



SERVICE TAX CIRCULAR

-COPY OF-
CIRCULAR No.92/3/2007-SERVICE TAX
Dated 12th March, 2007

F.No.249/3/2007-CX.4
Government of India
Ministry of Finance
Department of Revenue
(Central Board of Excise and Customs)
New Delhi
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To

Chief Commissioners of Central Excise & Customs (All)
Chief Commissioners of Central Excise (All)
Commissioners of Service Tax (All)
Director General of Service Tax, Mumbai
Director General Central Excise Intelligence, New Delhi

**Liability of 'money changers' to pay service tax
under 'banking and other financial service' – reg.**

Service tax is leviable on foreign exchange (forex) broking service under the category of 'banking and other financial service'. In terms of the provisions of the Finance Act, 1994, foreign exchange broker includes a money changer (authorized dealer of foreign exchange). In this context, a question has arisen as to whether the service provided by a money changer in relation to exchange of foreign currency is a forex broking service for applicability of service tax levy under 'banking and other financial services'.

2. The issue has been examined by the Board. It was noted that 'money changing' and 'foreign exchange broking' are two distinct activities. Money changing is an activity of sale and purchase of foreign exchange at the prevalent market rates. On the other hand, foreign exchange broking is the activity performed as an intermediary, on a commission/brokerage basis, for facilitating the clients who wish to buy or sell foreign exchange. The foreign exchange broker providing foreign exchange broking service does not hold title to the foreign exchange. Accordingly, Board is of the view that service tax is not leviable on money changing *per se*, as such activity does not fall under the category of foreign exchange broking.

3. The instruction issued earlier vide letter F.No.341/44/2005-TRU, dated 6.10.2005 stands superceded.

4. Trade and field formations may be advised accordingly.

5. Hindi version will follow.

Sd/-
(Gautam Bhattacharya)
Commissioner (Service Tax)

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