



# EVENT MANAGEMENT AND SERVICE TAX

By CA Srikantha Rao T, B.Com., ACA

*In this article we shall look at the taxability with regard to event management as well as the concept of event management in detail. Also discussed are relevant case laws on the subject apart from other related service categories.*

The growth of the service sector since the opening up of the Indian economy in the early 1990s as well as the contribution to revenue from the introduction of service tax in 1994 has had the effect of encouraging the Government to look at more and more services as far as taxability is concerned in order to increase revenue in the last decade or so. One such service was event management service which was brought under the tax net with effect from 16.08.02. One of the main reasons for this category of service to be brought under the tax net is because of the sudden spurt in activity.. Unlike some of the other categories of taxable services, event management sees big money and the Government saw an opportunity in taxing this segment as revenue from service tax was seen to increase from this one segment alone as there was a lot of demand for event managers.

## Definitions

Taxable service as per section 65(105)(zu) of Chapter V of Finance Act 1994 as amended from time to time, means any service provided or to be provided to any person by an event manager in relation to event management. The term event management has been defined u/s 65(40), to mean any service provided in relation to planning, promotion, organizing or presentation of any arts, entertainment, business, sports, marriage or any other event and includes any consultation provided in this regard. The term "event manager" as per section 65(41) means any person who is engaged in providing any service in relation to event management in any manner.

A reading of the aforesaid definitions would reveal that under this category of service, the concept of service provider has been clearly defined. Unlike some of the other categories where he could be any person, here the service provider should be an event manager who usually engages himself in event management. Here, the author would like to draw your attention to the decision of the Mumbai High Court in Zee Telefilms Ltd Vs CCE (Appeals) Mumbai IV (2006 (04) STR 349 (Tri-Mumbai)) where the Tribunal in relation to advertising service had held that the definition could not be read in isolation and in an all encompassing manner and out of context so that every person who is in some way connected with advertisement will be advertising agency. In the author's view, the concept discussed here should also hold good for event management service. Therefore, a service provider could not be liable under event management service category unless he usually engages in the activity of planning, promoting or organizing events. However judicial confirmation maybe required to rely on this reasoning.

## Client-service provider relationship – Importance

One more aspect which merits attention is that the question of service tax being applicable would arise only where the

service is provided by an event manager to a defined service receiver other than himself. In other words, where the event is organized on one's own account and not for others for instance, an organizer, the event manager would not be liable to service tax. This view was also followed in Tiger Sports Marketing (P) Ltd Vs CST New Delhi (2009 (13) STR 59 (Tri-Del)) where the Tribunal held that golf tournaments were organized one one's own account and not for PGAI or body corporates who sponsor such tournaments. A similar view had also been held by the Tribunal in Phase 1 Events and Entertainment (P) Ltd Vs CST Bangalore (2008 (12) STR 174 (Tri-Bang)) where one of the members of the OKTOBERFEST committee had organized the festival for the committee and the Tribunal held such service provided to the committee as not being liable to service tax under event management as the service provider himself was a member of the said committee. Here, client – service provider relationship was held to be absent. Thus, in order to be liable, the event manager should provide the service to a third party who could even be an organizer or a sponsor.

## Concept of "event" and "event management"

Though the term "event management" has been specifically defined under service tax, the same thing does not apply to the term "event". If one were to go through Random House Webster's Unabridged Dictionary, the term "event" can mean something that occurs in a certain place during a particular interval of time. Therefore in order to be liable under this category of service, the service provider should be planning, promoting, organizing or presenting the said event. The event could be one involving presentation of art work, one involving entertainment, business or sports or marriage etc. Consultation services in relation to such events would also be liable under this heading.

## Event Management Vs Advertising

The definition of the term "event management" discussed above includes the term "promoting" as well. This term would have to be seen in the context in which it is used in the author's view and is not to be confused with the term "promote" as understood in relation to services of advertising. Here, it could mean to help or to encourage to exist or flourish or to aid in organizing. Any service in relation to advertising of an event being conducted would be more appropriately classifiable under the category of advertising agency services and not under event management.

