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POINT OF TAXATION RULES 3 and 4 CRACKED

Rules are important for Service tax. But if you find it difficult to remember try the following observations:

First read the rules (*italics*) and then go through the observations (Bullet points) made by me.

I believe it might help you.

They are nothing, but something I used to crack the rules.

Just learn the observations.

RULE 3

Point of Taxation shall be:

S. No.	***In Case***	***Point of taxation***
1.	*Invoice is issued within the prescribed period of 14 days from the date of completion of provision of service.*	*Date of Invoice* *Or* *Date of payment* *Whichever is earlier*
2.	*Invoice is not issued within the prescribed period of 14 days from the date of completion of provision of service.*	*Date of Completion of service* *Or* *Date of payment* *Whichever is earlier*

Observations :

How to remember the above rule():

- It is easy... Here the key factor is the invoice date.
- If invoice is issued ***within 14 days***, take the date of ***invoice***.
- ***Otherwise*** take the date of ***Completion of service***.
- If in either case ***payment*** is received ***before*** it, take the date of ***Payment***.

RULE 4

Where there is change in effective rate of tax.

In case a taxable service has been provided	***Invoice has been issued***	***Payment received for the invoice***	***Point of taxation shall be***
BEFORE the change in effective rate of tax	*AFTER the change in effective rate of tax*	*AFTER the change in effective rate of tax*	*Date issuance of Invoice* *Or* *Date of receipt of payment* *Whichever is earlier*
	PRIOR to the change in effective rate of tax	*AFTER the change in effective rate of tax*	*Date issuance of Invoice*
	AFTER the change in effective rate of tax	*PRIOR to the change in effective rate of tax*	*Date of receipt of payment*
AFTER the change in effective rate of tax	*PRIOR to the change in effective rate of tax*	*AFTER the change in effective rate of tax*	*Date of receipt of payment*
	PRIOR to the change in effective rate of tax	*PRIOR to the change in effective rate of tax*	*Date issuance of Invoice* *Or* *Date of receipt of payment* *Whichever is earlier*
	AFTER the change in effective rate of tax	*PRIOR to the change in effective rate of tax*	*Date issuance of Invoice*

Observations

- If you read above table you might get confusion…
- So I simplified the table into Table Cracked where
  - o ‘A’ means after change in effective rate of tax.
  - o ‘B’ means before (prior) change in effective rate of tax.
  - o ‘P’ means date of Payment
  - o ‘I’ means date of invoice.
- If you can prepare this table, you can crack the Rule 4.
- Here’s the key: *“Service is provided first, then invoice is issued and after that payment is made.”*(Table heading)

Table - Cracked

Service is provided	Invoice is issued	Payment is received	Point of taxation
B	A	A	A-A whichever is earlier
B	B	A	I
B	A	B	P
A	B	A	P
A	B	B	B-B whichever is earlier
A	A	B	I

- How to remember (Read the following and **See Table –Cracked)**:

  Whenever Invoice and Payment Column **are same** (i.e. Same Situations),

  Choice is between them whichever is **earlier. (See Yellow Cells)**

  In **other** Cases,

  If **alternative** letters appear, POT is **Payment date. (See Orange Cells)**

  And if **same** letters are seen adjacent, POT is **Invoice date. (Remaining Rows)**

Remember this (if you get confused in drawing the cracked table):

"Invoice and Payment same, Earlier

Alternative Payment and Same Invoice."

THANK YOU FOR READING! BEST OF LUCK!