



✓ Ahmedabad

✓ Baroda

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**Service Tax Booklet F.Y. 2012-13**  
*(Helpful for ready reference)*



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We at DBS are pleased to present you a service tax booklet which contains recent amendments and provisions introduced in the budget 2012. As all of you are aware there are many changes that have been made in the budget as well as the post budget period by way of circulars and notifications. This booklet intends to cover those changes and other important areas.

Included in this booklet are various rates and timelines that will help you to use this booklet as a ready reference material for service tax matters.

Trust this will be useful to you



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# Amendments

(Along with applicable dates)



Serial No	Particulars of Important amendments in general	Date of Applicability
1	Rate of Service Tax increased from 10% to 12%	01/04/2012
2	Applicability of Negative List of Services (detailed list attached in the presentation)	01/07/2012
3	Services specifically exempted (detailed list attached in the presentation)	01/07/2012
4	Amendment in Point of Taxation Rules 2011	01/04/2012
5	Payment of Service Tax on Receipt Basis for partnership firms & Individuals only if turnover in the previous year is less than INR 50 lacs. If turnover exceeds 50 lacs in the previous year than compulsory mercantile/accrual system to be followed ( <i>This provision is now applicable to not only 8 specified services but applicable to all the services</i> ) <b>(Refer Point of Taxation rules)</b>	01/04/2012
6	Applicability of new reverse charge mechanism i.e. Wherein service recipient is required to pay the service tax <b>(list attached in detail)</b>	01/07/2012
7	Time Period for issuance of Invoice increase from 14 days to 30 days	01/04/2012
8	Penalty waiver scheme for service tax due on rent of immovable properties as on 06/03/2012 - if ST paid before 31st December 2012	01/07/2012
9	Time Period for filing appeal with Commissioner (Appeals) reduced from 90 days to 60 days	01/07/2012
10	Time Limit for issuance of SCN increased from 12 months to 18 months	01/07/2012
11	Power to condon the delay in filing of appeal before Commissioner(Appeals) reduced from 3 months to 1 month	01/07/2012

# SERVICE TAX



## List of Negative Services

Serial No.	List of Negative services w.e.f. 01/07/2012 vide notification dated 17 <sup>th</sup> March
1	Services by Govt. or Local Authorities.
2	Services by Reserve bank of India
3	Services by Foreign diplomatic mission located in India
4	Service relating to agriculture
5	Trading of goods
6	Any process amounting to manufacture or production of goods
7	Selling of space or time slots for advertisements
8	Service by way of access to a road or a bridge on payment of toll charges
9	Betting, gambling or lottery services
10	Admission to entertainment events or access to amusement facilities
11	Transmission or distribution of electricity
12	Services by way of pre-school and higher secondary school or education as a part of an approved vocational education course.
13	Services by way of renting of residential dwelling for use as residence.
14	Services by way of extending deposits, loans and advances or inter se sale or purchase of foreign currency
15	Service of transportation of passengers
16	Services by way of transportation of goods
17	Funeral, burial, crematorium or mortuary services including transportation of the deceased.

## List of Exempted Services (1/2)

# SERVICE TAX



Serial No	List of exempted services w.e.f 1 <sup>st</sup> of July 2012 vide notification no 25/2012
1	Services Provided to United Nations or any other Specified International organisation
2	Healthcare services by a medical practitioner or a clinical establishment
3	Services by a veterinary clinic in relation to animals / birds
4	Services Provided by Charitable Institutions registered under the Income Tax Act
5	Services Provided by way of Technical Testing or analysis of newly developed drugs by an organisation approved to conduct the clinical trials by Drug Controller General of India
6	Services Provided by way of renting of a religious place to be used by general public or for conduct of a religious ceremony
7	Services provided by way of training or coaching in recreational activities in relation to art, culture or sports
8	Services Provided to or by an Educational Institution in respect of Education
9	Services provided to a recognised sports body by an Individual in the capacity of Player / referee / coach etc
10	Services Provided to Government or a local authority in relation to erection, construction maintenance, repair, renovation, alteration etc of a historical monument, a civil structure (other than commercial use), canal, dam, pipelines or residential complex's for use of their employees
11	Services Provided by way of construction, erection, commissioning, installation renovation maintenance etc of roads, bridges, tunnels, buildings for charitable trust, pollution or water affluent plant
12	Services provided by way of construction, erection, commissioning or installation of original works pertaining to airport, ports, railways, single residential unit, low cost houses upto carpet area of 60 sq metres and post harvest storage of agricultural produce
13	Services by way of collecting or providing news by an Independent journalist, Press trust of India or United News of India
14	Services by way of renting of a hotel, inn, guesthouses, clubs or any other place for lodging purposes having declared tariff of Rs 1000 per day
15	Services Provided by restaurants or any other eating joints not having air-condition facilities or a license to serve alcoholic beverage

