



**INCOME TAX ALERT**

# N. A. SHAH **BULLETIN**

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**N. A. SHAH ASSOCIATES LLP**  
Chartered Accountants



### **Tax not to be deducted on GST component of invoice**

1. The Central Board of Direct Taxes ('CBDT') in earlier circular no.1 of 2014 has clarified that if service tax component is indicated separately in the agreement/ contract for a payment to be made to a resident, tax shall be deducted ('TDS') on amount paid or payable without including such service tax component.
2. After rollout of GST w.e.f. 01.07.2017, service tax is subsumed with GST and the ambiguity arose whether the benefit of circular no.1 of 2014 would be available on GST component if indicated separately in the agreement/contract.
3. The CBDT on 19<sup>th</sup> July, 2017 vide circular no.23 of 2017 has clarified as under:
  - Wherever in the terms of the contract/ agreement, the component of 'GST on services' is indicated separately, tax shall be deducted at source on the amount paid or payable excluding such 'GST on services' component.
  - GST for this purpose shall include Integrated Goods and Service Tax, Central Goods and Service Tax, State Goods and Service Tax and Union Territory Goods and Service Tax.
  - Further, for the purpose of this circular, any reference to 'service tax' in an existing agreement/ contract which was entered prior to 01.07.2017 shall be treated as 'GST on services' with respect to the period from 01.07.2017 onward till the expiry of such agreement/ contract.

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