

Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007

Rule 1. Short title and commencement –

1. These rules may be called the Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007.
2. They shall come into force with effect from the 1st day of June, 2007.

Rule 2. Definitions –

1. In these rules, unless the context otherwise requires,-

- a) “Act” means the Finance Act, 1994 (32 of 1994);
- b) “section” means the section of the Act;
- c) “works contract service” means services provided in relation to the execution of a works contract referred to in sub-clause (zzzza) of clause (105) of section 65 of the Act;
- d) words and expressions used in these rules and not defined but defined in the Act shall have the meanings respectively assigned to them in the Act.

Rule 3.

1. Notwithstanding anything contained in section 67 of the Act and rule 2A of the Service (Determination of Value) Rules, 2006, the person liable to pay service tax in relation to works contract service shall have the option to discharge his service tax liability on the works contract service provided or to be provided, instead of paying service tax at the rate specified in section 66 of the Act, by paying an amount equivalent to [Four]¹ per cent. of the gross amount charged for the works contract.

Explanation.- For the purposes of this rule, gross amount charged for the works contract shall not include Value Added Tax (VAT) or sales tax, as the case may be, paid on transfer of property in goods involved in the execution of the said works contract.

2. The provider of taxable service shall not take CENVAT credit of duties or cess paid on any inputs, used in or in relation to the said works contract, under the provisions of CENVAT Credit Rules, 2004.

3. The provider of taxable service who opts to pay service tax under these rules shall exercise such option in respect of a works contract prior to payment of service tax in respect of the said works contract and the option so exercised shall be applicable for the entire works contract and shall not be withdrawn until the completion of the said works contract.

Superscripts indicating amendments

¹. Substituted vide Notification No. 7/2008 - ST, dated 01-03-2008

(The principal rules were notified vide notification No. 32/2007-Service Tax, dated the 22nd May, 2007)