# SERVICE TAX



## List of Exempted Services (2/2)

Serial No	List of exempted services w.e.f 1 <sup>st</sup> of July 2012 vide notification no 25/2012
16	Services provided by way of transportation of petroleum products, defense/military equipments, agricultural produce, newspapers/magazines, railway equipments and items of relief nature
17	Services Provided by way of Transportation of fruits, vegetables not exceeding Rs 750 for single consignee and Rs 1500 Otherwise
18	Services by way of giving on hire to a state transport undertaking a motor vehicle meant to carry more than 12 passengers or any other vehicle to a goods transport agency
19	Services by way of Transport of passengers by air from specified states i.e. northeastern or by contract carriage
20	Services by way of vehicle parking to general public excluding money charged for lease of space
21	General Insurance Services
22	Services by way of carrying our intermediate production process as job work in relation to agriculture, printing, textile processing, cut and polished diamonds, or any other goods on which principle manufacturer has paid appropriate duties
23	Services by an incubate upto a total business turnover upto INR 50 lakhs in a financial year and is in existence for a period of less than 3 years
24	Services provided by a subbroker or any other authorised person to a stock broker, services by a mutual fund agent to a mutual fund, services by selling agents of simcards/ mutual funds/lottery tickets,
25	Services by way of public libraries by way of lending of books etc
26	Services provided by a subcontractor by way of works contract to another contractor
27	Services by an organizer to any person in respect of business exhibition held outside India

# Useful Provisions and Rates



## Rate Card

Serial No	Particulars	Rates
1	Rate of Service Tax (General Category)	12.36%
2	Rate of Interest for assesses having turnover upto INR 60 lakhs	15%
3	Rate of Interest for assesses having turnover in excess of INR 60 lakhs	18%
4	Works Contract Rate	4.944%
5	Life Insurance Premiums	3% / 1.5 %
6	Basic Exemption Limit in INR	10,00,000



TAX RELIEF HWY

THIS WAY

## Abatement Table

### LIST OF SERVICES WHERE SERVICE TAX NOT REQUIRED TO BE PAID ON FULL VALUE

(W.E.F July 1st 2012)

Serial No	Nature of Service	Abatement	Tax rate
1	Financial Leasing services including hire purchase	90%	10%
2	Construction of Complex , building	75%	25%
3	Transport of goods by road by Goods Transport Agency	75%	25%
4	Transport of goods in a vessel from one port to another in India	50%	50%
5	Transport of goods or passengers by rail	70%	30%
6	Transport of passengers by air	60%	40%
7	Tour operator providing packaged tour services	75%	25%
8	Tour operator engaged in individual services like booking, accommodation etc	90%	10%
9	Any other services by tour operator other than (7) or (8) above	60%	40%
10	Services provided in relation to a chit fund	30%	70%
11	Renting of hotels, etc for residential or lodging purposes	40%	60%
12	Renting of motor vehicles for carrying passengers	40%	60%
13	Hotel, Convention centre, club, Pandal, shamiana or any other place serving food or any other article	30%	70%



# List of services wherein service recipient is required to pay the service tax



## List of Services wherein Service Recipient is required to pay the service tax w.e.f 01.07.2012

Serial No	Particulars of Services Where Service Recipient has to Pay Service Tax	Rate at which Service Provider to Pay ST	Rate at which Service Recipient to Pay ST
1	Services Provided by an Individual Advocate	Nil	100%
2	Services Provided by an Arbitral advocate	Nil	100%
3	Services Provided by way of Sponsorship	Nil	100%
4	Services Provided by goods transport agency in respect of transportation of goods by road	Nil	100%
5	Services Provided by an Insurance Agent to any person carrying on insurance business	Nil	100%
6	Services in nature of Support Services by Government	Nil	100%
7	Services provided from any person located in a non taxable zone which is received by a person from taxable zone	Nil	100%
8	Services Provided by way of Works Contract	50%	50%
9	Services in nature of supply of Manpower	25%	75%
10	Service Provided by way of renting or hiring motor vehicle to carry passengers (If ST on abated Value)	Nil	100%
11	Service Provided by way of renting or hiring motor vehicle to carry passengers (If ST on non abated Value)	60%	40%

### Notes

- 1) **Meaning of Support Services:** Support services have been defined as 'infrastructural, operational, administrative, logistic marketing or any other support of any kind comprising functions that entities carry out in ordinary course of operations themselves but may obtain as services by outsourcing from others for any reason whatsoever and shall include advertisement and promotion, construction or works contract, renting of movable or immovable property, security, testing and analysis'. However, services which are provided by government in terms of their sovereign right to business entities are not support services e.g. grant of mining or licensing rights.
- 2) **Meaning of Abated Value:** Abated value is the amount of exemption from service tax being assigned in a particular service category.



