

F.No.354/119/2010-TRU  
Government of India  
Ministry of Finance  
Department of Revenue  
Tax Research Unit  
North Block, New Delhi

16<sup>th</sup> August 2010

To

Chief Commissioners of Central Excise and Service Tax (All),  
Director General (Service Tax),  
Director General (Central Excise Intelligence),  
Director General (Audit),  
Commissioners of Service Tax (All),  
Commissioners of Central Excise and Service Tax (All).

Madam/Sir,

**Subject: Service tax on commercial training and coaching – clarification  
whether 'donation' is 'consideration' – regarding.**

1. A representation has been received seeking clarification whether donations and grants-in-aid received from different sources by a charitable Foundation imparting free livelihood training to the poor and marginalized youth, will be treated as 'consideration' received for such training and subjected to service tax under 'commercial training or coaching service'.
2. The matter has been examined. The important point here is regarding the presence or absence of a link between 'consideration' and taxable service. It is a settled legal position that unless the link or nexus between the amount and the taxable activity can be established, the amount cannot be subjected to service tax. Donation or grant-in-aid is not specifically meant for a person receiving such training or to the specific activity, but is in general meant for the charitable cause championed by the registered Foundation. Between the provider of donation/grant and the trainee there is no relationship other than universal humanitarian interest. In such a situation, service tax is not leviable, since the donation or grant-in-aid is not linked to specific trainee or training.
3. Trade Notice/Public Notice may be issued to the field formations accordingly
4. Please acknowledge the receipt of this circular. Hindi version follows.

(J. M. Kennedy)  
Director, TRU  
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