

SERVICE TAX QUESTIONS/ ANSWERS

NOTE: IT HAS BEEN ASSUMED THAT ASSESSEE HAS OPTED FOR ABATEMENT (where available) UNLESS STATED OTHERWISE.

1	Agriculture extension service : 8 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
2	Leasing of vacant land with green house or storage shed meant for agriculture produce : 8 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
3	Carry out operation of shelling of paddy on job work basis : 3 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
4	A temple was let out for religious purpose for general public: Rs. 5 lakhs	No service tax, as it is exempted by exemption notification 25/2012.
5	A building was let out to X Ltd. to be used as corporate office: Rs. 45 lakhs	Taxable
6	Credit card & Debit card related charges: Rs. 35 lakhs.	Taxable
7	Service provided in relation to chit business for Rs. 40 lakhs (No Cenvat credit has been taken);	70 % Taxable (N/N 26/ 2012)
8	Loan extended during the year Rs. 200 crores. Loan processing fee charged – 1%.	2 cr taxable
9	Interest earned on loan Rs. 20 crore. Penal interest charged for delay in repayment of loans by customers: 10 lakhs.	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
10	Hotel rooms are let out at declared tariff of Rs. 1,200 per room day but actual room rent charged Rs. 800/- per room day. Number of days for which it is let out= 300 days.	Taxable, as declared tariff is more than Rs 1000 Total charges 800 x 300= 2,40,000 (taxable value 60% N/N/ 26/ 2012)
11	A vacant land was let out for animal husbandry at Rs.1 2 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
12	A building let out to theatre : Rs. 9 lakhs;	Taxable
13	A Building was let out to PQR Ltd. for official use for Rs. 1 lakh p.m. from April, 2012 to December. Municipal tax paid for the period jan 2012 to dec 2012 Rs 24000.	Taxable (9,00,000 – 18,000 for 9 months)= 8,82,000
14	Supply of farm labor : 10 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
15	Renting of Agro Machinery : 5 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST

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16	Vacant land used for horticulture 12 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
17	Land used for Bharat Circus Rs.13 lakhs;	Taxable
18	Houses are let out to individuals for residential purpose Rs. 4 lakhs;;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
19	A building let out to RBI Rs. 9 lakhs :	Taxable
20	Guest house is let out at declared tariff of Rs. 1,000/- per room day and actual room rent charged is Rs. 700/- per room day. Number of day for which it is let out=300 days.	No service tax, as it is exempted by exemption notification 25/2012.
21	A building located at New York was let out for office purpose to Mrs. Reena having fixed establishment at New York. Rent charged is Rs. 30 lakhs;	No service tax , as place of provision of service is non taxable territory [Rule no. 5 of POPOS, RULES 2012].
22	Loading and unloading of sugarcane : 6 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
23	Storage and warehousing of food grains : 8 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
24	Commission charged of Rs. 45 lakhs for preparation of demand draft of Rs. 100 crores;	45 lakh taxable
25	Sale and purchase of forward contract of Rs. 15 crores;	No service tax, as it is a money transaction. Hence it is not a service and accordingly no service tax.
26	Trading in commercial paper and certificate of deposit: Rs. 40 crores.	No service tax, as it is a money transaction. Hence it is not a service and accordingly no service tax.
27	Bills discounted of Rs. 10 crores, discount earned Rs. 10 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
28	Fees for providing advice in respect of corporate restructuring Rs. 20 lakhs;	Taxable
29	Commission from government towards collection of taxes: Rs. 1 crore;	Taxable
30	Royalty for providing use of technical know- how for manufacture of products: Rs. 15,00,000;	Taxable
31	Royalty received for permanent transfer of trademark: Rs. 28,00,000;	No service tax, as it equivalent to sale

32	Receipts from providing use of some secret information: Rs. 9,00,000	Taxable
33	Transportation of passenger for Mumbai to Chennai port in a vessel and such service is not for tourism purpose : Rs. 11 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
34	Transportation of passenger in metered cab Rs.8 lakh	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
35	A motor vehicle was given under an agreement of finance lease (transfer of right) for Rs. 2 lakhs p.a.;	No service tax, as it is not a service. It is a deemed sale and liable to vat.