## Penalty Provisions in brief

### List of Services Tax Penalties applicable for various natures of defaults

Serial No	Section No.	Default	Amount of Penalty
1	70	Fees for late filling of return (u\s.70 r.w. rule 7c)	Delays Upto 15 days = Rs.500/- Delay >15 &< 30 days= Rs.1000/- Delay >30 days= Rs.1000/- + Rs.100/- for each day of delay but not more than Rs.20000/-.
2	76	Failure to pay service tax	1% per month of tax or Rs.100/- per day up to 50% of tax amount.
3	77	<ul style="list-style-type: none"> <li>a) Failure to pay Service Tax Electronically</li> <li>b) Assessee issues invoice in accordance with the provision of the Act or rules made there under, with incorrect or incomplete details or fails to account for an invoice in his books of account</li> <li>c) Assessee who fails to keep, maintain or retain books of account and other documents as required</li> <li>d) Penalty for Contravention of any provision for which no penalty is provided</li> </ul>	Up to Rs.10000/-
4	77	<ul style="list-style-type: none"> <li>a) Default in obtaining Service Tax Registration Certificate and payment of service- tax               <ul style="list-style-type: none"> <li>i. Assessee fails to : Furnish information called by an officer; or</li> <li>ii. produce documents called for by a Central Excise Officer</li> <li>iii. Appear before the Central excise Officer, when issued with a summon for appearance to give evidence or to produce a document in an inquiry</li> </ul> </li> </ul>	Up to Rs.10000/- or Rs.200/- per day till failure, whichever is higher
5	78	Tax not been levied or paid by reason of- <ul style="list-style-type: none"> <li>(a) fraud; or</li> <li>(b) collusion; or</li> <li>(c) wilful mis-statement; or</li> <li>(d) suppression of facts; or</li> <li>(e) contravention</li> </ul>	<ul style="list-style-type: none"> <li>(a) 1% per month; maximum 25% if all dues paid before notice.</li> <li>(b) 25% of tax if all dues paid within 30 days of issuance of notice (90 days for small assessee)</li> </ul>

# Various Forms & Compliance Calendar



## List of Services Tax Forms applicable for various Service Tax Procedure

Serial No	Particulars of Service Procedure	Form No.	Remarks
1	Service Tax Registration	ST-1	To be applied within 30 days from the date of starting of business/commandments of new levy
2	Service Tax Registration Certificate	ST-2	Department to issue within 7 days from the date of application
3	Service Tax Return	ST-3	To be filed bi annually within 25 days after completion of half year i.e. 25th October & 25th April
4	Appeal to Commissioner of Central Excise (Appeals)	ST-4	To be made within 2 months from the date of receipt of order
5	Appeal to CESTAT by Assessee	ST-5	To be made within 3 months from the date of receipt of order
6	Cross Objections	ST-6	To be filed within 45 days from the date of order
7	Appeal to CESTAT by Department	ST-7	Department has time limit of 3 months from the date of receipt of order
8	Payment of Service tax by Corporate Assessee	GAR-7 Challan	To be paid within 5 days in case of cheque or within 6 days in case of e-payment from the end of month
9	Payment of Service tax by Non Corporate Assessee	GAR-7 Challan	To be paid within 5 days in case of cheque or within 6 days in case of e-payment from the end of the Quarter
10	Returns for Input Service Distributor	-	To be filed bi annually within 1 month after completion of half year i.e. 30th October & 30th April



## Filing Fees & Audit Frequency

### Filing Fees

Serial No	Particulars	Filing Fees
1	Service Tax, Interest or Penalty involved is INR 5 lacs or less	Rs 1,000
2	Service Tax, Interest or Penalty involved is between INR 5 lacs to 50 lacs	Rs 5,000
3	Service Tax , Interest or Penalty involved is in excess of INR 50 lacs	Rs 10,000

### Audit Frequency

Serial No	Quantum of Service Tax paid in the previous year	Audit Frequency
1	Upto INR 25 Lakhs	2% of assesseees to be randomly selected for audit
2	INR 25 lakhs - INR 100 lakhs	Once in 5 years
3	INR 100 lakhs to INR 300 Lakhs	Once in 2 years
4	Above INR 300 lakhs	Every year

# Point of Taxation Rules

(1/2)



