



**SYLLABUS**

**Class – B.Com V Sem. (Tax)**

**Subject**

**Service Tax, Entry Tax & Professional Tax**

Unit I	Service Tax: Concept, definitions, objectives, characteristics and scope of Service Tax, Negative list of services.
Unit II	Service Tax: List of Taxable service, Service Tax Provisions and rules. Service Tax rate and surcharging. Computation of service tax.
Unit III	Authorities of collection of Service Tax, Collection of service tax, Penalty, Appeal and revision.
Unit IV	Provisions relating to Entry Tax. Goods Taxable under Entry Tax and their rates. Calculation of Entry Tax.
Unit V	Main provisions of C.P. Professional Tax Act. Traders, employees and professionals covered under Professional Tax. Rates of Professional Tax for various categories assessee. Depositing liability of Professional Tax.



## UNIT - I

### SERVICE TAX

#### MEANING, SCOPE AND CHARACTERISTICS

#### MEANING

Service tax is a tax on services which are taxable under service tax act. It is an indirect tax levied by central Govt. person who provides the service is liable to pay service tax at prescribed rate how ever he can realize it from the user of service.

#### BRIEF HISTORY

1. Service tax was imposed firstly in 1994 in India
2. In starting it was levied on only 3 services, 1) share broking 2) telephone services and 3) general insurance business
3. These after number of taxable services increased rapidly. Now the number of taxable services crossed the mark of 200.
4. In the year 2011-12, 123 services were covered under service tax.
5. The finance Minister Mr. Pranab Mukerjee included 8 more services under the criteria of service tax in budget 2010-11.
6. Not only number of taxable services has been increased rate of service tax is also been increased. In starting it was only 5%, in 2003-04, 8% in 2005-09, 10.2% in 2006-07, 12.24% in 2008-09, 12.36% including education cess present in 2015-16 14% & 14.5% and rate of service tax is 15% (w.e.f. 01-06-16).
7. Service sector contributes about 60% of gross domestic product in our economy. So, far the services were outside the tax net.
8. Growth of service sector increase from 28% of G.D.P. in 1950, 41% in 1990-91 and about 60% in 2013-14.
9. Average annual growth of value addition in service sector has been 10% in India in last 10 years.
10. In India service sector accounted for 63% of GDP while agriculture accounted for 16% and manufacturing 23% of GDP in 2008-09

#### Objects of Service Tax

Service tax is a new tax which is imposed by the Central Government on taxable service. The share of service sector in National Income is more than 60%, therefore the Government decided to take the services in tax net. The following objects were imposing Service Tax.

1. To expand the scope of taxation
2. To get more Revenue
3. To apply the principle of justice
4. Huge public expenditure
5. Declining receipts from customs and excise
6. Rapidly growth in the service sector
7. To take contribution for national development
8. Check on Luxuries and inequality of wealth
9. Shift in spending preference of people
10. Equity in taxation

#### Salient Features of Service Tax

1. Imposition- Service tax was imposed firstly in 1994 by finance Act 1994
2. Taxable service- It is payable on taxable service. Sec. 65B (44) of finance act 1994 Defines taxable service.



3. Taxable event of service tax- If bill is raised or payments is received after the service tax on that particular service comes into effect. The service will not be taxable if it was provided before that date when service tax on that service came into effect.
4. Number of taxable service-Total 200 services are covered under service tax net at present.
5. Rate of service Tax- Service tax was payable @ 5% at first time in 1994 but at present its rate is @ 15% (w.e.f. 01-06-16) in between the tax rates was increased and decreased from 2003-2004 to 2015-16.
6. Collection from service tax- It is a major sources of revenue of capital Govt. collection from service tax is rapidly in creasing.

Year	-	collection Amount of Service tax
1994-95	-	Rs. 410 Crores (3 services)
1999-2000	-	Rs. 2,072 crores (26 Services)
2004-05	-	Rs. 14,000 Crores (71 Services)
2008-09	-	Rs. 50,000 Crores
2009-10	-	Rs. 58,000 Crores
2011-12	-	Rs. 95,000 Crores
2014-15	-	Rs. 1,68,000 Crores
2015-16	-	Rs. 2,10,000 Crores
2016-17	-	Rs. 2,30,000 Crores (Budget estimate)

7. Applicability of service Tax- Service tax is payable only if service is provided in India. Service tax is destination based consumption tax is not applicable on export of services. Service tax provisions are not applicable in Jammu and Kashmir.
8. Value of taxable service for changing service tax- Service tax is payable on 'value of services' value of service shall be the gross amount charged by the service provider for sales service rendered by him. No tax on services which is from tax.
9. Liability of service tax- Every person providing taxable service to any person has to pay service tax at the prescribed rates.
10. Exemption to small service provides- Such service provider whose annual taxable services is not more than Rs. 10 lakh shall not be covered under service tax net. They shall not pay service tax on service provided.
11. Tax payable only on actual amount received- Service tax is payable only on 'value of taxable service' actually 'received' and not on amount 'billed'
12. Other features of service tax-
  - a. No Registration Fees
  - b. Penalty which may extend to Rs. 10,000 for non-registrations or delay registration or non-maintenance of books of accounts or not furnished information required or non appearance or failure to pay tax
  - c. No specific record has been prescribed.
  - d. Tax on uniform rate for all taxable services.
  - e. Simple interest @3% P.A. on delay of tax payment
  - f. Tax payment on quarterly basis for non-corporate assessee and monthly for corporate assessee.
  - g. Self adjustment of excess service tax paid in some cases.
  - h. Credit of service tax paid on in pub service.
  - i. Self Assessment
  - j. Refund of service tax and appeal against the rejection of refund.
  - k. Wide power to search premises and seize the documents, books or other things.
  - l. Administration by Central Excise Dept.



### Important Definitions regarding Service Tax:

Service Tax is imposed through Finance Tax – 1994, therefore some important terms are defined u/s 65(b) regarding to service tax. Some important definitions are given as below-

#### Service (Section 65B (44))

In the reference of Service Tax “Service” means –

- 1) Any activity carried out by a person for another for consideration and
  - 2) Includes a declared service
  - 3) But shall not include
    - i) A transfer of title in goods or immoveable property, by way of sale, gift or in any other manner; or
    - ii) Delivery or supply of any goods which is deemed to be a sale.
    - iii) A transaction in money or actionable claim.
  - b) A provision of service by an employee to the employer in the course of or in relation to his employment.
  - c) Fees taken in any Court or tribunal established under any law for the time being in force.
- So service meant by an activity which is performed by a person to other person for a value or consideration with the territory of India except J&K state.