## Event Management Vs Business Exhibition Service

Readers may also note that another category of service namely, business exhibition service was introduced with effect from 10.09.04 to levy service tax on services in relation to exhibition of an exhibitor's product or service in order to market,

promote, advertise and showcase the same to ensure growth in business of such exhibitor. This is a specific entry applying only to services in relation to exhibition of a product or service in order to promote it. Thus an event which is in effect conducted or organized in order to promote a product or service of the exhibitor would have to be classified under this heading and not under event management. This view was followed by the Tribunal in *Kiran Soans Vs CST Bangalore (2007 (08) STR 179 (Tri-Bang))* where road shows and campaigns organized for promotion of products was held to fall under business exhibition service and not under event management service and a stay was granted on recovery of service tax. However, where the *organizer of such exhibition* to promote products or service of the exhibitor avails the services of an event manager to provide services in relation to organizing of such fairs or exhibitions, then such services provided by the event manager to the organizer would be liable under the category of event management service. This matter has also been clarified by Circular 96/7/2007 ST dated 23.08.07.

Members may note that while event management service may be provided by an event manager to any person, business exhibition service is to be provided by an organizer of a business exhibition to an exhibitor alone. Therefore in terms of scope, business exhibition service is narrower than that of event management.

#### **Event Management Vs Management or Business Consultant's services**

The category of event management would also cover a consultant providing consultation on planning, promoting, organizing of an event. This service would have to be distinguished from the services provided by a management or business consultant especially where such consultant provides services in relation to marketing management. The latter category talks about services in the field of managerial functions rather than specific events. Thus, the role of the management or business consultant would be more comprehensive and would cover functions of management whereas an event manager would concentrate solely on planning, organizing or promoting of events.

#### **Event Management Vs Business Exhibition Vs Business Support Services**

Members may note that there could be a possibility of a service provider providing services in relation to managing and distribution of logistics and/or providing infrastructural support services during events or road shows or fairs. Such a service provider could be liable to service tax under the category of business support service. This can happen where the service provider can neither be considered as an event manager nor as an organizer of business exhibition providing services to an exhibitor as aforesaid. A decision in this regard would have to be taken on the basis of a review of the agreement between the contracting parties to see the substance of the agreement. However there may also be instances where an organizer or an event manager may hire equipments needed for the event/show in which case, the person providing such equipments on hire on a temporary basis could be liable to service tax under the category of

supply of tangible goods for use rather than under business support service. In other words, the question of a person being liable under business support service could arise where some of the activities required for conducting events or shows are outsourced by the event manager or organizer to others.

#### **Valuation**

The service provider would have to charge service tax on the gross amount charged for the service. Where he wishes to claim the benefit of deduction on reimbursements on payment to input service providers i.e. a person who provides equipments or provides necessary infrastructure, or lets out premises on rent for conducting event or shows, he would have to examine the concept of pure agent as laid down under Rule 5(2) of Service Tax (Determination of Value) Rules 2006 which would enable him to claim deduction on costs reimbursed.

Further when there is a supply of goods where the transfer of property takes place the value of the same would not form part of the taxable service.

#### **Services of event management provided to clubs and associations**

The event manager providing taxable services falling under event management service to a club or an association would have to charge service tax. As far as the club or association is concerned, any recovery on this front from the members would have to be seen under the category of club or association service though the levy of service tax on such recovery from members could fail if we were to hold the view that there cannot be service tax unless there is value addition through provision of service apart from the fact that there can also be a view regarding holding of members club and association and members as one and the same i.e. doctrine of mutuality.

#### **Cenvat Credit**

Where the service of event management qualifies as an input service, the service receiver would be in a position to claim cenvat credit of the service tax paid on such service received. The service recipient may be an organizer of shows, fairs for promoting products or a body corporate/firm engaged in providing output service or manufacturing dutiable goods. The assessee claiming cenvat credit on such service might have to justify the same before the department relying on the decisions on input service credit admissibility by the Larger Bench of the Tribunal in *GTC Industries Ltd Vs CCE Mumbai V (2008 (12) STR 468 (Tri-LB))* and of the Mumbai High Court in *Coca Cola India (P) Ltd Pune Vs CCE Pune III (2009-TIOL-449-HC-Mumbai-ST)* where the phrase "activities relating to business" used in the definition of input service under Rule 2(1) of Cenvat Credit Rules 2004 was held to signify a wide import covering all activities related to functioning of a business.

This article seeks to examine the basics of this services as well as the differentiation between related services. For further queries please host on [pdicai.org](http://pdicai.org).

Authors can be reached on  
e-mail: [srikantharaot@hotmail.com](mailto:srikantharaot@hotmail.com)