(M. Vinod Kumar)

To:

All Chief Commissioners/ Directors General
All Commissioners of Service Tax
All Commissioners of Central Excise