36	Renting of hotel along with supply of goods: Rs. 12 lakhs;	70 % Taxable [N/N 26/2012]
37	Serving of food in air conditioned restaurant having license to service alcoholic beverages: Rs. 14 lakhs	40 % TAXABLE (RULE 2C OF VALUATION RULES, 2006)
38	Renting of Hotel rooms: Rs. 17 lakhs;	60 % Taxable [N/N 26/2012]
39	Serving of food in air conditioned restaurant having no license to serve alcoholic beverage: Rs. 15 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
40	Interest earned on reverse repo transaction: Rs. 60 Crores;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
41	Commission charged on debt collection service: Rs. 10 Crores;	Taxable
42	Charged for late payment of dues on Credit Card outstanding : Rs. 5 Crores;	Taxable (as per ICAI manual) however in my opinion it should not be taxable as these charges are in the nature of interest.
43	Provided overdraft & credit facility of Rs. 100 crores, processing & documentation fee @ 2%.	2 cr taxable
44	Tour B: NOVEMBER – Charges received Rs. 65 lakhs. The package includes transportation, accommodation for stay.	TAXABLE: 40 % OF 65 LAKH
45	Tour C: DECEMBER – Charges received Rs. 40 lakhs. The charges are solely for arranging accommodation for stay. However, the bills issued to the clients do not mention it clearly that the charges are solely for arranging the accommodation for stay.	TAXABLE: 40 % OF 40 LAKH <i>PLEASE NOTE- NOT ELIGIBLE FOR 90% ABATEMENT BUT ELIGIBLE FOR GENERAL/ RESIDUAL ABATEMENT OF 60%]</i>

46	Tour D: JANUARY – Charges received Rs. 150 lakhs (inclusive of charges of stay). The bill issued to the client's mentions it clearly that the charges are solely for arranging the accommodation for stay.	TAXABLE : 10% OF 150 LAKH
47	Providing food to the students under mid day meals scheme sponsored by Government: Rs. 16 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
48	Provides catering services along with supply of food and drinks in marriage functions; Rs. 50 lakhs. Fair market value of goods supplied by receiver: Rs. 20 lakhs. No amount was charged for the goods supplied.	TOTAL CONTRACT VALUE 70 LAKH TAXABLE VALUE 60% OF 70 LAKH (RULE 2C OF VALUATION RULES, 2006)
49	Provides catering service to PQR Pvt. Ltd. where food & drinks are not supplied: Rs. 18 lakhs.	TAXABLE 18 LAKH
50	Allowed Cadbury Ltd. to use space of building for placing vending machines Rs. 11 lakh	Taxable
51	A building located in Canada was let out to Mr. Y by Mr. X (BOTH located in taxable territory) to be used as hotel: Rs. 54 lakh	Taxable, by applying rule 8 of place of provision of service rules, 2012.
<u>52</u>	Development and Design of information technology software: Rs. 34 lakhs;	TAXABLE
53	On-site development of software: Rs. 15 lakhs;	TAXABLE
<u>54</u>	Sale of pre packaged software which is put on media: Rs. 28 lakhs;	NO SERVICE TAX, AS IT IS NOT A SERVICE BUT SALE OF GOODS.
<u>55</u>	Upgradation of information technology software: Rs. 28 lakhs;	TAXABLE

<u>56</u>	Royalty received from Music Company for allowing recording of song composed by Mr. X for further distribution: Rs. 7,00,000;	No service tax, as it is exempted by exemption notification 25/2012.
<u>57</u>	Research and Development cess paid for import of technology: Rs. 40,000.	Deductible from total amount of service tax

58	During the year, it carried out certain process as job work which did not amount to manufactures and paid central excise @ 12% wrongly on the same: Rs. 34 lakhs.	Liable to service tax , as the process does not amount to manufacture
59	Charges for processing of intermediate goods (<i>the client manufactures the final product out of product D processed by M/s. ITC; the final product is liable to excise duty @ 10%</i>): Rs. 22 lakhs;	No service tax
60	Charges for certain process which amounts to manufacture of goods which is liable to nil rate of duty: Rs. 56 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
61	Charges for certain process which amounts to manufacture of goods which is liable to excise duty @ 12%: Rs. 12 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.

