

# **Statutory Compliances under Service Tax**

**(Definition, Registration, Issue of Invoice, Payment of Taxes, Returns, Threshold Exemptions etc.)**

**Workshop on Service Tax organised by of WIRC of ICAI  
29<sup>th</sup> May 2015**

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# Overview of Service Tax Law

# Overview

1. Significant Provisions concerning service tax contained in Chapter – V of Finance Act, 1994.
  - Definitions – section 65B
  - Charge of service tax – section 66B
  - Negative List of services – section 66D
  - Declared services – section 66E
  - Principles of Interpretations for specified or bundled services – Section 66F
  - Valuation Provisions – section 67
  - Point of Taxation for various purposes – section 67A
  - Payment of Service Tax – section 68
  - Registration under Service Tax – section 69

# Overview

- Furnishing of returns – section 70
- Principles of assessment – section 72
- Adjudication of service tax – sections 73 , 73A
- Interest on delayed payment or non-payment of service tax – sections 75, 73B
- Rectification of mistakes – section 74
- Penalties under Service tax and Adjudication of Penalties – sections 76, 77, 78, 78A, 83A
- Offences and Prosecution – section 89, 90, 91,
- Appeals – sections 85, 86
- Recovery of service tax – sections 73C & 87
- Power to grant exemptions – sections 93 & 93A
- Power to make rules – section 94.

# Overview

2. Place of Provision of Service Rules, 2014
3. Service Tax (Determination of Values) Rules, 2006
4. Point of Taxation Rules, 2011
5. CENVAT Credit Rules, 2004
6. Significant Provisions under Service Tax Rules, 1994
  - Registration
  - Issue of invoices, consignment notes etc
  - Records
  - Payment of Service Tax
  - Export of Services
  - Returns
  - Form of Registration, Returns & Appeals.

# What is Service ???

# ‘Service’ – Means

The term ‘service’ is defined in Sec.65B(44) of the Act. The definition contains three parts namely ‘means’ part, ‘includes’ part and ‘excludes’ part. Service requires only three elements namely:

- ❖ Any activity
- ❖ Person carrying out the activity and the person for whom the activity is carried on.
- ❖ The person must carry out an activity for some ‘consideration’.

# Activity

- ❖ An act denotes a process of doing or performing.
- ❖ The term 'act' or 'action' or 'activity' in its widest import includes both positive and negative acts
- ❖ Whether activity should be economic activity?



# Person – Definition – Section 65B (37)

- ❖ Individual
- ❖ HUF
- ❖ Company
- ❖ Society
- ❖ LLP / Firm
- ❖ **AOP or BOI, whether incorporated or no**
- ❖ Government
- ❖ Local authority
- ❖ Every artificial juridical person

## Person – Deeming Fiction – Section 65B (44)

- ❖ Explanation 3 (a) - ‘unincorporated’ association or body of persons, and a member thereof as ‘distinct persons’.
- ❖ Explanation 3(b) – establishment of a person in a taxable territory and any of his establishment in a non-taxable territory shall be treated as establishments of distinct persons.
- ❖ Explanation 4 provides that, a person carrying on business through a ‘branch’ or ‘agency’ or ‘representational office’ in any territory shall be treated as having an establishment in that territory.

# Consideration

- ❖ Section 67 – “Consideration” includes –
  - Any amount that is payable for the taxable services provided or to be provided.
  - Any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service, except in such circumstances, and subject to such conditions as may be prescribed.
  - Any amount retained by the lottery distributor or selling agent from gross sale amount of lottery tickets in addition to the fee or commission, if any, or as the case may be, the discount received, that is to say difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket.

## Service – Includes - ‘declared services’

Extends the ambit of ‘activities’ covered within the definition service to include those activities, which ordinarily cannot be termed as ‘service’ for the purpose of levy of tax under Service Tax Law.

