

CORPORATE OFFICE
TAXATION SECTION
1ST FLOOR,
BHARAT SANCHAR
BHAWAN
JANPATH, NEW DELHI-1



BHARAT SANCHAR NIGAM LIMITED
[A Government of India Enterprise]

No: 1002-68/2010-11/Taxation/ BSNL circular / 02)

Dated: 7-01-2012

To

CGM of Telecom circles/ Metro Districts/ Maintenance Regions/ Project Circles/ Task Force/Data Network / NCES/ ALTTC/ BRBRAITT/ NATFM/ Q&A/ T&D / Telecom stores/Telecom Factories /CPAO (ITI Bills)/IT Circle Pune.

Sub: - Clarification on implications of Service tax on "Discounts" being offered by BSNL consequent upon enactment of "Point of Taxation Rules, 2011.

Kindly refer to this office letters referred above whereby following Notifications issued by CBEC, Ministry of Finance, Govt. of India were circulated for information and necessary action.

- 1) Notification No. 18/2011-Service Tax, dated 01.03.2011.
- 2) Notification No. 25/2011-Service Tax, dated 31.03.2011.

Further the implication of service tax on cash discounts for early payment etc. being offered by BSNL to Customers/subscribers consequent upon enactment of POT Rule, 2011 was examined in consultation with M/s E&Y and it is advisable to adopt the following procedure for dealing with cash discounts given to end user/customer.

As Per POT Rules, 2011, Service Tax would have to be paid by BSNL on the full invoice amount. For the Service Tax already deposited on the amount short collected from the customer on account of discount, the adjustment of cash discount allowed may be taken under Rule 6(3) of ST Rules, 1994 (as amended) if BSNL issues a credit note to the extent of the discount allowed. If this procedure is not followed, the Service Tax to that extent would become a cost to the Company.

Hence appropriate action in this regard may be taken. This may be brought to the notice of all concerned.

This issues with the approval of competent authorities.

(K. Jothi)
DGM (Taxation)

Copy for information and necessary action to:

1. IFAs of all circles.
2. GM(F-CFA)/GM(F-CM)/GM(F-EB)/GM(F-NB) BSNL CO New Delhi-1.
3. GM(CA) BSNL CO New Delhi-1.
4. GM(F) ITPC) Pune.