#### Service Provider

Service Provider is a person or organization or body who supplies economic service to another person or party or organization in exchange of consideration decided between them. For example BSNL, Insurance companies, professionals, transporters, agents etc. are service providers. Generally service provider is liable to pay and deposit service tax to the Government regarding services provided by him.

#### Service Receiver

Service receiver is a person or organization or other who takes or consume service. He pays value or consideration for getting service. Though the service receiver not pay service directly but actual burdern of the tax borne by him, because it is an indirect tax which is sitted by service provider by inclusion of tax along with value charge for service tax. In some case service receiver is liable to pay service tax himself it is called revenue charge.

#### Taxable service (Section 65B(51))

Taxable service means any service on which service tax is leviable u/s 66B for example telephone, Insurance tax consultancy. Catering, transportation etc. are taxable service. Now number of taxable service is not certain. All services are taxable services except services covered under Negative list. So now more than 200 services are covered under taxable services.

#### Non taxable service

The non taxable services are as under –

- (a) Services which are provided outside the taxable territory and
- (b) Services which are listed in the negative list.

#### Exempt Services

In case service tax is leviable on the services as per the charging section but the same have been made exempt by virtue of exemption notification such services are exempt services. Thus, exempted services are also taxable services.



### Declared services

To avoid disputes between sale of goods and services section 66E provides certain activities to be specifically treated as declared services. Nine activities have been specified which are deemed to be declared service e.g. construction of building, catering, tourism etc.

### Goods (Sec. 65B – 25)

#### Goods means –

- (a) Every type of movable property other than actionable claims and money.
- (b) Includes securities, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of the sale.

### Tax (Section 65B(50))

Tax means service tax leviable under the provisions of finance act. Service tax is levied at the basic rate of 14% + SBC 0.5% + KKC 0.5% i.e. 15% on the value of all service, other than those services specified in the negative list, provided or agreed to be provided in the taxable territory by one person to another and collected in such manner as may be prescribed.

### Person (Section 65B(37))

#### Person includes:

- i) An individual
- ii) A Hindu undivided family
- iii) A company
- iv) A society
- v) A limited liability partnership or any firm
- vi) An association of persons or body of individuals, whether incorporated or not
- vii) Government,
- viii) A local authority, or
- ix) Every artificial juridical person, not failing within any of the preceding categories.

### Scope of Service Tax

Scope of Service tax is restricted to Indian Territory. It means services taxable provided in India are covered under Service tax. However, services provided in the state of J&K are not covered under service tax.

#### Scope of Service Tax may be divided in two sectors –

- (i) Taxable territory (Section 65B(52)) – Taxable territory means the territory to which the provisions of this Chapter apply.
- (ii) Non-taxable territory (Section 65B(35)) – Non-taxable territory means the territory which is outside the taxable territory.

### Extent of Service Tax Law

- 1) Finance Act, 1994 (i.e. the service tax law), which came into force from 01-07-1994 extends to the whole of India except the state of Jammu and Kashmir.
- 2) Service Tax extends to the Continental Shelf & Exclusive Economic Zone (CS & EEZ) of India
- 3) Service tax doesn't extend to the State of Jammu & Kashmir
- 4) Service provided abroad



## NEGATIVE LIST OF SERVICES

The services provided for valuable consideration may be classified in the following three categories-

- i) Exempted Services or Not Taxable (Negative list)
- ii) Declared services (Taxable after certain abatement)
- iii) Services Fully Taxable (Remaining services)

### Services Exempt from Service Tax –

All services are taxable for the year 2015-16. However a few activities are not treated as 'Service'. In addition, some services are specified in the negative list and consequently, not chargeable to tax. Like wise same services are included in Mega Exemption. In all, there are 17 heads of services that have been specified in negative list these 17 services are not chargeable to service tax. The negative list for 2015-16 and 2016-17 is given below –

- 1) Services provided by Government/local authority
- 2) Services provided by RBI
- 3) Services by a foreign diplomatic mission located in India
- 4) Services relating to agriculture or agricultural produce
- 5) Trading of goods
- 6) Any process amounting to manufacture or production of goods
- 7) Selling of space or time slots for advertisement other than advertisements broadcast by radio or television
- 8) Service by way of access to a road or a bridge on payment of toll charges
- 9) Betting, gambling or lottery
- 10) Admission to entertainment events or access to amusement
- 11) Transmission or distribution of electricity
- 12) Services relating to education
- 13) Service by way of renting of residential dwellings for use as residence
- 14) Financial Sector
- 15) Services relating to transportation of passengers
- 16) Services relating to transportation of goods
- 17) Funeral services

### List of Exempted Service

In this list such services are covered which are taxable but the Government declared them no taxable by notification

### Exemptions in service tax by notification

As per exemption Notification the following are also tax free-

- 1) Services provided to foreign diplomatic missions, family members of diplomatic missions etc.
- 2) Services to UN and specified international organizations.
- 3) Health care services, Medical services, clinical trials, veterinary clinic.
- 4) Services by Cord blood banks.
- 5) Charitable activities conducted by entity registered under Income Tax Act.
- 6) Conducting religious ceremony and Renting of religious places to public.
- 7) Service by arbitral tribunal to non business entity.
- 8) Services provided by individual advocate to person other than business entity or to business entity having turnover of less than Rs. 10 lakhs or to other advocate or firm of advocates.
- 9) Service provided to educational institution in respect of Mid-day meal and transportation services to educational institutions are exempt.
- 10) Services by player, referee, umpire, coach or manager to sports body Mid-day meal and transportation services to educational institutions.
- 11) Sponsorship to specified tournaments or championships.