62	Air freight relating to goods imported into India: Rs. 32 lakhs.	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
63	Freight relating to domestic transport of goods in India: Rs. 54 lakhs;	Taxable
64	Air freight charged from M/s. XYZ Ltd., for transport of goods from its Dubai branch to Sydney branch: Rs. 23 lakhs:	No service tax, as the service shall be deemed to have been provided in non taxable territory i.e. Sydney. [Rule 10 of popos, rules]
65	Freight relating to goods exported by aircraft: Rs. 26 lakhs;	No service tax , as the service shall be deemed to have been provided in non taxable territory [Rule 10 of popos, rules]
66	SERVICE PROVIDER :partnership firm of advocates- PROVIDES Legal consultancy services provided to MAX, a partnership firm of advocates: Rs. 50,000;	No service tax, as it is exempted by exemption notification 25/2012.
67	SERVICE PROVIDER :partnership firm of advocates Provides Assistance provided in respect of income tax to Government: Rs. 10000;	No service tax, as it is exempted by exemption notification 25/2012.

68	Service of transportation of passengers by contract carriage FOR TOURISM : Rs. 22 lakhs;	Taxable
69	A building was let out to Delhi Public School. : Rs. 35 lakh	No service tax, as it is exempted by exemption notification 25/2012.
70	A building was let out to SMART TEACH CA Classes for providing coaching classes of CA: Rs. 7 lakh	Taxable
71	Service provider: CENTRAL GOVT DEPTT. Let out the A Commercial building to M/s XYZ Ltd.: 120 lakhs;	Taxable (Normal charge)
72	Service provider: CENTRAL GOVT DEPTT. Security services have been provided to other departments of Central Government: 12 lakhs;	NO SERVICE TAX (as it is a self service)
73	Service provider: CENTRAL GOVT DEPTT. Construction and works contract service has been provided to UP Government: 23 lakhs;	Taxable
74	Service provider: CENTRAL GOVT DEPTT. Basic mail service like post card, inland letter etc.: 3 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
<u>75</u>	Advice and consultancy on matters relating to information technology software: Rs. 13 lakhs;	TAXABLE
<u>76</u>	License to use software was given to different clients: Rs. 76 lakhs;	TAXABLE
<u>77</u>	On the basis of specification of A Ltd., a software was developed and delivered to it on media i.e. CD: Rs. 17 lakhs;	TAXABLE

78	Annual royalty from authorship of novel: Rs.13,00,000;	No service tax, as it is exempted by exemption notification 25/2012.
79	A lorry was given on hire to a GTA for RS. 12 lakhs p.a.:	No service tax, as it is exempted by exemption notification 25/2012.
80	A motor vehicle having seating capacity of 12 persons was given on hire to a State Transport undertaking for Rs. 10 lakhs pa;	40% taxable. (N/ N 26/2012) [if it is more than 12 seater then exempted by n/n 25/2012]

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81	A 15 seater motor vehicle was given on hire to a State Transport undertaking for Rs. 14 lakhs p.a.;	No service tax, as it is exempted by exemption notification 25/2012
82	A van was given on hire to LST & Co. (located at Jammu & Kashmir) engaged in transport of passengers for a period of one month for s. 40,000.	Liab to service tax [as POP IS LOCATION OF SERVICE PROVIDER i.e. T T RULE 9 PLEASE NOTE IF ABATEMENT IS AVAILED IE RENTING ON ABATED VALUE THEN SR LIABLE TO PAY ST (100%)
83	A bus was given on hire to RST & Co. (located at Jammu & Kashmir) for a period of one year for Rs. 8 lakhs.	NOT LIABLE TO ST [as POP IS LOCATION OF SERVICE RECEIVER i.e. N T T] RULE 3

84	Service of transportation of passengers by National Waterways: Rs. 20 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
85	Service of transportation of passenger by Stage carriage: Rs. 15 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
86	Tour A: MAY 2012 – Charges received Rs. 35 lakhs. The package includes transportation, accommodation, food, and tourist guide and entry fees for monuments.	TAXABLE: 25 % OF 35 LAKH
87	A building which was let out to school providing pre-school education : 12 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
88	Placement service provided to MNC College, providing qualification recognized by Indian law : 17 lakhs;	Taxable
89	Receipts from running hobby classes : 19 lakhs	No service tax, as it is exempted by exemption notification 25/2012.
90	SERVICE PROVIDER :partnership firm of advocates Provides Advise in relation to company law provided to XYZ Ltd. having turnover of Rs. 15 lakhs in preceding financial : Rs. 5 lakhs;	Taxable (under reverse charge)

