

**GOVERNMENT OF INDIA
LABOUR AND EMPLOYMENT
LOK SABHA**

UNSTARRED QUESTION NO:2001
ANSWERED ON:22.11.2010
SERVICE TAX DEMAND TO ESIC
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Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

- (a) whether the Department of Revenue has issued service tax demands to all the branches of Employees` State Insurance Corporation (ESIC) in the country;
- (b) if so, the reasons therefor;
- (c) whether this step will result in increase in cost of insurance for providing mandatory health cover for workers;
- (d) if so, the steps being taken by the Ministry to counter this move;
- (e) whether the Government is preparing a contingency plan to shift the tax burden to the employees in case the tax demand is upheld; and
- (f) whether the Ministry faced similar kind of problem with regard to PF payment?

Answer

MINISTER OF STATE FOR LABOUR AND EMPLOYMENT (SHRI HARISH RAWAT)

- (a):- A consolidated demand-cum-show cause notice for all the offices taken together has been received by ESI Corporation Headquarter Office, New Delhi from Department of Revenue demanding service tax.
- (b): The demand-cum-show cause notice considered the ESI Scheme at par with the General Insurance Business and stated that activities of the ESI Corporation are within the ambit of Insurance Act, 1938 and hence, service tax provisions applicable.
- (c) to (f): If the provisions of Service Tax are made applicable to the ESI Scheme, the cost of insurance will increase to the extent of service tax. Notice demanding service tax has also been received by the Employees` Provident Fund Organisation. The ESI Scheme and the Schemes under the Employees` Provident Funds & Miscellaneous Act, 1952 being social security schemes administered through the statutory organizations namely, the ESI Corporation and Employees` Provident Fund Organisation (EPFO) respectively, the Ministry of Finance has been requested to consider exemption of ESI Scheme and EPF Schemes from the applicability of Service Tax.