- 12) Non-commercial civil structure for Government or local authority only.
- 13) Construction of residential complex for self use or use of employees of Government or local authority, low cost housing schemes, MP, MLA, Members of municipalities or local authority etc.
- 14) Infrastructure activities relating to public road, bridges, tunnel etc. low cost housing.
- 15) Erection and construction of airport, port or railways, cold storages for agricultural produce.
- 16) Copyright relating to original literary, dramatic, musical, artistic works.
- 17) Copyright relating to cinematograph films exhibited in cinema hall or cinema theatre only.
- 18) Performing artists of folk or classical arts.
- 19) Journalists
- 20) Hotel, guest houses with less than Rs. 1000 per day declared tariff.
- 21) Non-air conditioned or non-central heating restaurants.
- 22) Transport by rail or vessel of relief material, defense equipment, news papers or magazines, foodstuff, fertilizers, oil cakes.
- 23) Transport by road of agricultural produce, foodstuff, chemical fertilizers and oilcakes, relief material, defense equipment, small transport less than Rs. 750 per consignee or Rs. 1500 per vehicle.
- 24) Hire of vehicle to state transport undertaking or goods transport agency.
- 25) Air transport of passengers in north east.
- 26) Transport in contract carriage, except for tourism, conducted tour, charter or hire.
- 27) Transport of passengers by ropeway, cable care or aerial tramway.
- 28) Specified services to Government or local authority or a governmental authority.
- 29) Specified general insurance services.
- 30) Services by incubate
- 31) Services to own members by housing society (upto Rs. 5000 per member) and services by trade unions.
- 32) Sub broker, Mutual fund agents, marketing agents of lottery tickets, SIM cards or recharge Coupons.
- 33) Job work of agriculture, printing, textile processing, diamonds and gemstones and also job work where principal manufacturer is paying excise duty.
- 34) Business exhibition outside India.
- 35) Public telephones or free telephones.
- 36) Slaughtering of animals.
- 37) Services from Outside India to Government or local authority or individual or charitable organizations.
- 38) Public libraries
- 39) Services by ESIC
- 40) Transfer of a going concern.
- 41) Public facilities like toilets, bathrooms, urinals.
- 42) Loading, unloading, packing, storage or warehousing of rice.

### Detailed Discussion on some important Services of Negative List and exempted

About 60 services are covered under Negative list and exemption through notification. Some important such non-taxable services discussed below –

#### (A) Agricultural Services –

The following services relating to agriculture or agricultural produce are in the negative list. These services are not chargeable to service tax –

- 1) Agricultural operations directly related to production of any agricultural produce including cultivation, harvesting threshing, plant protection or seed testing.
- 2) Supply of farm labour,
- 3) Process carried out at the agricultural farm.
- 4) Renting of agro machinery or vacant land with or without a structure incidental to its use.



- 5) Loading, unloading, packing, storage and warehousing of agricultural produce.
- 6) Agricultural extension services, and
- 7) Services provided by any Agricultural Produce Marketing Committee or Board or services provided by commission agent for sale or purchase of agricultural produce.

### **(B) Educational Services**

The following educational services are covered in negative list and exemption list –

- 1) School education
- 2) Higher education
- 3) Vocational education
- 4) Recreational training or coaching
- 5) Services to or by Educational Institution
- 6) Skill development programme

### **Taxable services by Educational Institutes –**

- 1) Institutes preparing students for Competitive Exams or professional exams
- 2) Private tuitions
- 3) Postal coaching covered – taxable
- 4) Foreign courses conducted by private institutes-taxable
- 5) Personality development institutes – liable to service tax
- 6) Placement services provided to educational institutions
- 7) Campus requirement fess – taxable

### **(C) Health Care Services**

Health care services provided by, a clinical establishment in any recognized system of medicines in India is exempt from service tax the following system of medicines are recognized systems of medicines –

- a) Allopathy
- b) Yoga
- c) Naturopathy
- d) Ayurveda
- e) Homeopanthy
- f) Siddha
- g) Unani
- h) Any other system of medicine that may be recognized by central government.

### **Tax free health care services**

- 1) Diagnosis or Treatment services
- 2) Transportation of Patients
- 3) Cord Blood Bank services
- 4) Common Bio-medical waste treatment facility
- 5) Veterinary services

### **Taxable Health Care services**

- 1) Cosmetic and plastic surgery
- 2) Hair Transplant

### **Transportation of Passengers**

#### **Tax free services**

The following service relating to transportation of passengers are specified in negative list therefore tax free-

- (a) A stage carriage





- (b) Railways in a class II and sleeper coach but first class, or an air conditioned coach is taxable, 30% of fare shall be taxable.
- (c) Metro, monorail or tramway;
- (d) Inland waterways;
- (e) Public transport (Road transport by buses, taxis and other vehicles) other than predominantly for tourism purpose, in a vessel between places located in India; and
- (f) Metered cabs or auto rickshaws

### Taxable services

The following services relating to transportation of passengers are partly taxable –

- 1) **Railway 1st class and A.C. Coach** – 70% exempt and 30% taxable.
- 2) **By Air** – In respect of transport of passengers by air –
  - a. Economy class 60% tax free remain 40% taxable.
  - b. Other than economy class (Entry 5) 40% tax free remaining 60% taxable.

### Transportation of Goods

Transportation of goods by Railway, Road transport or other mode is exempted in the following cases-

- 1) Agriculture produce
- 2) Milk, salt, food grains, pulses and rice
- 3) Chemical fertilizer
- 4) News papers or magazines
- 5) Relief materials
- 6) Defense equipments
- 7) Cotton gined or bales

Except above goods other items taxable partly transportation of goods by Rail or other transport agency the freight charges is only 30% part is taxable from service tax point of view, because 70% abatement (rebate) is available.

### Sports Related Services

- 1) Services provided to a recognized sports body
- 2) Services by way of sponsorship of sporting events
- 3) Sports training or coaching – exempt
- 4) The tax liability on services provided to a recognized sports body – exempt

Taxable Sports related services –

- 1) Services by selectors, commentators – taxable
- 2) Service of an individual as a player, umpire in a premier league – taxable

### Art Related Services

Services by a performing artist in folk or classical art forms of –

- (a) Music or
- (b) Dance, or
- (c) Theatre

If the consideration charged for such performance is not more than Rs. 150000.

### Taxable

- (a) Other activities – taxable
- (b) Still art – taxable
- (c) Brand ambassador – taxable
- (d) Sale of tickets

### Hotel Services

- 1. Services by hotels etc. with tariff less than Rs. 1000 or equivalent
- 2. Abatement in respect of renting of Hotels etc. – 40%



**Renting of Residential Dwelling for use as Residence –**

Services by way of renting of residential dwelling for use as residence is covered in negative list, therefore it is non-taxable.

As per normal trade parlance it is any residential accommodation, which does not include hotel, motel, inn, guest house, camp-site, lodge, house boat or like places meant for temporary stay.