91	Commission charges for canvassing advertisement :Rs.19 lakhs;	Taxable
92	Sale of time slot for advertisement on radio : 3lakhs	Taxable

93	Sale of time slot for advertisement to be broadcast on television : 9 lakhs;	Taxable
94	Service provider: CENTRAL GOVT DEPART. Service of speed post, life insurance to non govt : 8 lakhs;	Taxable
95	Service provider: CENTRAL GOVT DEPART. Transfer of money through money orders : 9 lakhs;	No service tax (transaction in money i.e. not a service)
96	Service provider: CENTRAL GOVT DEPART. Government authority provided services relating to functions of municipality : 6 lakhs;	No service tax , as it is exempted by exemption notification 25/2012.
97	Charges for cutting polishing work of diamond and gemstones for the client: Rs. 3 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
98	Charges for processing of an intermediate goods (<i>the client manufactures the final product out of product processed by M/s. ITC; the final product is liable to nil rate of duty</i>): Rs. 8 lakhs;	TAXABLE as the final product is non dutiable.
99	Curing and grading of tea carried out at agriculture farm : 9 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
100	Sale of agricultural produce on behalf of client for commission : 2 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST
101	Conduct admission test for admission to ICE (college) providing qualification recognized by foreign law : 25 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
102	Training in recreational activities relating to culture : 19 lakhs ;	No service tax, as it is exempted by exemption notification 25/2012.
103	Service provider: CENTRAL GOVT DEPART. Advertisement and promotion service to AB Ltd.: 8 lakhs	Taxable (under reverse charge)
104	Sale of time for aerial advertising to ABC Ltd.: 22 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.
105	Charges for preparation of advertisement for Reliance communication : 16 lakhs;	Taxable
106	Sale of space for advertisement in public places: 12 lakhs;	NO SERVICE TAX, AS IT IS COVERED IN NEGATIVE LIST.

107	Training and coaching of Hockey : 17 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
108	Coaching to students for preparation of IIT exams : 25 lakhs;	Taxable
109	Charges for printing work undertaken for the client: Rs. 15 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
110	Charges for textile processing work for the client: Rs. 45 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.

CONSTRUCTION SERVICE, WORKS CONTRACT SERVICE

Q.1 M/S PARIDHI CONTRACTORS Ltd. provides Works Contract Service. It opted for Rule 2A(ii) of Service Tax (Determination of value) Rules. Compute the value of taxable service and service tax payable thereon.

Annual maintenance contract of cars and motor cycles; Rs. 10 lakhs;

Installation of AC, lifts and escalators: Rs. 40 lakhs;

Glazing, plastering the floor and wall tiling: Rs. 20 lakhs;

Erection of fire proofing system in airport: Rs. 70 lakhs;

A contract of repair and maintenance of building: Rs. 25 lakhs;

Installation of mechanized food grain handling system: Rs. 7 lakhs;

Construction of Sales Tax Department: Rs. 35 lakhs;

Construction of road on sub-contract basis for L & T (main contractor) who is engaged in construction of road for use by general public: Rs. 15 lakhs;

Construction of commercial building (FMV of goods supplied by recipient of Rs. 5 lakhs and no amount was charged for it): Rs. 30 lakhs;

Repair and maintenance of Airport: Rs. 20 lakhs.

Other Details:

- a) Excise Duty paid on Capital goods used for providing all these services: Rs. 5 lakhs;
- b) Excise Duty paid on inputs used for providing these services : Rs. 12 lakhs;
- c) Received architect services in relation to construction of Sales Tax Department: Rs. 4 lakhs;
- d) Received service of subcontractor for construction of Sales Tax Department: Rs. 9 lakhs
- e) Received services of subcontractor for construction of Commercial Building: Rs. 4 lakhs.

Compute the value of taxable service and service tax thereon.