- ❖ Renting of immovable property.
- ❖ Sale of **under-constructed premises** intended for sale unless, the entire consideration is received after issue of completion certificate by competent authority.
- ❖ **Temporary transfer** or permitting the use or enjoyment of any intellectual property right

# Service – Includes - ‘declared services’

- ❖ Development, design, programming, customization, adaption, up gradation, enhancement, implementation of information technology software.
- ❖ Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation or to do an act.
- ❖ Transfer of goods by way of hiring, leasing, licensing or in any such manner without transfer of right to use such goods
- ❖ Activities in relation to delivery of goods on Hire purchase or any system of payment by installments
- ❖ Service portion in the execution of a works contract
- ❖ Service portion in an activity wherein goods, being food or any other article of human consumption or any drink is supplied in any manner as a part of the activity

## Service – Excludes

An activity which constitutes merely,—

- ❖ a transfer of title in goods or immovable property, by way of sale, gift or in any other manner or
- ❖ Such transfer, delivery or supply of any goods which is deemed to be a sale within the meaning of clause (29A) of article 366 of the Constitution ( Deemed Sale) or
- ❖ transaction in money or actionable claim.

# Deemed Sale - 366(29A)

- ❖ transfer, otherwise than in pursuance of a contract, of property in goods for cash, deferred payment or other valuable consideration – Clause (a)
- ❖ transfer of property in goods, whether as goods or in some other form, involved in execution of works contract – Clause (b)
- ❖ delivery on goods on hire purchase or any system of payment by installment – clause (c)

# Deemed Sale - 366(29A)

- ❖ Transfer of right to use any goods for any purpose, whether or not for a specified period, for cash, deferred payment and other valuable consideration – Clause (d)
- ❖ Supply of goods by any unincorporated association or body of person to a member thereof for cash, deferred payment or other valuable consideration – Clause (e)
- ❖ Supply by way of or as part of any service or in any other manner of goods being food or any other article for human consumption or any drink, whether or not intoxicating, where such supply of service is for cash, deferred payment or other valuable consideration – Clause (f)



# Transaction in Money

- ❖ Promise made in return for a promise is a consideration.
- ❖ If such promise involves payment of money, then mere discharge of consideration or promise in terms of payment of money would not constitute service.
- ❖ It is known as 'transaction in money'.
- ❖ "Money" means legal tender, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any such similar instrument but **shall not include** any currency that is held for its **numismatic value** actionable.

# Transaction in Money : Amendment

- ❖ **Services by foreman of chit fund w.e.f 14-05-2015** any activity carried out for a consideration in relation to or for facilitation of a transaction in money or actionable claim by a 'foreman man of a chit fund' for conducting or organizing a chit in any manner will be regarded as service .
- ❖ For this purpose "Foreman of chit fund" is defined in section 2(23) of the Act.
- ❖ As a result of this amendment effect of decision of Delhi HC in the case of **Delhi Chit Fund Association vs. UOI 2013(39) STR 347 (Del)** has been nullified.

# Actionable Claims

- ❖ “Actionable claim” shall have the meaning assigned to it in section 3 of the Transfer Property Act.
- ❖ It basically means “chose” “in action” or “thing” “in action”.
- ❖ It is a claim to an unsecured debt or any beneficial interest in a ‘movable property’ which is not in possession of the claimant, recognised by law for affording grounds for relief.

# Actionable Claims: Amendment

## Services by lottery distributor or selling agents:

- ❖ W.e.f. **14-05-2015** any activity carried out for a consideration in relation to or for facilitation of a transaction in money or actionable claim by a 'lottery distributor or selling agent' in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind in any manner are now regarded as service.
- ❖ W.e.f. **01-06-2015** It is further clarified that, such activity shall not be regarded as services of 'betting, gambling or lottery' covered in the Negative List.

# 'Service' - Excludes

- ❖ A provision of service by **an employee to the employer** in the course of or in relation to his employment.
  - All services provided by an employer to the employee are not outside the ambit of services, only those provided in the course of employment are outside the ambit of services
  - Services provided on contract basis i.e. principal-to-principal basis are not services provided in the course of employment and thereby treated as provision of service.
- ❖ **Fees taken in any Court or tribunal** established under any law for the time being in force.