**Banking Services**

Following services provided in consideration of payment of interest are included in the negative list and hence are not taxable –

- 1) Overdraft facility
- 2) Loans with a collateral security
- 3) Corporate deposits
- 4) Interest on any deposit

The following Banking transaction shall be taxable –

- (a) Administrative charges or amounts collected over and above the interest or discount amounts would not be part of the negative list and thus would represent taxable consideration.  
Sale of foreign exchange between banks or by banks to authorized dealers of foreign exchange is including in the negative list. However, sale of foreign exchange to general public is not so covered and hence taxable.
- (b) Processing charges, Draft charges
- (c) Locker rent
- (d) Under writing or managing of share issue
- (e) Other banking services



## UNIT-II

### LIST OF TAXABLE SERVICES

Except services covered under Negative list each type of service is taxable which is provided in India taking consideration prior to 2012-13 a certain list was given for taxable service. But now all services (about 400) except exempted services are covered under service tax scope. Here some important services are given –

- 1) Stock broking
- 2) Telephone services
- 3) General insurance business services
- 4) Advertising services
- 5) Courier services
- 6) Consulting engineer's services
- 7) Customs house agent services
- 8) Clearing and forwarding services
- 9) Manpower recruitment services
- 10) Air travel agent's
- 11) Mandap keeper services
- 12) Tour operating services
- 13) Rent a cab scheme services
- 14) Architect's services
- 15) Interior decoration services
- 16) Management consultancy services
- 17) Chartered accountancy service
- 18) Work contract
- 19) Asset management service
- 20) Internet services
- 21) Site preparation services
- 22) Dredging services
- 23) Survey and map making
- 24) Cleaning services
- 25) Construction of residential complexes
- 26) Credit card services
- 27) Letting services
- 28) Commissioning or installation services
- 29) Franchisee services
- 30) Internet café's services
- 31) Maintenance and repair services
- 32) Technical testing services
- 33) Technical inspection and certification services
- 34) Airport services
- 35) Transport of goods by air
- 36) Business exhibition services
- 37) Goods transportation services
- 38) Construction services
- 39) Intellectual property services
- 40) Opinion poll services
- 41) Outdoor catering services
- 42) Programme production services
- 43) Survey and exploration of mineral services
- 44) Pandal and Shamiana services
- 45) Travel agent services



- 46) Forward contract services
- 47) Transport of goods through pipeline
- 48) Broadcasting services
- 49) Insurance auxiliary services
- 50) Banking financial services
- 51) Port services
- 52) Service or repair of motor vehicles
- 53) Beauty parlour's services
- 54) Cargo handling services
- 55) Cable services
- 56) Dry cleaning services
- 57) Event management services
- 58) Fashion designing services
- 59) Health club and fitness centre's services
- 60) Rail travel agent's services
- 61) Storage and warehousing services
- 62) Business auxiliary services
- 63) Commercial training and coaching service
- 64) Cost accountancy services
- 65) Company secretary services
- 66) Real estate agent's services
- 67) Security agency's services
- 68) Credit rating agency services
- 69) Market research services
- 70) Under writing services
- 71) Scientific or technical consultancy services
- 72) Photograph services
- 73) Convention services
- 74) Online information services
- 75) Video tape production services
- 76) Sound recording services

**Declared Services (Partly Taxable)**

In this category such services are covered which are partly taxable. After allowing certain abatement remaining amount is taxable. Under this category Nine services included as declared services.

Nine declared services –

- 1) Renting
- 2) Construction services
- 3) IPR services
- 4) Software services
- 5) Obligation to refrain from an act
- 6) Hiring of goods
- 7) Activities in relation to Hire Purchase
- 8) Works contract services
- 9) Catering/Restaurant Services



**VALUATION OF TAXABLE SERVICES & COMPUTATION OF SERVICE TAX**

For the purpose of levy of service tax, the value of any taxable service is considered at the gross amount charged by the service provider.

**Section 67 lays down a universal method for valuation of service-**

“The value of any taxable service shall be the gross amount charged by the service provider for such service rendered by him”

In other words “Gross Amount” here indicate that no deduction (abatement/reduction) shall be allowed in respect of any expenditure. Incurred by the service provider which has proximate connection in rendering the services by him.

- The government has declared that if the value of taxable service is not exceeding Rs. 10 lakhs. The service tax liability will not be arise for the year 2015-16.
- If service is provided free of cost by service provider no service tax is payable.

**Items included in Value of Taxable Services**

The following items are included in the value of taxable services –

- 1) The aggregate of commission or brokerage charged by a broker on the sale of purchase of securities, including the commission or brokerage paid by the stock broker to any sub-broker;
- 2) The adjustments made by the telegraph authority from any deposits made by the subscriber at the time of application for telephone connection or mobile or facsimile or telegraph or telex or for leased circuit,
- 3) The amount of premium charged by the insurer from the policy holder,
- 4) The commission received by the air travel agent from the air line,
- 5) The commission, fee or any other sum received by an actuary or intermediary or insurance intermediary or insurance agent from the insurer,
- 6) The reimbursement received by the authorized service station from manufacture for carrying out any service of any motorcar, or two wheeled motor vehicle manufactured by such manufacturer and
- 7) The commission or any amount received by the rail travel agent from the Railway or the customer,
- 8) The service tax is to be paid on the value of taxable services, which is charged by an assessee. Any income tax deducted at source is included in the charged amount. Therefore, the service tax is to be paid on the amount of income tax deducted at source also.

**Items not including in Value of Taxable Services**

The following items shall are not be included in the value of taxable services –

- 1) Initial deposit made by the subscriber at the time of application for telephone connection or pager of FAX or telegraph or telex or for leased circuit.
- 2) The cost of unexposed photography film, unrecorded magnetic tape or such other storage devices, if any, sold to the client during the course of providing the service,
- 3) The cost of parts or accessories, or consumable such as lubricants and coolants, if any, sold to the customer during the course of service or repair of motor cars, light motor vehicle or two wheeled motor vehicles.
- 4) The air fare collected by air travel agent in respect of service provided by him.
- 5) The rail fare collected by rail travel agent in respect of service provided by him.
- 6) The cost of parts or other material, if any, sold to the customer during the course of providing maintenance or repair service, and
- 7) The cost of parts of other material, if any, sold to the customer during the course of providing commissioning or installation service.

