

1) Amount charged by the Credit / debit card issuing banks on the merchant establishment upto an amount of Rs.2,000/- in a single transaction is exempted from service tax

CBEC has provided the exemption on services provided by any acquiring bank to any person in relation to settlement of any amount up to Rs.2,000/- in a single transaction transacted through credit card, debit card, charge card or any other payment card service.

Whereas, “acquiring bank” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.

Therefore, vide this amendment when a customer uses a credit card, debit card, charge card or any other payment card for payment of his purchase of goods or services, the merchant/service establishment is charged certain merchant discount rate (MDR) by credit card or debit card issuing banks. With a view to promote digital transactions and encourage merchant establishments to accept such card payments, Government has waived service tax on such amount charged while making payments through credit card, debit card, charge card or any other payment card. However, this waiver is limited to payments upto **Rs.2,000/-** only in a single transaction. **[Notification No.52/2016-ST dated 08.12.2016]**