Answer

PARTICULARS	AMOUNT (IN LAKHS)
Annual maintenance contract of cars and motor cycles; Rs. 20 lakhs; TAXABLE 70 %	14
Installation of AC, lifts and escalators: Rs. 50 lakhs; TAXABLE 40 %	20
Glazing, plastering the floor and wall tiling: Rs. 30 lakhs; TAXABLE 60 %	18
Erection of fire proofing system in airport: Rs. 70 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
Installation of mechanized food grain handling system: Rs. 7 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
Construction of Sales Tax Department: Rs. 35 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
Construction of road on sub-contract basis for L & T (main contractor) who is engaged in construction of road for use by general public: Rs. 15 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
A contract of repair and maintenance of building: Rs. 40 lakhs; TAXABLE 60%	24
Construction of commercial building (FMV of goods supplied by recipient of Rs. 10 lakhs and no amount was charged for it): Rs. 40 lakhs; TOTAL CONTRACT VALUE 50 LAKHS TAXABLE 40%	20
Repair and maintenance of Airport: Rs. 25 lakhs TAXABLE 60 %	15
TOTAL TAXABLE VALUE	111

SERVICE TAX @ 12.36 % = 13.7196
 LESS- CCR ON CAPITAL GOODS = 2.00
 LESS- ST ON INPUT SERVICES = .4944
11.2252

Q. 2 RST Ltd. provides following types of construction, finishing & completion services for the year ended 2012-13:

- a) Construction of Pipeline for sewerage *treatment for Government* : Rs. 30 lakhs;
- b) Construction of a Hospital for *a Government Authority* : Rs. 45 lakhs; Construction of Houses *under Rajiv Awaas Yojna*; Rs. 75 Lakhs;
- c) Construction of Cold Storage for storage of agriculture Produce: Rs. 7.5 lakhs;
- d) Construction of *Delhi Metro* : Rs. 150 lakhs;
- e) Construction of a School for TMT Ltd.: Rs. 22.5 lakhs;
- f) Construction of residential complex for ABC Ltd. (FMV of material *supplied by ABC Ltd.* Rs. 15 lakhs and amount charged by ABC Ltd. *for materials supplied* Rs. 13.5 lakhs) : Rs. 90 lakhs;
- g) Construction of a residential unit wholly for residential *purpose of one family* : Rs. 60 lakhs;
- h) Finishing and completion of a building owned by charitable trust u/s 12AA and meant for religious *use by general public* : Rs. 100 lakhs;
- i) Construction of Residential Complex consisting of 50 flats (out of which for 20 flats sum was received after issuance of *completion certificate*): Rs. 45 lakhs per flat.
- j) Finishing and completion *of a Commercial Complex*: Rs. 30 lakhs;

Excise duty paid on –

- Inputs used for providing such service : Rs. 2.1 lakhs;
- Capital goods for *providing such service*: : Rs. 3 lakhs;
- Service tax paid on input service used for construction of *Delhi Metro*: Rs.60,000

Compute the value of taxable service and service tax thereon. (It has been assumed that RST Ltd. has opted for abatement and all charges *include* value of land).

Particulars	Amount (in lakhs)
a) Construction of Pipeline for sewerage <i>treatment for Government</i> : Rs. 30 lakhs;	Exempted by N/N25/ 2012
b) Construction of a Hospital for <i>a Government Authority</i> : Rs. 45 lakhs; Construction of Houses <i>under Rajiv Awaas Yojna</i> ; Rs. 75 Lakhs;	Exempted by N/N25/ 2012
c) Construction of Cold Storage for storage of agriculture Produce: Rs. 7.5 lakhs;	Exempted by N/N25/ 2012
d) Construction of <i>Delhi Metro</i> : Rs. 150 lakhs;	Exempted by N/N 25/ 2012
e) Construction of a School for TMT Ltd.: Rs. 22.5 lakhs:	25% OF 22.5LAKHS TAXABLE ie Rs. 5. 625
f) Construction of residential complex for ABC Ltd. (FMV of material <i>supplied by ABC Ltd.</i> Rs. 15 lakhs and amount charged by ABC Ltd. <i>for materials supplied</i> Rs. 13.5 lakhs) : Rs. 90 lakhs;	25 % of 91.5 (90+15-13.5) Ie Rs. 22.875

g) Construction of a residential unit wholly for residential purpose of one family : Rs. 60 lakhs;	Exempted by N/N 25/ 2012
b) Finishing and completion of a building owned by charitable trust u/s 12AA and meant for religious use by general public : Rs. 100 lakhs;	Exempted by N/N 25/ 2012
i) Construction of Residential Complex consisting of 50 flats (out of which for 20 flats sum was received after issuance of completion certificate): Rs. 45 lakhs per flat.	25% of of Rs. 1350(45 x 30) Ie. Rs 337.5
j) Finishing and completion of a Commercial Complex: Rs. 30 lakhs;	Fully taxable ie not eligible for abatement as finishing and completion work can not include the value of land in any case. Taxable Rs. 30
Total taxable value	Rs. 396.00

Gross amount of service tax @ 12.36 % = 48.9456

Less . ccr on capital goods (50 %) = 1.5

Less – ccr on inputs = Not Available (as abatement availed)

Less – ccr on input services = not available (as the service is used in providing exempted service)

NET SERVICE TAX = 47.4456

Q.3 TMT, a partnership firm was engaged in construction of residential complexes named World County for ARG Builders Ltd. Both TMT and ARG Builders have their business establishment in Mumbai.