No.	Partially Taxable Services	Abatement	Taxable Value
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No.	Partially Taxable Services	Abatement	Taxable Value
1	Residential building construction (up to 2000 sq. feet)	75%	25%
2	Goods transportation (freight)	70%	30%
3	Mandap keeper or convention centre	40%	60%
4	Outdoor catering services	40%	60%
5	Pandal & Shamiyan	30%	70%
6	Package tour	75%	25%
7	Radio Taxi Services	60%	40%
8	Tour: Transportation & Staying Services	60%	40%
9	Restaurant Services	60%	40%
10	Rentring of Hotels, Inns, Guest Houses	40%	60%

### Procedure to Solving Practical Problems-

- 1) Firstly prepare a statement of various services provided by the assessee.
- 2) If service is taxable then value charged for service put in the amount column.
- 3) If service is not taxable then write Nil in the amount column.
- 4) If the service provider sells any goods to its client, it is not treated as service, so such amount is not taxable under service tax, Therefore write amount Nil e.g. sale of unexposed film by photographer.
- 5) There is no rebate for expenses incurred or material consumed for service providing. If in the problem such items are given, avoid them.

### Rate of Service tax is applicable as follows:

Period	Basic rate of Service Tax	Surcharge or cess	Effective Rate
15 Nov. 2015 to 31 May 2016	14%	0.5% Swaccha Bharat cess	14.50%
1 June 2016 (Continue)	14%	0.5% Swaccha Bharat cess + 0.5% Krishi Kalyan cess	15% Present rate

- 6) After totaling of taxable services, tax shall be calculated in the following manner-

- (a) If service tax charged separately  

$$\frac{\text{Value of service} \times \text{rate (14.5 or 15\% whichever is applicable)}}{100}$$
- (b) If service tax included or not charged separately  

$$\frac{\text{Value Charged for Service} \times \text{rate (14.5\% / 15\% whichever is applicable)}}{100 + 14.5 / 15}$$

Thought generally total value charged for taxable service is taxable but in some cases a certain percentage of value charged is allowed as abatement and remaining part is taxable such partially taxable service are as under –

### While calculating service tax on the following point should be kept in mind –

- 1) Rate of Service Tax should be applied according to period of service given in the problem.
- 2) If in the problem or question rate of service tax is given clearly, then the such rate should be applied.



- 3) If in the problem date is not mentioned clearly then in case of for the year 2015-16 14.5% and for 2016-17 @15% should be applied.

### TAXABLE VALUE OF SOME IMPORTANT SERVICES

1. **Advertising Services-** Advertising agency means any concern engaged in providing service connected with making, preparation, display or exhibition of advertisement and its consultants. Advertisement includes any notice, circular, label, wrapper, document, hoarding and audio/visual representation made by means of light, sound, smoke or gas is taxable.  
“The gross amount charged by advertising agency from the client for service is value of service but printing of Telephone directory, letter heads and visiting card is not taxable services and fees collected from clients for booking of time/place in newspaper/T.V. is not taxable but commission received for this service is taxable.”
2. **Authorised service station services-** Service related to repair of any light motor vehicle is covered under this services.  
“Gross amount charged for servicing will be taxable but cost of consumable such as lubricants & coolants cost of parts & accessories and other material which is sale to customer during providing services shall be excluded from the value of taxable services. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
3. **Beauty Parlour’s Services-** Beauty parlour means any establishment providing beauty treatment services which includes face & beauty treatment, cosmetic treatment, manicure, pedicure and counseling services on beauty face care or makeup.  
“Gross amount charged for these types of services is the value of taxable services but selling of treatment product is excluded from the value of service.”
4. **Business Auxiliary Services-** Any service provided to client, by a commercial concern in relation to business auxiliary services is taxable. Auxiliary service means any service in relation to promotion marketing, customer care service. An incidental or auxiliary support service such has billing, collection/recovery of cheques, accounts remittance, evolution of prospective customer and public relation services, and commission agent services” but does not include any information technology service. There is no abatement shall be allowed in respect of expenses” value of gross amount of all services of above is taxable. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
5. **Commercial Training or coaching services-** A services which is provided by a commercial training or coaching center/Institute/establishment providing training/coaching for imparting skill/knowledge/lessons of subject/or field other than the sports with or without issuance of a certificate but does not include pre-school coaching/training which issue any certificate /diploma/degree/any educational qualification recognised by law.  
“Value of taxable services in relation to services provided by a training/coaching shall be the gross amount charged by such center but no abatement shall be allowed in respect of expenses.”  
The following activities covered under this head as taxable services-
  - i. Fee from coaching for board, competitive & entrance examination
  - ii. Fee from commercial computer training
  - iii. Fees collected from imparting skill/ knowledge/lesson on any subject/ field
  - iv. Fees from postal coaching/ tutorial classes/ training to government clients
  - v. Fees collected by charitable trust conducting professional development courses
  - vi. Online coaching / teaching

### But following activities not covered

- i. Fee collected by those institution which recognized by law of UGC/ AICTE/ ICAR/ BCI
- ii. Fees from dance classes/Painting classes
- iii. Fees collected by ICAI/ vocational training institutes/ home tuitions.



- 6. Commissioning/Installation Services-** This services means any service provided by a agent in relation to commissioning/installation of plant, machinery or equipment.  
“Value of taxable service in relation to commissioning/installation agency shall be the gross amount charged by such agency from a customer cost of parts/material and abatement shall not be allowed in respect of expenses.”  
In case of turnkey project, the service provider to show the break-up of commissioning on installation charges. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
- 7. Courier Service-** Courier agency services means a commercial concern engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilizing the services of person, either directly or indirectly to Carry or accompany such documents, goods or articles.  
“Value of taxable service shall be the gross amount charged by courier agency from the customer for services.”
- 8. Dry cleaning services-** Dry cleaning services includes dry cleaning of apparels, garments other textile, fur/leather articles dry cleaner means any commercial concern providing service in relation to dry cleaning. Washing of cloths from soap and water and die of cloths not taxable under dry cleaning.  
“Value of taxable services means services provided by a dry cleaner to customer shall be the gross amount charged from the customer in relation to dry cleaning.
- 9. Franchise services** “Franchise means an agreement by which- franchisee is granted representational right of sell/manufacturing goods on provide service and use of trade mark/service mark/trade name/logo/any such symbol.  
The franchisee is required to pay to the franchisor directly/indirectly a fees.  
The value of service in relative to service provided by the franchisor shall be the gross amount charged by the franchisor from a franchisee for service rendered in relation for franchisee. (No abatement/Rebate shall be allowed for expenses but general exemption will be available like – Cost of goods/material sold by service provider is taxable service. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
- 10. Internet Café’s Services** – “Internet Cafe means a commercial establishment providing facility for accessing internet.”  
“Value of taxable service includes services provided by an internet cafe shall be the gross amount charged by internet café for access of internet from any person.  
No. abatement/expenses shall be allowed but general exemption will be available like – Cost of goods/material sold by service provider is taxable service. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
- 11. Maintenance/ Repair Services** – Any service to a customer by any person in relation to maintenance or repair is taxable service which is provided by  
a) any person under maintenance contract.  
b) A manufacturer / any person authorised by him.  
Maintenance / Repair / servicing of any goods or equipment excluding motor vehicle.  
“Value of services includes the gross amount charged by such person from a customer for providing such services. (No abatement/Rebate shall be allowed for expenses but general exemption will be available like – Cost of goods/material sold by service provider is taxable service. To claim the benefit of this goods cost such cost should be shown separately in the bill/invoice.
- 12. Management consultant’s Services** – Any Service provided to a client by a management consultant in connection with the management of any organisation in any manner is taxable. Advice, Consultancy / technical assistance / relation to conceptualizing, devising development, modification, rectification or upgradation of any working system of any organization are include in this services. “Value of service include amount charged by management consultant to a client is taxable.”
- 13. Market Research Agency’s Services** – Any service provided to a client by a market research agency in relation to market research of any product, service or utility in any manner is taxable.  
“Value of services includes any amount charged by research agency to a client for market research.”