Particulars	Existing Provisions	Revised Provisions
Specified 8 services i.e. Architect / Interior Designer/ CA /CS/ICWA/Advocates/ Engineer/ Consultants provided by a Individual / Firm/ LLP	Service Tax was required to be paid on receipt basis	Beneficial provision of payment of service tax on receipt basis (Upto turnover of INR 50 lacs in current year) only if turnover in the previous financial year less than INR 50 lacs. If turnover exceed INR 50 lacs then compulsory Mercantile / Accrual method
Services provided by Individuals/ Firms / LLP's other than the 8 specified services above	Entire service tax was being paid on accrual method	Beneficial provision of payment of service tax on receipt basis (Upto turnover of INR 50 lacs in current year) only if turnover in the previous financial year less than INR 50 lacs <i>extended to other than 8 specified services as well</i> . If turnover exceed INR 50 lacs then compulsory Mercantile / Accrual method
Assessee other than Individuals/ Firms / LLP providing any kind of services	Service tax required to be paid on accrual method	Service tax required to be paid on accrual method

Point of Taxation along with Example: The amended point of Taxation Rules 2011 (Rule 3) suggest that usually the Point of taxation would be the earliest of the

- a) Date of Service provided
- b) Date of Issue of Invoice
- c) Date of Receipt of Payment

However, if date of Invoice issued is within 30 days of services provided then such date of Invoice will be considered as the date of point of taxation (*Provided that date of receipt is not earlier than both these events*)



## Point of Taxation Rules (2/2)

Serial No	Date of Service Provided	Date of Issue of Invoice	Date of Receipt of Payment	Point of Taxation Date
1	10 <sup>th</sup> June	25 <sup>th</sup> June	30 <sup>th</sup> June	25 <sup>th</sup> June as invoice is issued within 30 days of Service provided
2	10 <sup>th</sup> June	20 <sup>th</sup> July	25 <sup>th</sup> July	10 <sup>th</sup> June : Earliest of the activity
3	10 <sup>th</sup> June	1 <sup>st</sup> of June	10 <sup>th</sup> of July	1 <sup>st</sup> June: Earliest of the activity
4	10 <sup>th</sup> June	12 <sup>th</sup> of June	1 <sup>st</sup> June (Advance payment)	1 <sup>st</sup> of June: Earliest of the activity

### **Rate of Service Tax in case of Services Issued prior to Amendments**

Many Tax Payers are facing tremendous confusion regarding rate applicability of increased service tax rate. What happens when services are rendered prior to 1/4/2012 or if the invoices have also been issued prior during FY 11-12 for which payments will be received after the date of rate change?

In all such cases irrespective of the fact whether the services have been provided before 31/03/2012 or the invoices for the same have been issued at 10 % (i.e. erstwhile service tax rate) – in case if the payments are received after 31/03/2012 the service tax is required to be paid @ 12%. The differential amount will have to be borne by the service provider or he can raise an additional invoice for the same

## Cenvat Credit

# CENVAT

Cenvat credit: Since 10-09-2004, a manufacturer / service provider is permitted to take the credit of excise duty and service tax paid across goods and services for discharging his service tax / excise liability. The rules are stated in the Cenvat credit rules 2004. The following are the new provisions in these said rules.

Rule No	Particulars	Applicable date of Amendment
1	The definition of Capital goods is amended. Capital goods will beneficially also include "Motor Vehicles" except those falling under the head 8702,8703, 8704 and 8711	01/04/2012
2	Subrule 5 A speaks about payment of duty by the manufacturer in case of capital goods, on which cenvat credit has been taken and are removed after being used as scrape or waste, an amount equal to cenvat credit taken reduced by the percentage of depreciation calculated as per SLM method. However as per the recent amendment - " if the amount so paid is less than the amount equal to the duty leviable on transaction value, the amount paid shall be at least equal to the duty leviable on transaction value"	17/03/2012
3	Refund of Cenvat credit shall allowed within a period of one year (provided no duty drawback has been claimed) as per revised formula below  $\frac{(\text{Export Turnover of goods} + \text{Export turnover of Services}) * \text{Net Cenvat Credit}}{\text{Total Turnover}}$	01/04/2012
4	Taxability in case where an assessee provides both taxable and exempted services: If the assessee does not maintain separate books of accounts for dutiable and exempted goods/services then assessee shall pay an amount equal to 6% of the value of exempted goods and services	01/04/2012
5	Input Service Distribution: Credit attributable to service used wholly in a separate identifiable unit shall be distributed only to that unit whereas services used in more than one unit non identifiable shall be distributed pro rata in the proportion of the turnover of those units to the total turnover of all the units	01/04/2012
6	In case where Cenvat credit has been availed wrongly, interest on such amount is not payable unless the credit wrongly taken has also been utilised by the assessee	17/03/2012



# Works Contract Service

**Basis of Works Contract:** As per Service Tax Act, works contract means a contract where the transfer of property in goods is involved with the execution of such contract - leviable to tax as sale of goods and such contract is for the purpose of carrying out construction, erection, commissioning installation, repair, renovation, alteration of any building or structure on land or for carrying out any other similar activity in relation to any building or structure on land.

