

# Tax notice to banks: DFS to seek relief, take up matter with revenue dept

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The department of financial services (DFS) will write to the revenue department to provide relief to banks that have been slapped with a tax notice, asking them to pay service tax, penalties and interest on free services offered to customers. Asked about the tax notice, financial services secretary Rajiv Kumar said his department is in the process of taking up the matter with

the revenue department. “The DFS believes that such free services are not taxable,” Kumar said. According to some estimates, the tax notice seeks to garner around Rs 30,000-40,000 crore from banks.

Interestingly, the demand is with retrospective effect with a 12% service tax claimed since 2012, an 18% interest on the amount and a 100% penalty, said bankers. The notice was issued by the Directorate General of Goods and Services Tax Intelligence (DGGST) to private banks like ICICI Bank, HDFC Bank and Axis Bank, and a few public sector banks, mainly State Bank of India. Bankers said that each bank offers a different slab of minimum balance to customers, based on which customers get certain free services.

The tax is being sought to be levied on certain free services provided by banks to customers—including issuance of cheque books, account statements, unlimited cash withdrawals from ATMs in a month, debit cards and PIN change—for maintaining a minimum balance in their deposits. The tax notice comes at a time when banks, especially public sector ones, are struggling with massive bad debts. Bankers said no such tax demand is legitimate, that too for services on which they didn’t earn anything.

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