# 'Service' - Excludes

- ❖ Functions / duties performed by certain persons holding constitutional positions in certain offices or in a body established by the Central Government or State Governments or local authority are excluded such as-
  - Functions Performed by **Members of Parliament**, State Legislative, Panchayats, Municipalities and other local bodies who receive any consideration in performing the functions of that office as such member.
  - The duties performed by any person who holds any **post in pursuance of the provisions of the Constitution** in that capacity.
  - The duties performed by any person as a **Chairperson or a Member or a Director** in a **body established** by the **Central Government or State Governments or local authority** and who is not deemed as an employee before the commencement of this section

## Whether Statutory functions performed by Government Agencies are treated as Service?

- ❖ Any activity carried out by one person for other for consideration, is regarded as service. The terms 'activity' and 'consideration' are not characterized by words such as 'economic' or 'commercial'. Person includes Government or a Local Authority.
- ❖ Hence for service tax purposes, Government and its agencies are regarded as person capable of rendering services and all activities performed by them are services, if it is for a consideration.
- ❖ However, it may be noted that, save as certain specific services, all other services provided by Government are included in negative list and therefore are not chargeable to service tax.

# Registration under Service Tax



# Registration under Service Tax Law

<b>1.</b>	<b>Registration under Service Tax Law</b>
	Section – 69 Requirement of Registration
	Section – 77(a) Penalty for non-registration
	Section - 94(2)(b) Rule making Power relating to registration
	Rule 6 of Service Tax Rules – Procedure for registration
	Service Tax (Registration of Special Category of Persons) Rules, 2005
	Form ST – 1 Application for registration u/s 69
	Form ST - 2 Certificate of registration u/s 69

# Registration under Service Tax Law

- ❖ Who is required to obtain registration ?
- ❖ Types of Registration
  - Centralised Registration.
  - Single Premise-Based Registration.
- ❖ Time limit for obtaining registration.
- ❖ Procedure for obtaining registration.
- ❖ Procedure for surrender of registration.
- ❖ Penalty for non-registration – Section 77(a) –  
Max. Penalty Rs.10,000

# Who is required to obtain Registration

- ❖ Any provider of taxable service whose aggregate value of taxable service in a financial year exceeds Rs.9 Lakhs
- ❖ A receiver of taxable service who is required to pay service tax u/s68(2) of the Act
- ❖ Input service distributor(ISD).

# Centralised vs Single Premise Based

	<u>Centralise Registration</u> <u>Rule 4: Sub-Rule(2)</u>	<u>Single Premise Registration</u> <u>Rule 4: Sub Rule (3A)</u>
1	<b>Applicability:</b>	
	-centralised billing system (CBS) or -centralised accounting system (CAS) in respect of taxable services service (provided or received by him), located in one or more premises.	Where an assessee does not have any CBS or CAS, as the case may be.
2	<b>Premises</b>	
	The main address ( for the purpose of determining jurisdiction of service tax officers) shall be the office or premises where such CAS/ CBS is located	each of the premises of the assessee are registered separately.

# Centralised vs Single Premise Based

	<u>Centralise Registration</u> <u>Rule 4: Sub-Rule(2)</u>	<u>Single Premise Registration</u> <u>Rule 4: Sub Rule (3A)</u>
3	<b>Whom to apply?</b>	
	-Commissioner of Central Excise in whose jurisdiction the main premise or office, from where centralised billing/ accounting is done, are located.	Superintendent of Central Excise in whose jurisdiction the premise, officer or unit for which registration is sought is located.
4	<b>Time Limit for Grant of Registration</b>	
	No time limit has been prescribed in the Rules.	-within 7 days from the date of receipt of such application. - If the registration is not granted in respect of an application which is complete in within 7 days, the registration shall be deemed to have been granted.