The important thing to note here is that practically most of the times there is a composite value to this contract which contains the value of goods as well as the value of services. Thus it becomes crucial to estimate the value of services involved in this composite contract that would be chargeable to service tax. As per Rule 2(A) of the Service Tax Rules – “the value of service portion is the gross amount charged for works less the value of transfer of property in goods involved with the execution of the said works contract”

It typically includes – “Labour charges, amount paid to subcontractors. Charges for obtaining tools and machineries on hire, cost of consumables such as electricity & Fuel, Profits earned by service provider etc. It typically excludes – “value of property / goods used in the execution of the contract (Valuation as per the value assessed / declared under the VAT, Sales Tax / VAT paid etc”

If the taxable portion cannot be determined as above on account of unavailability of individual pricing the following rates have been prescribed.

Situation	Effect
Where contract is for execution of original works	Value of Service portion chargeable to service tax will be 40 % of the total works contract
Where contract is for execution of original works and includes the value of land as well	Value of Service portion chargeable to service tax will be 25 % of the total works contract
Works contract other than for execution of original works such as plastering, floor and wall tiling, installation of electrical fitting etc	Value of Service portion chargeable to service tax will be 60 % of the total works contract

Notes: Original works means all new constructions and all types of additions, amendments to damaged structures on land that are required to make them workable

However, as per new reverse charge mechanism rules 50 % of the ST needs to be paid by service recipient whereas other 50% needs to be paid by service provider. These provisions are extremely unwarranted.



## Bundled Services



WE SEARCH, YOU SAVE!!!

Meaning of Bundled Services: Bundled services means a bundle of various services provided together wherein an element of more than one service are combined together and provided to the client. Section 66F lays down the principles of interpretation of bundled services. Now, to understand it little technically – Bundled services may be of two types

- a) Bundled services wherein character of a principle service can easily be identified (**Naturally bundled in the ordinary course of business**): An example of the above can be a Hotel providing 2 nights 3 days package to customers along with breakfast. This bundled service is a natural course of business and will be taxed as if service of providing hotel accommodation i.e. In such cases the effective tax rate is **8.652%** i.e.  $(12.36\% \times 70\%)$
- b) Bundled services wherein on account of bundling of many services no principle service can be identified (**Not naturally bundled but a customized package given to the clients as per the client needs**): An example of this can be considered as a 3 star hotel providing to a client a conference hall for 100 delegates along with accommodation, breakfast, food during conference, access to business centre etc As is evident a bouquet of services is being provided, many of them chargeable to different effective rates of tax. None of the individual constituents are able to provide the essential character of the service. However, if the service is described as convention service it is able to capture the entire essence of the package. Thus the service may be judged as convention service and chargeable to full rate. However it will be fully justifiable for the hotel to charge individually for the services as long as there is no attempt to offload the value of one service on to another service that is chargeable at a concessional rate  
**"The rule" of services which are not naturally bundled in the ordinary course of business: 'If various elements of a bundled service are not naturally bundled in the ordinary course of business, it shall be treated as provision of a service which attracts the highest amount of service tax.'**

Other illustrative indicators, not determinative but indicative of bundling of services in ordinary course of business are –

- 1) There is a single price or the customer pays the same amount, no matter how much of the package they actually receive or use.
- 2) The elements are normally advertised as a package.
- 3) The different elements are not available separately.
- 4) The different elements are integral to one overall supply – if one or more is removed, the nature of the supply would be affected.



## Service tax in case of reverse charge mechanism

In continuation to our efforts to educate clients with the recent Service Tax Amendments, the feedback we got was that there was a lot of confusion pertaining to Service Tax on Reverse charge mechanism particularly the partial reverse charge mechanism. Though most of us wonder as to why has the government come up with such tedious and complicated provisions, the intention behind this particular amendment is to catch hold of assessee's who are collecting service tax but not paying it. The Government is of the hope that with these new provisions they will be able to better govern these tax evaders since they will get information from two sources about a particular transaction that suffers service tax.

Under the partial reverse charge clause, the Central government has issued notification no. 30/2012 dated 20.6.2012 notifying the description of specified services when provided in the manner so specified where part of the service tax has to be paid by the service receiver. The extent to which tax liability has to be discharged by the service receiver has also been specified in the said notification.

The new partial reverse charge mechanism is applicable to services provided or agreed to be provided by way of

- a) Renting of a motor vehicle designed to carry passengers on non-abated value to any person who is not engaged in a similar business, or
- b) Supply of manpower for any purpose, or
- c) Service portion in execution of a works contract

We are attaching samples of Invoices (for few services) that shows how to charge and levy service tax on such transactions falling under reverse charge and partial reverse charge mechanism along with explanatory notes. Trust this will be helpful in making the law and formats to be followed, simpler.

