

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2174
ANSWERED ON:12.08.2011
SERVICE TAX ON OUTSOURCING
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Will the Minister of FINANCE be pleased to state:

(a) whether service tax is applicable on outsourcing or sub-contracting of infrastructure projects all across the country and if so, the details thereof;

(b) whether any safeguards are in place to shield consumers from being affected by taxing outsourcing/sub-contracting of infrastructure projects; and

if so, the details thereof and if not the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) Infrastructure projects that involve construction of roads, airports, railways, transport terminals/ bridges, tunnels and dams are not liable to service tax. Such activity is excluded from the taxable service of Works Contract service [Section 65 (105) (zzzz) of the Finance Act, 1994 and of Commercial or Industrial Construction service [Section 65 (105) (zzzz) read with Section 65 (25b) of the Finance Act, 1994]. Therefore service tax is not payable on such infrastructure projects.

(b) and (c) the question does not arise.