# Time Limit for obtaining registration

- ❖ Within a period of 30 days from commencement of the business of providing the taxable service.
- ❖ Service Tax (Registration of Special Category of Persons) rules, 2005

## STRSCP Rules, 2005

*“aggregate value of taxable service” means the sum total of first consecutive payments received during a financial year towards the gross amount, as prescribed under section 67 of the Act, charged by the service provider towards taxable services but does not include payments received towards such gross amount which are exempt from the whole of service tax leviable thereon under section 66 of the Act under any notification other than Notification No. 6/2005-Service Tax, dated the 1st March, 2005*

## Threshold Exemption Notification

*“aggregate value” means the sum total of value of taxable services charged in the first consecutive invoices issued during a financial year but does not include value charged in invoices issued towards such services which are exempt from whole of service tax leviable thereon under section 66B of the said Finance Act under any other notification.”*

# Procedure for obtaining Registration

## ❖ **Circular No.956/17/2011-CX, dtd.28-09-2011**

- The user needs to log onto the system, through internet at **<http://www.aces.gov.in>**. He/she chooses the **Service Tax button** from the panel appearing on the Top of the webpage.
- Clicks the link “**New Users Click here to Register with ACES**” in the Log-in screen that appears after clicking Service Tax button.
- Fills in and submits the form “Registration with ACES”, by furnishing a self-chosen user ID and e-mail ID. User ID, once chosen is final and cannot be changed by the assessee in future.
- The system will check for availability of the chosen User ID and then generate a password and send it by e-mail, mentioned by him/her in the Form.
- ACES will provide assistance of “Know your location code” for choosing correct jurisdictional office.
- The user then have to re-log-in and proceed with the statutory registration with Service Tax, by filling-in the appropriate Form i.e. **ST-1** by clicking the “**Reg.**” link in the Menu bar that appears on the top of the screen. *For security reasons, the password should be changed immediately*

# Procedure for obtaining Registration

## ❖ Circular No.956/17/2011-CX, dtd.28-09-2011

- The system instantaneously generates an acknowledgement number after which the registration request goes to the jurisdictional Superintendent
- Depending on the instructions in force, assessee may be required to submit certain documents to the department for verification. The list of documents to be submitted for Centralised Registration [**Refer Commissioner of Service Tax-I, Mumbai, Trade Notice No. 3/2011-S.T., dated .....-10-2011 for Mumbai Commissionerate –**
- After due processing, the Superintendent or as the case may be Commissioner generates Registration Certificate (RC) and a message to this effect is sent to the assessee electronically. The assessee **can view this and take a print-out of this**
- **Depending on the option chosen by the assessee, the signed copy of the RC can** be sent by post or can be collected by assessee in person.
- While submitting registration form, if the assessee makes a mistake in choosing a wrong jurisdiction (Commissionerat/Division/ Range), ACES provides a facility to the AC/DC to forward the application to the correct jurisdictional officer to issue registration and a message to this effect is sent to the assessee for information.



# Procedure for obtaining Registration

- ❖ Notification No.7/2015-CE(NT) dtd.01-03-2015 & Order No. 1/2015-Service Tax dated 28th Feb., 2015
  - Under the new simplified the registration process for single registration has been simplified by providing for grant of registration online within two working days of filing the complete Form ST-1 in ACES, thus initiating trust-based registration
  - The specified documents should reach the office of the jurisdictional Deputy/Assistant Commissioner within 15 days of the date of filing the registration application
  - Further, the assessee would not need a signed copy of Registration Certificate as proof of registration. Registration Certificate downloaded online from ACES system would be accepted as proof of registration
  - Verification of the documents and premises shall be carried out post facto

# Issue of Invoices, Challans etc

# Issue of Invoices , challans etc.

<b>2</b>	<b>Issue of Invoices , Challans etc.</b>
	Section 77(e) - Penalty for failure to issue invoice with incorrect or incomplete particulars
	Section 94(2)(eee) – Power to make rules for the credit of service tax paid based on invoices issued
	Rule 4A of Service Tax Rules – Invoices, bill or Challan on the basis of which credit of service tax paid to be distributed
	Rule 4B of Service Tax Rules – Issue of Consignment note etc.

