

**GOVERNMENT OF INDIA
INFORMATION AND BROADCASTING
LOK SABHA**

UNSTARRED QUESTION NO:2505
ANSWERED ON:12.03.2013
TAXATION SYSTEM FOR FILM TV INDUSTRY
Pradhan Shri Nityananda;Punia Shri P.L. ;Virendra Kumar Shri

Will the Minister of INFORMATION AND BROADCASTING be pleased to state:

- (a) whether the film/TV industry have expressed concern over taxation system;
- (b) if so the reasons therefor and the reaction of the Government thereto;
- (c) whether the Government proposes to impose service tax on the earnings of TV/Film artists and production of films;
- (d) if so the details thereof and the reasons therefor along with the reaction/ response of the said artists;
- (e) whether the Government has conducted any assessment/survey of the adverse effect of the said proposal/decision on the entertainment industry; and
- (f) if so, the outcome of the said assessment/survey and if not, the reasons therefor along with the steps taken/proposed to be taken by the Government to improve the taxation system for the benefit of the entertainment industry?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI MANISH TEWARI)

- (a) Yes.
- (b) Some of the reasons are as under:
 - (i) With the introduction of new tax regime effective 1.7.2012, several services availed by film producers are liable to service tax. This has resulted in an increase in the overall cost of production of films;
 - (ii) The services provided by digital cinema distributors were earlier exempted from service tax. However, with the introduction of negative list, this benefit has been withdrawn;
 - (iii) The proposed Goods & Services Act legislation proposes to exclude entertainment tax levied by the local bodies from the Goods & Services Tax ambit;
 - (iv) Post production activities carried out on films temporarily imported into India and re-exported to its destination after completing the job of editing, dubbing and imparting special effects should be treated as product of the place where it received the services;
 - (v) Custom duty exemption on film equipments used for film shooting in India would encourage foreign production houses to shoot on Indian locations; and
 - (vi) Consider exclusion of sale, distribution or exhibition of cinematographic films from the definition of royalty under Direct Tax Code.
- (c) & (d) Yes. The TV/Film artists, w.e.f. 1.7.2012 are required to pay service tax. As for production of films, this activity is not taxed, but the services by way of temporary transfer or permitting the use or enjoyment of a copyright to cinematograph films were liable to service tax prior to 1.7.2012. However, at the request of the film industry, exemption was granted to such services w.e.f. 1.7.2012.

The film industry represented against the fact that they were unable to pass on the tax burden due to this exemption to the next level. With the intention to restrict this scope of exemption, the service of exhibition of cinematograph films (in cinema halls) are proposed to be given exemption w.e.f. 1.4.2013. Other services provided by the film producers would be taxable. This restriction to the scope of exemption for the film producer has been done on the request of the film industry representatives.

- (e) No sir.
- (f) Does not arise.