The details are as follows:

(amount in Rs.)

Contracted price (excluding VAT)	45,00,000
Fair Market Value of steel supplied by ARG Builders to TMT	4,50,000
Amount charged by ARG Builders from TMT for steel supplied	2,25,000
Excise Duty paid on -	
a) Capital goods used in providing construction service	60,000
b) Input used in relation to construction service	30,000
Service tax paid on input service used in construction service	45,000

You are required to calculate the net service payable by ARG and TMT in the following cases:

- (A) The aforesaid contract for construction of residential complex involves transfer of property in goods and material involved in construction of residential complex worth Rs. 3, 50,000. VAT of Rs. 15,000 has been paid on goods. TMT and ARG have opted for composition scheme under Rule 2A (ii) of service tax (Determination of value) Rules.
- (B) The aforesaid contract for construction of residential complex is not liable to value added tax. The contracted price includes value of land.

(C) The aforesaid contract for construction of residential complex involves transfer of property in goods & material involved in construction of *residential complex worth Rs. 30 lakhs*. VAT of Rs. 3 lakhs has been paid on transfer of property in goods. Compute service tax liability under various options for discharge of service tax liability by him and give your advice.

Answer

SERVICE PROVIDER – TMT (A PARTNERSHIP FIRM)

SERVICE RECEIVER - ARG BUILDERS (A COMPANY)

TOTAL CONTRACT VALUE:

CONTRACTED PRICE	= 45,00,000
ADD: FMV OF STEEL SUPPLIED BY SR TO SP	= 4,50,000
LESS: AMOUNT CHARGED BY SR FROM SP FOR STEEL SUPPLIED	= <u>2,25,000</u>
	Rs. <u>47, 25,000</u>

Ans (A) **It is a Case of works contract**

Service portion 40% of 47,25,000 = 18,90,000

Service tax @ 12.36 % = 233,604

It is situation covered under reverse charge. ie 50 % service tax to be paid by SP and balance 50% to be paid by SR

SERVICE PROVIDER;S SHARE= 1,16,802
1,16,802

SERVICE RECEIVER;S SHARE=

Less . ccr on capital goods (50 %)= 30,000

Less – ccr on inputs = Not Available

Less – ccr on input services = 45,000

NET SERVICE TAX 41,802

ANS (B) **It is a Case of CONSTRUCCION SERVICE**

TOTAL CONTRACT VALUE: 47, 25000

LESS: ABATEMENT @ 75%: 35,43,750

TAXABLE PORTION @ 25% 11,81,250

Service tax @ 12.36 % = 146,003

Less . ccr on capital goods (50 %) = 30,000

Less – ccr on inputs = Not Available

Less – ccr on input services = 45,000

NET SERVICE TAX 71,003

ANS (C)

OPTION (1) SAME ANSWER AS IN CASE OF ANS(A)

OPTION (2) ON ACTUAL VALUE BASIS

TOTAL CONTRACT VALUE	: 47, 25,000
VALUE OF GOODS TRANSFERRED IN EXECUTION OF WORKS CONTRACT	: <u>30, 00,000</u>
TAXABLE VALUE	: <u>17, 25,000</u>
SERVICE TAX @ 12.36 % ;	2,13,210

It is situation covered under reverse charge. Ie 50 % service tax to be paid by SP and balance 50% to be paid by SR

SERVICE PROVIDER;S SHARE= 1,06,605
1,06,605

SERVICE RECEIVER;S SHARE=

Less . ccr on capital goods (50 %)= 30,000

Less – ccr on inputs = Not Available

Less – ccr on input services = 45,000

NET SERVICE TAX 31,605

GOODS TRANSPORT AGENCY SERVICE

Q. 4:- Compute the amount of service tax in the following cases.

- A goods carriage carrying 5 consignments (all belonging to different persons) at fare of Rs. 300 each.
- A goods carriage carrying 10 consignments (all belonging to different persons) at fare of Rs. 500 each;
- A goods carriage carrying 5 consignments (booked by five different persons but addressed to the same consignee) at fare of Rs. 300 each.
- A goods carriage carrying 5 consignments (booked by five different persons but addressed to the same consignee) at fare of Rs. 400 each.