# Issue of Invoices , challans etc.

- ❖ What is an Invoice?
- ❖ Time limit for issue of invoices
- ❖ Contents of invoices
- ❖ Special provisions for GTA and Banking , Non-banking or financial institutions.
- ❖ Invoices by ISD
- ❖ Penal consequences for non-issue of invoices in time.- Maximum Rs.10,000

# What is Invoice?

- ❖ Invoice is not defined in the Act
- ❖ As per rule 2(d) of Point of Taxation Rules, 2011, “invoice” means the invoice referred to in rule 4A of the ST Rules and shall include any document as referred to in the said rule.
- ❖ Rule 4A of the ST Rules deals with “taxable service to be provided or credit to be distributed on invoice, bill or challan”.
- ❖ Thus, rule 4A prescribes documents which are required to be issued for
  - taxable services to be provided and
  - for the purpose of distribution of credit

# Time Limit for issue of Invoice

- ❖ Normal Rule
  - Not later than 30 days [ up-to 31-03-2012, it was 14 days] from the date of completion of such taxable service
  - Receipt of any payment towards the value of such taxable service
- ❖ Continuous Services - within 30 days of the date when each event specified in the contract, which requires the service receiver to make any payment to service provider
- ❖ Banking and Financial Services – 45 Days
- ❖ ISD – No time Limit is specified.

# Contents of Invoice

- ❖ Invoice shall be signed by the authorised person - Use of Digital Signature is permitted
- ❖ It should be serially numbered
- ❖ Essential ingredients
  - the name and address of the service provider
  - Registration number of service provider
  - the name, address of the service receiver
  - Description and value of service provided
  - Service tax payable thereon

# Contents of Invoice – Special Provisions

- ❖ Goods Transport Agency – **[Additional]**
  - The details of the consignment note number
  - Date, gross weight of the consignment
- ❖ Transportation of Passengers – **[ Optional]**
  - Registration number of service provider
  - Address of the service receiver
- ❖ Banking, Non Banking & Financial Institutions – **[Optional]**
  - Serial number of the document
  - Address of the service receiver



# Contents of Invoice - ISD

- ❖ To be signed and issued by authorised person
- ❖ Should be serially numbered
- ❖ Essential ingredients
  - Name, address and registration number of the person providing input service
  - Serial number and date of invoice issued by such person
  - Name, address of ISD
  - Name and address of the recipient of the credit distributed.
  - The amount of the credit distributed

# Payment of Service Tax

# Payment of Service Tax

<b>3</b>	<b>Payment of Service Tax</b>
	Section 68 - Payment of Service Tax
	Section 75 - Interest for non payment / short payment
	Section 76 – Penalty for failure to pay service tax
	Section 77(d) – Penalty for failure to pay Service Tax Electronically
	Section 78 – Penalty for suppressing etc. of value taxable service
	Section 94(2)(a) – Power to make rules for collection and recovery of service tax
	Rule – 6 of Service Tax Rules – Payment of Service Tax

# Payment of Service Tax

- ❖ Due dates for payment of service tax.
- ❖ Manner of payment of service tax.
- ❖ Can service tax be paid voluntarily in Advance?
- ❖ What if assessee pays excess service tax?
- ❖ Whether it is possible to make adjustment of service tax in case of Bad Debts
- ❖ Interest under section 75
- ❖ Penalty for non-payment of service tax.