- 14. Photography Services-** “Photography includes still photography, motion picture photography laser, Aerial and fluorescent photography”.
- “Value of services includes any amount charged by a photography studio/Agency to a customer shall be taxable for any type of photography.”
- 15. Practicing chartered Account’s Services-** A person who have a member of the institute of chartered accountant of India and holding a certificate of practice granted under the provisions of chartered Accounts Act 1949 and includes any concern engaged in rendering services in field of chartered accountancy it’s called practicing chartered accountant. This service includes – Accounting & auditing work. Verification, signing on Annual Report, Certification, Services of as liquidator, trustee, executor, Administration, Arbitrator & Receiver. Advising for any matters related to costing, financial or taxation, Routine visits to tax office etc.
- “Value of service includes any amount charged by chartered accountant/his agency to a client for his services is taxable but not include services like account maintenance, non-professional services, preparation of coaching material, teaching activity representational services.”
- 16. Real Estate Agent’s Services-** Real estate agent means a person who is engaged in rendering any services in relation to sale, purchase, leasing or renting of real estate and include it’s consultant.
- “Value of services includes any amount charged by real estate agent to a client for providing services shall be taxable.”
- 17. Rent-a-cab. Scheme operator’s services-** Any services provided to any person by a rent-a-can scheme operators (motor carriage, or horse carriage) in relation to the renting a cab is taxable. “Value of services includes any amount charged by rent-a-cab operators to a person for renting a cab.”
- 18. Technical Testing and Analysis service-** Any service provided to any person by a technical testing and analysis agency in relation to physical, chemical, biological or any other scientific testing or analysis of goods or material or any immovable property but does not include any testing or analysis service provided in relation to human beings or animals.
- “Value of services includes any amount charged by testing & analysis agency to a person is taxable but no abatement/ expenses are allowed. General exemption like cost of goods/ material sold by services provider will be available in value of service to claim the benefit of this exemption cost should be shown separately in the bill/ invoice.”
- 19. Legal consultancy services-** Legal consultancy services means any services related to advice consultancy or assistance in any branch of law in any manner. Provided to Business entity by any other business entity by way of appearance before any court, tribunal or authority shall not amount to taxable service. But does not include an individual like- Association persons body of individual, company or firm.
- The following services are taxable services under the head legal consultancy services-
1. Conference with clients advocates.
  2. Briefing to senior counsels.
  3. Legal drafting.
  4. Vetting of documents.
  5. Search or little reports.
  6. Any advice in respect of tax planning.
  7. Services of giving legal opinion with advice for queries of any branch of law.
  8. Consultancy on VAT including registration and filing of return.
- 20. Construction of Contract Services-** These are two type of contracts –
- a) Commercial / Industrial construction
  - b) Construction of residential complex.
- “Service tax will be payable on the booking of new building made under construction to sell during preconstruction period. Service tax will be leviable on the entire sale price of the flats which includes the cost of land. However, abatement @ 75% from the gross value is allowed.”
- 21. Manpower recruitment or supply agency’s services –** The following services are taxable under this head-
1. Advertisement for placing for recruitment
  2. Give assistance in appointing, training, marketing.
  3. Services provided by IIT, IIM, CA, CWA and CS institutes in nature of campus recruitment.



4. Placement of domestic maids to household.
5. Services of pre-recruitment servicing, short listing and providing interview techniques to candidates.
6. Building of Database of manpower.
7. Conducting interviews.
8. Supply of labour also seasonal Labour
9. Manpower supply to 100% Export oriented units.
10. Nurses provided to hospitals.
11. Verification of antecedents or credentials of candidates and also authenticity of candidates documents.

**22. Consulting engineer's services** – The following services are taxable under the head consulting engineer's services –

1. Basic design engineering.
2. Advice/consulting/construction supervision.
3. Establishing systems and procedures, for an existing plant feasibility study.
4. Manpower planning, Training and post operation and management.
5. Pre-designed, project management & Report Services.
6. Software support/Technical Assistance/Trouble shooting services.
7. Valuation of immovable property.
8. Supervision of commissioning and initial operation but not include- Architects services, conservation work, data supply, electrical contractor, erection, installation, government project evaluation, insurance surveyor etc.

### **PROVISIONS OF SERVICE TAX**

Service Tax is an indirect tax which is levied on taxable services. It is a central tax which is imposed by the Government of India since 1994. The main provisions of the service tax are discussed below.

#### **Imposition and Applicability**

Service tax was imposed under Finance Act 1994 by the Government of India. Like Income Tax, Excise duty, Customs, there is no separate tax for service tax. It is governed and altered by Finance Act. It is applicable throughout India, except Jammu & Kashmir. At present each type of economic, commercial and financial services in the tax net of Service Tax. W.e.f. 2012-13 except some services given in negative list and exemption list all type of Services are taxable.

#### **Service Tax not applicable**

(a) Service tax provisions are not applicable to the state of Jammu & Kashmir.

(b) Service tax not applicable on export of services.

Service tax cannot be levied if services are provided in the state of Jammu & Kashmir. In other words, if a person from Jammu & Kashmir provides the services outside Jammu & Kashmir in any other part of India such service is liable under service tax law.