# Invoice format for Advocate



## Service Tax in case of Service Provided by Advocate to Business Entity (Entire Service Tax to be borne by service recipient)

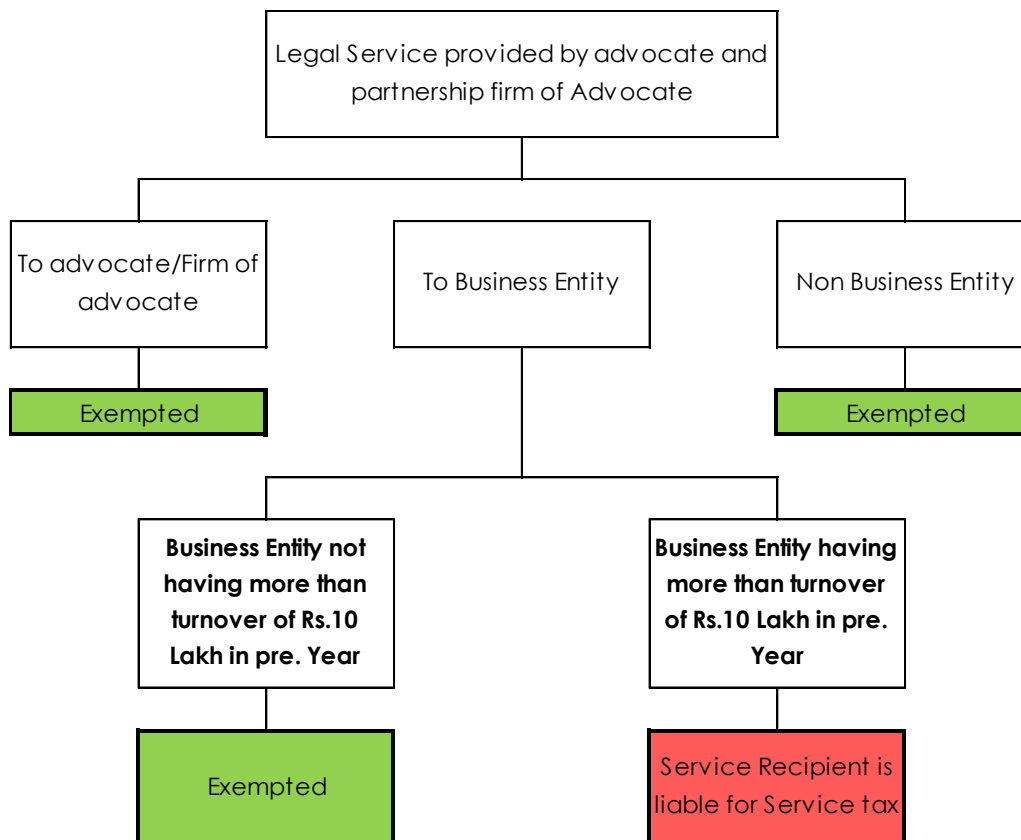
### INVOICE

<b>XYZ Advocate</b> Ahmedabad-380013 Gujarat E-Mail :xyzadvocate@gmail.com		<b>Invoice No.</b> 100	<b>Dated</b> 11-7-2012
<b>Buyer</b> <b>ABC Pvt Ltd.</b> AHMEDABAD - 380 009. St Reg No. Pan:			
Sr. No.	Particulars	Amount	
	<b>Legal and Professional Fees</b>	<b>10000.00</b>	
	<b>Add :</b>		
	Service Tax	<b>1200</b>	
	Education Cess	<b>24</b>	
	S & Higher Education Cess	<b>12</b>	
	<b>Less :</b>		
	Service Tax Payable by SR	<b>1200</b>	
	Education Cess to SR	<b>24</b>	
	S & Higher Edu Cess to SR	<b>12</b>	
	<b>Total</b>	<b>10000.00</b>	
Amount Chargeable (in words) Indian Rupees Ten Thousand Only			E. & O.E
Company's PAN :XXXXX1936H St Reg No. :XXXXX1936HST1 <b>Declaration</b> *Payment by Cheque is Requested Make all cheques payable to "XYZ Advocate"		for XYZ Advocate  Authorised Signatory	

SUBJECT TO XXXX JURISDICTION  
This is Computer Generated Invoice



## General Notes (Advocate)



### General Notes

- 1) Service recipient is required to pay service tax even if service provider is exempted by way of service tax limits i.e. having turnover less than INR 10,00,000
- 2) Business entity is defined u/s 65(19b) of the Act which states that business entity means all entities other than individuals and HUF
- 3) Service recipient will have to pay service tax by the 5th of next month / Quarter
- 4) It will be compulsory for service recipient paying service tax to obtain service tax registration numbers. Only if turnover is more than INR 10,00,000
- 5) It should be noted that no deduction can be made by service recipient on account of CENVAT credit. Service recipient will have to make payment of the entire amount of liability. On making of its payment, service recipient will be entitled to claim CENVAT credit in respect of the ST paid by him subject to the provisions of the CENVAT Credit Rules