# Due Dates Payment of Service Tax

- ❖ Individual and Partnership Firms – Quarterly
- ❖ Others – Monthly

Month	Due Date	Month	Due Date
April	6 <sup>th</sup> May	October	6 <sup>th</sup> November
May	6 <sup>th</sup> June	November	6 <sup>th</sup> December
June	6 <sup>th</sup> July	December	6 <sup>th</sup> January
July	6 <sup>th</sup> August	January	6 <sup>th</sup> February
August	6 <sup>th</sup> September	February	6 <sup>th</sup> March
September	6 <sup>th</sup> October	March	31 <sup>st</sup> March

# Voluntary Payment, Excess Payment etc

- ❖ Voluntary Payment – Rule 6(1A)
  - sending an intimation of advance payment of service tax within 15 days from the date of such payment
  - By indicating the details of payment and adjustments made against it, if any, in the subsequent return to be filed in u/s 70 of the Act
- ❖ Excess Payment– Rule 6(4A) – Self Adjustment
- ❖ Excess Payment – Rule 6(4B) – No Self Adjustment
  - Reasons involving interpretation of law
  - Taxability
  - Valuation
  - Applicability of exemption notification.

# Adjustment u/r 6(3)

- ❖ permit adjustment of service tax paid in excess against service tax liability in future
  - services, in respect of which advance is received are subsequently not provided or partly provided and hence advance is refunded [ but tax is paid].
  - Where no such advance is received, but service tax is paid based on invoices issued to the said service receiver, and either such invoice is cancelled or credit note is issued in respect of the value of the services not so provided.
  - value of the service is renegotiated due to deficient provision of service
  - Bad Debts??

# Payment of Service Tax - Interest

- ❖ Up-to 30-09-2014 – 18% p.a.
- ❖ From 01-10-2014 Slab-wise Interest

Delay in Payment	% of Interest
Up-to 6 Months	18%
Beyond 6 months but up-to 1 year	24%
Beyond 1 Year	30%



# Penalty - Section 76 and Section 78

- ❖ Section 78 - Cases covered under fraud, collusion, suppression, wilful misstatement, contravention of Act or Rules with intention to evade tax
- ❖ Section 76 – In Other cases.
- ❖ Penalty whether mandatory ?
- ❖ Section 80 – waiver of penalty

# Rationalisation of Penalty w.e.f.14-05-2015

❖ Penalty

<b>Section 76</b>	<b>Max. 10% of the Service Tax</b>
<b>Section 78</b>	<b>100% of the Service Tax</b>

❖ Reduced Penalty

<b>Situation</b>	<b>Section 76</b>	<b>Section 78</b>
If Service Tax along with interest is paid before serving of SCN u/s 73(1) and no fraud, suppression etc	NIL	NA
If Service Tax and Interest along with reduced penalty, if any, is paid within 30 days of date of service of Notice u/s 73(1)	NIL	15%
If service tax and interest along with reduced penalty is paid within 30 days of date of service of Order u/s 73(2)	25%	25%

# Filing of Service Tax Returns

# Filing of Service Tax Returns

<b>4</b>	<b>Filing of Returns under Service Tax Laws</b>
	Section 70 – Furnishing of Returns
	Section 94 (2)(c) Power to make rules for the form and manner in which returns be furnished and the late fee for delay in furnishing returns
	Rule 7 of Service Tax Rules – Procedures for Filing of Returns
	Rule 7B of Service Tax Rules – Revisions of Returns
	Rule 7C of Service Tax Rules – Late fee for delay in furnishing return
	Form ST-3 Return u/s 70

# Filing of Service Tax Returns

- ❖ Who is liable to file service tax returns?
- ❖ Due Dates for filing returns
- ❖ Procedure for filing of service tax returns
- ❖ Revised returns
- ❖ Penalty for delay in filing returns
  - Rule 7C vs. Section 77

# Due Dates for Service Tax Returns

Type of Assessment	Period	Due Date	Form
Normal	April to September	25 <sup>th</sup> October	ST-3
	October to March	25 <sup>th</sup> April	ST-3
Provisional	April to September	25 <sup>th</sup> October	ST-3A
	October to March	25 <sup>th</sup> April	ST-3A