Ans:

- Since the gross amount charged for all consignments doesn't exceed Rs. 1500, therefore, **the service is fully exempt.**
- While the gross amount charged exceeds Rs. 1500, it appears that the consignments are addressed to different consignee. Since the gross amount charged in respect of 'individual consignment' doesn't exceed Rs. 750, therefore, **the same shall be exempt from service tax.**
- Even if all the consignments are addressed to a single consignee, since the gross amount charged for all

consignments doesn't exceed Rs. 1500, **therefore, the same shall be exempt from service tax.**

- iv.** Since all the consignments are addressed to same addressee, hence, the same is an individual consignment. Since the gross amount charged is Rs. 2,000, hence, there is no scope for any exemption available to small consignments. However, the abatement @ 75% shall be available. **Accordingly, the value of taxable service = $5 \times 400 \times 25\% = \text{Rs. } 500$; and service tax thereon .**

Q. /ANS 5: M/s. RDC Road transports, a GTA, furnishes you the following information of services provided by it during the year ended 31.03.2013:

PARTICULARS	AMOUNT (IN LAKHS)
GTA services provided to unregistered partnership firm: Rs. 9 lakhs;	Taxable under reverse charge
Freight for transport of wheat and pulses for farmers: Rs. 8 lakhs;	No service tax, as it is exempted by exemption notification 25/2012.
Service provided to Mr. T (located in USA) for transportation of goods from Uttar Pradesh to Nepal: Rs. 7 lakhs;	7
Service provided to Government Companies: Rs. 55 lakhs;	Taxable under reverse charge
Services provided to Government Departments : Rs. 24 lakhs; (GOVT DEPART IS NOT COVERED IN ORGANISED SECTOR)	24
Service provided to R. Ltd. located in Jammu & Kashmir for transportation of goods from Rajasthan to Jammu: 15 lakh;	15
Service provided to Mr. RAM in respect of consignment addressed to M/s. G Ltd. (freight paid by Mr. RAM): Rs. 30 lakhs;	30
Service provided to M/s. SUNIDHI PVT Ltd., in respect of consignment addressed to Mr. B (freight paid by M/s. SUNIDHI PVT Ltd.): Rs. 20 lakhs;	Taxable under reverse charge

TOTAL	76
ABATEMENT 75%	57
TAXABLE	19

SERVICE TAX @ 12.36% = 2.3484

CCR = NIL

Rs.2.3484 lakhs

INTELLECTUAL PROPERTY RIGHT SERVICE

Q: 6 Mr. A provides you with the following information .You are required compute the value of taxable services under 'Intellectual Property Service' and tax liability thereon:-

- | | |
|---|-----------|
| (a) Royalty for providing technical know-how for manufacture of products | 15,00,000 |
| (b) Lump sum royalty from permanent transfer of trademark | 25,00,000 |
| (c) Annual Royalty from authorship of books | 8,00,000 |
| (d) Annual Royalty from providing use of various audio/video recordings of which Mr. A is the owner | 4,50,000 |
| (e) Research and Development Cess paid for import of technology | 40,000 |

Answer: The relevant computations are as follows-

- | | |
|--|-----------|
| (a) Royalty for providing technical know-how for manufacture of products-Taxable as IPR service , in view of specific definition | 15,00,000 |
| (b) Lump sum royalty from permanent transfer of trademark-Not taxable , as permanent is not 'service', it is a 'sale' | NIL |
| (c) Annual Royalty from authorship of books[n/n 25/ 2012] | NIL |
| (d) Annual Royalty from providing use of various audio/video recordings of which. | NIL |

Value of taxable service	<u>15,00,000</u>
ServiceTaxthereon@12%	180,000
Less: Exemption in respect of Research & Development Cess paid for import of technology	<u>40,000</u>
	1,40,000
Add – education & SHE CESS @3%	<u>4,200</u>
Net service tax	<u>144,200</u>