

**F. No. 137/51/2016-Service Tax
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs
Service Tax Wing**

New Delhi, the 22nd August, 2016

To

All Principal Chief Commissioners / Chief Commissioners of Central Excise/Service Tax
Principal Directors General/ Directors General of Goods and Service Tax/ Central Excise
Intelligence/Systems/ Audit/ Tax Payer Services/Performance Management
Chief Commissioner AR CESTAT
All Principal Commissioners/Commissioners of Central Excise/Service Tax
All Principal Additional Directors General/ Additional Directors General Audit

Madam/Sir,

Subject: Services provided to the Government, a local authority or a governmental authority with regard to water supply

I am directed to inform that it has been reported to the Board that in some cases contractors providing the service of construction of tube wells for the Government have been considered to be liable to pay service tax.

2.0 The matter has been examined. The following exemptions are available in this regard:-

2.1 Vide Serial No. 12 (e) of notification 25/2012-Service Tax dated 20-6-2012-

“Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal”.

2.2 Vide Serial No. 25(a) of notification 25/2012-Service Tax dated 20-6-2012-

2.2.1 In the period 1-7-2012 to 10-7-2014

“Services provided to Government, a local authority or a governmental authority by way of carrying out any activity in relation to any function ordinarily entrusted to a municipality in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation”.

2.2.2 In the period 11-7-2014 onwards

“Services provided to Government, a local authority or a governmental authority by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation”.

3. Thus, it follows that, among others, exemption is available to the following services provided to the Government, a local authority or a governmental authority, by way of-

(a) construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of pipeline, conduit or plant for (i) water supply (ii) water treatment, and

(b) water supply

4. The phrase “water supply” is a general phrase. Basically it will involve providing users, access to a source of water. The source may be natural or artificial like tanks, wells, tube wells etc. Providing users access to such a source will involve construction of the source (if artificial) and the transmission of water to the user. It will involve activities like drilling, laying of pipes, valves, gauges etc, fitting of motors, testing etc, so as to eventually result in the supply of water. Similarly the word plant has to be understood and interpreted with reference to the context. A plant for water supply need not necessarily involve a huge assembly of machinery and apparatus, for the reasons explained earlier.

5. Thus the exemption under the entries at Serial No. 12(e) and 25(a) of notification 25/2012-Service Tax dated 20-6-2012, will cover a wide range of activities/services provided to a government, a local authority or a governmental authority and will include the activity of construction of tube wells.

Yours faithfully


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