SERVICE TAX FROM 1st April 2012

One of the highpoints of the finance Bill, 2012 is restoration of Service Tax rate at the highest point of 12 per cent once again after nearly a break of around two years. Along with this general hike in rate to 12 per cent, there is increase in specific rates for some services as well.

1) **(Change Applicable to All services):** The rate ofservice tax is being increased from ten per cent to twelve per cent with effect from 01/04/2012. In another words from the 1st April, 2012 service tax rate will be 12.36% instead of present 10.3%.

2) **(Banking or Other Financial Services)** Service in relation to **purchase and sale of foreign currency including money changing**;

The Sub-rule (7B) of Rule 6 of Service Tax Rules, 1994 has been amended vide Notification No. 3/2012-ST dated 17th March, 2012, and according to the amended provision, the person liable to pay service tax in relation to purchase or sale of foreign currency, including money changing, provided by a foreign exchange broker, including an authorized dealer in foreign exchange broker, including an atuhorised dealer in foreign exchange or an authorized money changer, (Section 65(105) (zm) and (zzk) of the Finance Act 1994), shall have the option to pay an amount at the rate towards discharge of his service tax liability instead of paying service tax at the ratespecified in section 66 of the Finance Act 1994, which is 12.36% of the gross value, namely:

(a) 0.12 percent (0.1 per cent before 1st April, 2012) of the gross amount of currency exchanged for an amount upto rupees 100,000 subject to the minimum amount of rupees 30 (Rs. 25/- before 1st April, 2012); and

(b) rupees 120 (Rs. 100/- before 1st April, 2012) and 0.06 (0.05 per cent before 1st April, 2012) percent of the gross amount of currency exchanged for an amount of rupees exceeding rupees 100,000 and upto rupees 10,000,000; and

(c) rupees 660 (Rs. 550/- before 1st April, 2012) and 0.012 (0.01 per cent before 1st April, 2012) per cent of the gross amount of currency exchanged for an amount of rupees exceeding 10,00,000, subject to maximum amount of rupees 6000:

provided that the person providing the service shall exercise such option for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

3) **(Service of Promotion, Marketing or Organizing of Games of Chance Including Lottery)** Service of promotion, marketing, organizing or in any manner assisting in organizing lottery;

The Sub-rule (7C) of Rule 6 of Service Tax Rules, 1994 has been amended vide Notification No. 3/2012-ST dated 17th March, 2012, and according to the amended provision, the distributor or selling agent, liable to pay service tax for the taxable service of promotion, marketing, organising or in any other manner assisting in organising lottery, shall have the option to pay an amount at the rate specified in column (2) of the Table given below, subject to the conditions specified in the corresponding entry in column (3) of the said Table, instead of paying service taxat 12.36% of the taxable value:

Table

Sl. No.	Rate	Condition
(1)	(2)	(3)
1.	Rs 7000/- (Rs. 6000/- before 1st April, 2012) on every Rs 10 Lakh (or part of Rs 10 Lakh) of aggregate face value of lotterytickets printed by the organising State for a draw	If the lottery or lottery scheme is one where the guaranteed prize payout is more than 80%
2.	Rs 11000/-(Rs. 9000/- before 1st April, 2012) on every Rs 10 Lakh (or part of Rs 10 Lakh) of aggregate face value of lotterytickets printed by the organising State for a draw	If the lottery or lottery scheme is one where the guaranteed prize payout is less than 80%

4) **(Works contract service):** Rule 3 (1) of the Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 has been amended vide the Notification No. 10/2012-ST dated 17th March, 2012 and according to amended provision the person who opt to discharge his service tax liability on the works contract service provided or to be provided, instead of paying service tax at the rate 12.36% of the gross value, will have to pay an amount equivalent **4.8 per cent** (4 per cent before 1st April, 2012) of the gross amount charged for the works contract.

5) Rate of reversal of cenvat credit under rule 6(3)(i).

Rule 6(3)(i) of the CENVAT Credit Rules, 2004 has been amended vide
the Notification No. Notification No. 18/2012 – Central Excise (N.T.) dated 17th March, 2012 and according to the amended provision, the manufacturer of goods or the provider of output service, opting not to maintain separate accounts, shall pay an amount equal to Six percent of (5 per cent before 1st April, 2012) value of the exempted goods and exempted services.

6) **(Life insurance service)**: Where the entire premium is not towards risk cover, the first year's premium shall be taxed at the rate of three per cent. while subsequent premia shall attract tax at the rate of 1.5 per cent. Availment of full cenvat credit is being allowed.

An insurer carrying on life insurance business shall have the option to pay tax:

SERVICE TAX FROM 1st April 2012

(i) On the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of policy holder, if such amount is intimated to the policy holder at the time of providing of service

(ii) The first year's premium shall be taxed at the rate of three per cent, while subsequent premia shall attract tax at the rate of 1.5 per cent. (Before 1st April, 2012 1.5 per cent for every year). Availment of full cenvat credit is being allowed.

7) **(Air Passenger Transport Service):-** The dual rate structure of maximum service tax of Rupees 150 and Rupees 750 in case of economy class travel for domestic and international journey by air is being replaced by an ad valorem rate of twelve per cent (w.e.f. 1st April, 2012 12.3 per cent) vide the Notification No. 06/2012-ST dated 17th March, 2012 which supersessed the Notification No. 26/2010, dated 22nd June, 2010. Further theNotification also an abatement of sixty per cent subject to the condition that no credit on inputs and capital goods is taken under the provisions of the CENVAT Credit Rules, 2004.