# Invoice format for Manpower Supplier



## Service Tax in case of Service Provided regarding Manpower Supply (Reverse Charge applicable at 75:25 Ratio to SR:SP)

### INVOICE

<b>XYZ Manpower Supplier</b> Ahmedabad-380013 Gujarat E-Mail :xyzmanpower@gmail.com		<b>Invoice No.</b> 100	<b>Dated</b> 11-7-2012
<b>Buyer</b> <b>ABC Pvt Ltd.</b> AHMEDABAD - 380 009. St Reg No. Pan:			
Sr. No.	Particulars	Amount	
1	<b>Manpower Recruitment Charges</b>	<b>10000.00</b>	
	<b>Add :</b>		
	Service Tax	<b>1200</b>	
	Education Cess	<b>24</b>	
	S & Higher Education Cess	<b>12</b>	
	<b>Less :</b>		
	Service Tax Payable by SR	<b>900</b>	<b>300.00</b>
	Education Cess to SR	<b>18</b>	<b>6.00</b>
	S & Higher Edu Cess to SR	<b>9</b>	<b>3.00</b>
	Total		<b>10309.00</b>
Amount Chargeable (in words) Indian Rupees Ten Thousand Three Hundred Nine only			E. & O.E
Company's PAN : <b>XXXXX1936H</b> St Reg No. :XXXXX1936HST1 <b>Declaration</b> *Payment by Cheque is Requested Make all cheques payable to "XYZ Manpower Supplier"		<b>For XYZ Manpower Supplier</b>   Authorised Signatory	

SUBJECT TO XXXX JURISDICTION  
This is Computer Generated Invoice



## General Notes (Manpower Supplier)

- 1) XYZ manpower supplier is an entity in form of an individual, Hindu Undivided Family or partnership firm, whether registered or not, including association of persons, located in the taxable territory. Such services should be provided **to a business entity registered as a body corporate located in the taxable territory**. Thus the nature of the service and the status of both the service provider and service receiver are important to determine the applicability of partial reverse charge provisions in case of manpower Services
- 2) Business entity is defined u/s 65(19b) of the Act which states that business entity means all entities other than individuals and HUF
- 3) Service recipient is required to pay service tax even if service provider is exempted by way of service tax limits i.e. having turnover less than INR 10,00,000. Service Recipient does not enjoy any kind of exemption limits
- 4) Service recipient will have to pay service tax by the 5th of next month / Quarter from the date of receipt of Invoice
- 5) It will be compulsory for Service recipient paying service tax to obtain Service Tax registration numbers. Even if turnover is less than INR 10,00,000
- 6) It should be noted that no deduction can be made by Service Recipient on account of CENVAT credit. Service recipient will have to make payment of the entire amount of liability. On making of its payment, Service Recipient will be entitled to claim CENVAT credit in respect of the ST paid by him subject to the provisions of the CENVAT Credit Rules

# Invoice format for Work Contractor



## Service Tax in case of Service Provided by Works Contractor (Reverse Charge applicable at 50:50 Ratio to SR: SP) INVOICE

<b>Work Contractor</b> Ahmedabad-380013 Gujarat E-Mail :xyzworkcontractor@gmail.com		<b>Invoice No.</b> 100	<b>Dated</b> 11-7-2012
<b>Buyer</b> <b>ABC Pvt Ltd.</b> AHMEDABAD - 380 009. St Reg No. Pan:			
<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount</b>	
	<b>Work Contract Charges</b>	<b>10000.00</b>	
	<b>Add :</b>		
	Service Tax	<b>480</b>	
	Education Cess	<b>9.6</b>	
	S & Higher Education Cess	<b>4.8</b>	
	<b>Less :</b>		
	Service Tax Payable by SR	<b>240</b>	<b>240.00</b>
	Education Cess to SR	<b>4.8</b>	<b>4.80</b>
	S & Higher Edu Cess to SR	<b>2.4</b>	<b>2.40</b>
	<b>Total</b>		<b>10247.20</b>
Amount Chargeable (in words) Indian Rupees Ten Thousand Two Hundred Forty Seven Only			<i>E. &amp; O.E</i>
Company's PAN :XXXXX1936H St Reg No. :XXXXX1936HST1		<b>for XYZ Work Contract Services</b>  Authorized Signatory	
<b>Declaration</b> *Payment by Cheque is Requested Make all cheques payable to "XYZ Contactors"			