#### **Service Tax Liability**

Service tax liability is based on the place where the service has been delivered, but not the place from where service has been provided.

Moreover, service tax is a destination based consumption tax.

Service tax liability arises only after the service tax provider has registered himself either compulsorily or voluntarily, under the Service Tax provisions.

Only those service tax providers the value of whose taxable service exceeds Rs. 10 lakhs are liable to pay service tax. Where the service recipient is to pay service tax, the turnover criteria does not apply.

#### **Small Service Providers: Exemption limit of Rs. 10,00,000**



Service providers are benefited the threshold limit of Rs. 10 lakhs. Hence, it is essential to know what goes into value of taxable turnover to determine the applicability of exemption.

Taxable service (i.e. turnover) excludes the following –

- 1) Export services
- 2) Services provided to United Nation and International Agencies
- 3) Services provided to the Reserve Bank of India
- 4) Services provided to foreign diplomatic missions for official use.
- 5) Service provided to foreign diplomatic mission for private use of family members of diplomatic agents.
- 6) Service provider provides non-taxable services etc.
- 7) Import of service for personnel purposes.
- 8) Free of services

### **Service Provider**

The following persons covered under Service Tax who fulfil the following conditions –

- 1) Who provide any one or more taxable services except exempted services.
- 2) Whose annual turnover is exceeding Rs. 10 lakhs regarding taxable services.
- 3) Who provides services in the consideration of value.
- 4) Who provides services with in India except J&K.

### **NO SERVICE TAX IN SOME CASES**

Service tax is levied on 'service' and not on 'reimbursement of expenses/ or material supplied. Therefore in the following cases service tax is not applicable-

1. No tax on reimbursement of expenses
2. No tax on goods and material supplied by service provider
3. No service tax on advance received
4. No service tax on services provided outside India
5. No service tax on service provided free of cost
6. No service tax on receipts in convertible foreign exchange
7. No service tax on sub-contracted services

### **REGISTRATION PROCEDURE**

Every person liable for paying service tax has to register with superintendent of central excise. He should registration within 30 days from date of commencement of the business of providing taxable service. If value of taxable service is more than Rs. 9 lakh in the year 2015-16. The person will have to apply for registration in form ST -1. An acknowledgement will be given on duplicate copy of ST-1 from by superintendent of Central Excise in whose jurisdiction the person operates. If a person is providing more than one taxable service, he may make a single application. He should mention in the application all the taxable services provided by him.

### **LIABILITY TO REGISTRATION**

Liability to registration on every person liable for paying service tax. Thus, all person/s providing taxable services are required to register with the central Excise Department.

In case of a person is providing a taxable service from multiple offices or providing multiple services. The following registration procedure would be applicable-

1. When an assessee is providing a taxable service from more than one premises/ office – He have a centralized billing system in respect of services from all such premises/ office at any one premises/ office – He may opt for registration only the premises/ office from where such centralized billing is done.



2. Where an assessee is providing a taxable service from more than one premises/ office- but he does not have any centralized billing system.- He is required to obtain registration in respect of each of such premises/ office to the concerned Central Excise officer.
3. Where an assessee is providing more than one taxable service from the same premises,- He only make a single application for registration mentioning there in all the taxable services provided by him to the concerned Central Excise officer.

The registration is not required, if service is provided by non-resident or a person, who is from outside India, if he does not have any office in India.

### **PROCEDURE FOR REGISTRATION**

The following procedure shall be adopted for registration regarding service tax-

1. Filing of Application- A assessee should file an application in form ST - 1
2. Documents- Following documents along with the registration form-
  - Proof of Address
  - Copy of Pan
  - Copy of partnership deed (in case of a firm)
  - Copy of memorandum, & Articles of Association (in case of company)
3. Time limit for Registration- Every person liable to pay the service tax should make an application to the concerned central excise officer for registration within 30 days from the date of commencement of his activities.
4. Certificate of Registration- The superintendent of Central Excise verifies the informational grants. Certificate of Registration in form ST-2. It is granted within 7 days from the date of receipt of application.
5. Surrender of certificate of Registration-
  - (a) When a registered assessee transfers his business to another person.
  - (b) When a registered assessee ceases to carry on the service activity.In both the conditions regd. Assessee should surrender his regi. Certificate to the Central Excise authorities.
6. Penalty for failure to Registration- If any person liable to pay service tax fails to make an application for registration u/s 69, shall pay, by way of penalty, upto Rs. 10000 or Rs. 200 per day. Whichever is higher.
7. Service tax code Number- The central Government has decide to issue common identification number which is known as service tax code (STC), which has been named as service tax payer (STP) number. As per the board circular, it is necessary to quote STC on all documents and challan. It is an identification no. for the dealers for E-filing of return. The prescribed formate for application for STC no. is given in Annexure B. the application is required to be made in duplicate along with self-certified copy of PAN.
8. Procedure for allotment of STC-
  - (a) Making an application- An application given in annexure II to this circular along with a certified copy of PAN to the superintendent of central Excise of Concerned service tax cell and obtain a dated acknowledgement. An entry should be made in a register indicating name of the concerned person, address, service tax cell, the existing classification code, regi. No. date of forwarding of application and STC no. The entry no. should be endorsed on the acknowledgement slip.
  - (b) Special counter- A special counter will be opened in each of the service tax cell for receipt of the application. The acknowledgement will be given immediately.
  - (c) Allotment of STC Number- Where the applications are complete in all respect STC Number will be allotted within 3 working days and the letter will be issued to the concerned person (applicant) in the formate given in annexure III. One copy of the letter will be forwarded to te Concerned Pay and Accounts officer (PAO).



### SERVICE TAX RETURN, PAYMENT ASSESSMENT AND CREDIT

**Service Tax Return** – (Sec.-70) every person liable to pay the tax due on the service provided by him and shall furnish to the superintendent of Central Excise a return in such form and in such manners and at such frequency as may be prescribed.

