

More tax pain soon: Banks to impose GST on ATM usage, issue of cheque books, additional credit cards

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Tax pain: Banks may impose GST on ATM usage, issue of cheque books, additional credit cards



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By Mitali Salian

While the finance ministry may reconsider the decision to tax free banking services following representations from the industry, bankers are readying to notify customers on the levy.

Unless the government 're-thinks' the GST (goods and services tax) on 'free services', banks will alert customers, maintaining a minimum balance in their accounts, by the month-end, senior bankers told FE.

Although the indirect tax department had issued 32 pages of FAQs in June clarifying that 'free services' offered by banks were not under 'consideration' and hence exempt from GST, the department has not called back notices issued to banks. Given the finance ministry hasn't issued any notification in this regard and FAQs don't have legal sanctity, the notices to banks would have to be executed.



Banks have been waiting to hear from the government. "If we don't hear from the ministry soon, we will convey to customers that we will collect the GST or the service tax on behalf of the government. We are not keeping anything for ourselves," they explained.

The bankers added the collection would be applicable to not just customers with a minimum balance requirement but to everyone other than those with basic savings bank deposit (BSBD) accounts. Customers having a BSBD

account are not required to maintain any minimum or monthly average balance.

Banks had received preliminary notices from the tax department earlier this year, seeking to levy GST on ‘free’ services that banks offered — issuing cheque books, additional credit cards, ATM usage and refund of fuel surcharge, according to several publications.

While many of the details were yet to be worked out, bankers said the likely GST was 18% of the value of the service, which would be equivalent to the “maximum penalty for non-maintenance of minimum balance”.

Currently, State Bank of India asks customers to maintain an average monthly balance (AMB) of Rs 1,000-3,000 based on population categories — rural, semi-urban, urban and metro.

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Meanwhile, private lender HDFC Bank’s AMB is Rs 5,000 for semi-urban branches and twice that at metro or urban branches. At rural branches, there is an average quarterly balance requirement of Rs 2,500. The bank’s charges on non-maintenance of minimum balance are anywhere between Rs 150 and Rs 600, excluding applicable taxes.

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