SUBJECT TO XXXX JURISDICTION  
This is Computer Generated Invoice



## General Notes (Work Contractor)

- 1) XYZ works contractor is an entity in form of an individual, Hindu Undivided Family or partnership firm, whether registered or not, including association of persons, located in the taxable territory. Such services should be provided to a business entity registered as a body corporate located in the taxable territory. Thus the nature of the service and the status of both the service provider and service receiver are important to determine the applicability of partial reverse charge provisions in case of Manpower Services
- 2) Business entity is defined u/s 65(19b) of the Act which states that business entity means all entities other than individuals and HUF
- 3) Service recipient is required to pay service Tax even if service provider is exempted by way of service tax limits i.e. having turnover less than INR 10,00,000. service recipient does not enjoy any kind of exemption limits
- 4) The service recipient would need to discharge liability only on the payments made by him. Thus the assessable value would be calculated on such payments done (free of cost material supplied and out of pocket expenses reimbursed or incurred on behalf of the service provider need to be included in the assessable value in terms of Valuation Rules). The invoice raised by the service provider would normally indicate the abatement taken or method of valuation used for arriving at the taxable value. However since the liability of the service provider and service recipient are different and independent of each other, the service recipient can independently avail or forgo an abatement or choose a valuation option depending upon the ease, data available and economics
- 5) Service Recipient will have to pay service Tax by the 5th of next month / Quarter from the date of receipt of Invoice
- 6) It will be compulsory for Service recipient paying service tax to obtain service Tax registration numbers. Even if turnover is less than INR 10,00,000
- 7) It should be noted that no deduction can be made by service recipient on account of CENVAT credit. Service recipient will have to make payment of the entire amount of liability. On making of its payment, Service recipient will be entitled to claim CENVAT credit in respect of the ST paid by him subject to the provisions of the CENVAT Credit Rules
- 8) Under the new scheme CENVAT credit can be availed by any builder irrespective of the option of payment of service tax, it is always advisable to discharge the service tax liability on all these services and take credit of the same to set off the output liability. This is a revenue neutral transaction as long as you are paying service tax on all these services (Otherwise this would lead to unnecessary costs like interest and penalty)



# GST Roadmap



It is proposed that GST will be implemented soon in India to by the centre and the states. GST is a single act for goods and services and will replace the cumbersome implementation of various acts applicable right now governing the goods and services in India. Broad objectives of GST is to bring in line tax system which is prevalent widespread in rest of the countries along the globe and remove the short comings in the current tax structure such as cascading effects and double taxation.

Following taxes (Central and state levy) will come under the net of a Single GST

- 1) Excise Duty
- 2) Service Tax
- 3) Custom Duty
- 4) Surcharge and cess on all of the above
- 5) VAT/ Sales Tax
- 6) Entertainment Tax
- 7) Luxury Tax
- 8) Entry Tax

To understand the advantages of GST in terms of pricing, we have illustrated the following example in the next slide.

# GST Roadmap

## Difference between Present tax structure and under GST

Particulars	Present tax Regime	Proposed GST (Rs.)
<b>Effect of price on Goods when they move from producer to wholesaler</b>		
Cost of production	90	90
<i>Profit Margin (10%)</i>	10	10
Sales price to the manufacturer	<b>100</b>	<b>100</b>
Excise duty at 14 %	14	-
VAT at 12.5 %	14.25	-
Central GST at (estimated rate) 12%	-	12
State GST at (estimated rate) 8%	-	8
<b>Total Price of Manufacturer</b>	<b>128.25</b>	<b>120</b>
<b>Effect of price on Goods when they move from wholesaler to a retailer</b>		
Cost of goods for wholesaler	114	100
<i>Profit Margin (5%)</i>	5.7	5
Sales Price of Wholesaler	119.7	105
Vat at 12.5% (Difference charged after taking VAT credit)	0.71	-
Central GST at (estimated rate) 12%	-	0.6
State GST at (estimated rate) 8%	-	0.4
<b>Total Price of wholesaler</b>	<b>120.41</b>	<b>106</b>
<b>Effect of price on Goods when they move from retailer to end consumer</b>		
Cost of goods for retailer	120.41	106
Profit Margin (20%)	24.08	21.2
Total Value	144.50	127.2
Vat at 12.5%	3.01	-
Central GST at (estimated rate) 12%	-	2.54
State GST at (estimated rate) 8%	-	1.70
<b>Total Price for Consumer</b>	<b>147.51</b>	<b>131.44</b>
Total Tax Component in the price to the consumer	31.97	25.24
<b>Final Price ( Excl. taxes)</b>	<b>115.53</b>	<b>106.20</b>

Committed to  
Excellence ...



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