Extension of Due Dates in Past		
Period	Extended Due Date	Frequency
01-04-2011 to 30-09-2011	06-01-2011	Half yearly
01-04-2012 to 30-06-2012	25-10-2012	Quarterly
01-07-2012 to 30-09-2012	25-03-2013	Quarterly

# Procedure for filing Returns

- ❖ Log on to ACES and select the option of 'File Return' option under RET Module
- ❖ The return form can be either filed on-line using on-line mode or can also be prepared and filed off-line.
- ❖ For off-line return preparation assessee can download off-line return preparation utility available at <http://www.aces.gov.in> (Under Download)
- ❖ After return is prepared, assessee logs by using the User-ID and password into the ACES.
- ❖ Select RET from the main menu and uploads the return.
- ❖ Returns uploaded through this procedure are validated by the ACES before accepting the return into the system which may take up to 1 business day
- ❖ Assessee can track the status of return filed. The Status "**uploaded**" means under process by the ACES, "**Filed**" means successfully accepted by the system or "**Rejected**" means the ACES has rejected the return due to validation error.
- ❖ The Service Tax returns can be modified once as per rules up to 90 days from the date of filing the return

# Penalty for filing of Returns

- ❖ Whether Penalty for failure to file NIL returns – Rule 7C - Circular No.97/08/2007-ST (para 6.1)

Cases	Period of Delay	Late Fee
1	Upto 15 days	Rs.500
2	Beyond 15 days – upto 30 Days	Rs.1,000
3	Beyond 30 Days	Rs.1,000 + Rs.100 /- per day from 31 <sup>st</sup> day till default continues ( Max 20,000)



# Threshold Exemptions

# Threshold Exemption

- ❖ What is the exemption available to small service providers?
- ❖ What is meant by “aggregate value of taxable services” for the purpose of this notification?
- ❖ How does small scale exemption work?
- ❖ What are the conditions precedent for availment of small scale exemptions?
- ❖ Who cannot avail the benefit of Threshold Exemption under Notifications?

# How do Small Scale Exemption Works

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Aggregate Value of Taxable Turnover	8,00,000	13,00,000	9,00,000	12,00,000
Threshold Exemption	8,00,000	10,00,000	0	10,00,000
Taxable Value	NIL	3,00,000	9,00,000	2,00,000

# Conditions – Small Scale Exemption

- ❖ Bar on availment of **input service** used for providing the said taxable service, and **capital goods** received during the period for which exemption from payment of service tax is obtained
- ❖ Payment / Reversal of Credit of an amount equivalent to the CENVAT credit taken by service provider, if any, in respect of such **inputs** lying in stock or in process on the date on which the provider of taxable service starts availing exemption under this notification. Balance Credit, if any, shall lapse.
- ❖ The provider of taxable service shall avail the CENVAT credit only on such inputs or input services received, on or after the date on which the service provider starts paying service tax, and used for the provision of taxable services for which service tax is payable
- ❖ Limit of 10 Lakh apply to the aggregate value of all such taxable services and from all such premises and not separately for each premises or each services

# Threshold Exemption – Not applicable

- ❖ taxable services provided by a person under a brand name or trade name, whether registered or not, of another person
- ❖ **such value of taxable services** in respect of which service tax shall be paid by such person and in such manner as specified under sub-section (2) of section 68 of the said Finance Act read with Service Tax Rules, 1994
- ❖ Whether Exemption Notification Applicable for Service Receiver providing service tax under RCM???

# Threshold Exemption – RCM - Example

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Aggregate Value of Taxable Turnover of Service Provider	17,00,000	56,00,000	36,00,000	46,00,000
value of taxable services in respect of which service provider is liable to pay service tax	4,25,000	14,00,000	9,00,000	11,50,000
value of taxable services in respect of which service receiver is liable to pay service tax*	12,75,000	42,00,000	27,00,000	34,50,000
Threshold Exemption	4,25,000	10,00,000	Nil	10,00,000
Taxable Value	NIL	4,00,000	9,00,000	1,50,000