#### Rules for submission of Return (Rule-7)-

- 1. Half Yearly Return** – Assessee shall submit a half year return in form ST-3/ST-3A along with a copy of form TR-6 in triplicate.
- 2. Documents enclose with return -**
  - a) Challan of Tax paid
  - b) A list of account maintained (only with first return)
  - c) Worksheet for calculation of interest.
  - d) Return for service tax credit on input Service.
- 3. Due date for Return-** 25<sup>th</sup> of the month following the particular half year

For the Half Year	Due Date
1 <sup>st</sup> April to 30 <sup>th</sup> September	25 <sup>th</sup> October
1 <sup>st</sup> April to 31 <sup>st</sup> March	25 <sup>th</sup> April

- 4. E-filing of returns** – Filling the service tax returns on line (e-filing of returns) is compulsory to every service providers.
- 5. Service Tax credit:** - Output service provider availing Sales Tax credit shall submit to superintendent of central Excise, A return in prescribe form ST-3 under Rule-7 of Service Tax Rules 1994.
- 6. 10 Service covered for e-filing of Return** – Telegraph, telephone, LIC, Insurance Auxiliary, General Insurance, Stock Brokers, Advertising, courier, Banking and financial, and customer house services.
- 7. Return by registered post-** Filing of ST-3 return has been permitted by registered post to divisional office before due date with acknowledgement.
- 8. First return (Rule 5 (2))-** At the first time of return filling assessee shall enclosed list of all account maintained and memorandum received from his branch office.
- 9. Nil Return Filing** – If no services have been provided during a half year and no service tax is payable the assessee may file a nil return within prescribe time limit.
- 10. Assessment memorandum-** Central Excise officer shall assess the service tax payable including interest (if any). This assessment memorandum. Copy of return shall be sent to the assessee.
- 11. Adjustment of Tax-** The differentiate of Tax determined and Tax paid can be adjusted against tax assessed by officer under sub rule (3). If tax paid is less then deficiency tax should be paid with interest (if any) or if Tax paid is more then assessee should apply for excess tax refund under the provisions of Sec-11B of central excise Act 1944.
- 12. Penalty-** If the person fails to furnish a return in due date then he shall be liable for penalty amount not exceeding Rs. 5000, Rs. 200 per day for every day of default. (Section 76).
- 13. In case of Fraud/suppression of facts-** Penalty will be minimum 100% & maximum 200% of service tax. Penalty will be reduced to 25% if tax, interest and penalty paid within 30 days from the date of order receipt, from central excise officer.
- 14. Revised Return**

An assessee is allowed to rectify mistakes and file Revised Return within 90 days from the date of filling of the original return. Revised return after 90 days not allowed.
- 15. Late Fee (Penalty) in case of late filing of Form ST-3**

If a person fails to furnish the ST-3 return within the due date (25<sup>th</sup> October and 25<sup>th</sup> April every year) he shall be liable to pay late fee (penalty) is as follows –

Delay upto 15 days	Rs. 500
Delay upto 30 days	Rs. 1000
Delay beyond 30 days	Rs. 1000 + Rs. 100 per day



subject to a maximum of Rs. 20000

Late fee should be paid at the time of filling the return without waiting for any communication or notice from the Department. However, filling of return cannot be refused for non-submission of evidence of payment of late fee along with the Return.

### ASSESSMENT PROCEDURE

Assessment as per rule 2(b) of service tax Rules 1994 mean assessment of service tax by a central Excise officer it include self assessment, provisional assessment. Best judgment assessment. Reassessment, an order of assessment in which the tax assessed is nil, determination of the internet on the tax assessed or reassessed.

Types of Assessment –

1. **Self Assessment (u/s-70)** - Every person liable to pay the service tax shall himself assess the tax due on taxable service provided by him and shall furnish to the superintendent of Central Excise a return in such form and in such manner and at such frequency as may be prescribed.  
The following procedure shall be adopted by the superintendent-
  - (a) Superintendent may verify the correctness of the assessed on the basis of information contained in the return filed by assessee.
  - (b) Superintendent may require any accounts, documents or evidence as deem necessary for such verification can call form assessee.
  - (c) If on verification, any service provided by assessee has escaped in assessment, then superintendent may refer the matter to Assistant Commissioner/Deputy commissioner who may pass such order of assessment. A notice has to be served with 12 months from date of filing of return.
2. **Provisional Assessment (u/s-71)** Where an assessee is, for any reason, unable to correctly estimate on the date of deposit, the assessee may make a request in writing to the central excise office to make a provisional assessment of tax on the basis of amount deposited and officer may order for assessment provisionally on receipt of request of assessee he shall file a statement giving details of the difference between service tax deposited.
3. **Best judgment Assessment- (U/s- 72)** The assistant commissioner/Deputy commissioner shall make the assessment of the value of taxable service to the best of his judgment and determine the sum payable by the assessee/refundable to the assessee on the basis of such assessment by an order in writing, after taking into account all the relevant material, which he has gathered if-
  - a) Any person fails to make the return u/s 70.
  - b) Any person having made a return fails to comply with the provision u/s-71.
  - c) Assistant/Deputy commissioner is not satisfied with the correctness/completeness of accounts of the assessee.
4. **Reassessment – (u/s-73)** Where the value of taxable services and found escaping assessment Reassessment may assess in following cases-
  - a) If any assessee does not file the return by omission or failure to deposit of tax/not disclosed wholly or partly material facts which is required for verification of tax/any service escaped for tax by assessee and short paid of tax by under assessed/service tax has not been paid.
  - b) Time limit for Reassessment at any time within five year. In case of any assessee has not submit return of self assessment/provisional assessment/ if value of any taxable service under assessed and at any time within 6 months from Relevant date in case of any services (Taxable) are escaped by any assessee/short-paid of tax/Tax not paid/has not refunded any amount which is wrongly paid by authorities of service tax.



- c) The Assistant/Deputy Commissioner may serve on the assessee, a notice and show cause as to why he should not pay the amount specified in the notice.

### CREDIT OF SERVICE TAX PAID

Input credit system introduced first time in 16/08/2003. The Government has framed the service tax credit rules, 2002 so as to provide credit of service tax paid on the service consumed for providing a taxable service in case where the (credit means, if any provider paid a tax on service which is received by himself and he will be paid tax on service providing by him so he may get the Credit tax Rebate for the amount which is already paid by him on input service) service consumed and the service provided fall in the same category of taxable service. This rule amended again in 2004 with a view to allow credit of service tax paid across the service

- **Input Service-** Means any taxable service received and consumed by a service provider in relation to rendering of output service.
- **Output Service-** Means any taxable service received and consumed by a customer and provided by service provider.
- **Service tax credit** is allowed only on payment of value of input service and service tax.
- Service tax credit availed on input service and service tax. may utilized for payment of service tax on the output service.
- Refund of tax credit availed on input service shall not be allowed under any circumstances.
- If input service provider does not pay tax, for any reason, it will be recovered from the output service provider/reverse the credit even through he was not at fault this credit cannot be utilized for payment of interest and penalty.