A SIMPLIFIED APPROACH TO SERVICE TAX UNDER REVERSE CHARGE

Normally, service tax is payable by service provider by charging it in invoice raised upon the service recipient. Section 68(2) makes the person receiving the service liable to pay tax. In certain cases, liability to pay service tax has been partly shifted upon the service recipient whilst in some cases it is fully shifted. This method of service tax payment is called service tax payable under reverse charge mechanism vide Notification No. 30/2012-ST dated 20-6-2012. Person who is liable to pay service tax under RCM is required to take service tax registration as service recipient.

1. TAXABLE SERVICE

Service tax is payable only on taxable services. Any activity is a taxable service if following two conditions are satisfied:

(i) Activity should be service as per the definition of "service" provided in the Act (e.g. a provision of service by an employee to the employer is not a service).

(ii) The service should be taxable. If any service falls under negative list as given in section 66D or is exempt under any exemption notification (e.g. Notification No. 25/2012 — mega exemptions and Notification No. 40/2012 for services provided within a SEZ for authorized operations).

If either of the above conditions is not satisfied, neither service provider nor service recipient is liable to pay service tax.

However, if exemption in respect of any service is available to service provider only, service recipient cannot be implied to be exempt from serviced tax and vice versa. For example, service provider is not liable to service tax if he is availing exemption upto the turnover of Rs. 10 lakh as per Notification No. 33/2012. However, there is no turnover based exemption available to the service recipient.

Service tax is also not payable by any person to the extent abatement is available as per Notification No. 26/2012.

Examples of Non–taxable Services —

- Services by way of transportation of goods by road *except* the services of (a) a goods transportation agency (b) a courier agency.
- Services provided by a goods transport agency by way of transportation of (a) fruits, vegetables, eggs, milk, food grains or pulses in a goods carriage (b) goods where gross amount charged for the transportation of goods on a consignment transported in a single goods carriage does not exceed one thousand five hundred rupees (c) goods, where gross amount charged for transportation of all such goods for a single consignee in the goods carriage does not exceed rupees seven hundred fifty.
- Services by way of sponsorship of sporting events organized by persons specified in the exemption notification.
- Services provided by an arbitral tribunal to (a) any person other than a business entity (b) a business entity with a turnover up to rupees ten lakh in the preceding financial year.
- (Services provided by an individual as an advocate or a partnership firm of advocates by way of legal services to (a) an advocate or partnership firm of advocates providing legal services (b) any person other than a business entity (c) a business entity with a turnover up to rupees ten lakh in the preceding financial year.

- Services provided by a person represented on an arbitral tribunal to an arbitral tribunal.
- Services by Government or a local authority *excluding* the following services to the extent they are not covered elsewhere:

(a) Services by the Department of Posts by way of speed post, express parcel post, life insurance and agency or intermediary services (distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills) provided to a person other than Government.

(b) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.

(c) Transport of goods or passengers.

(d) *Support services*, other than services covered under clauses (i) to (iii) above, provided to *business entities*.

Thus, following services provided by Department of Posts are *not liable* to service tax:

(a) Basic mail services known as postal services such as post card, inland letter, book post, registered post provided exclusively by the Department of Posts to meet the universal postal obligations.

(b) Transfer of money through money orders, operation of savings accounts, issue of postal orders, pension payments and other such services.

- Services by a "Governmental Authority" by way of any activity in relation to any function entrusted to a municipality under article 243W of the Constitution.
- Services received from a provider of service located in a non-taxable territory (out of India or from J&K) by—

(a) Government, a local authority, a governmental authority or an individual in relation to any purpose other than commerce, industry or any other business or profession.

(b) An entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) for the purposes of providing charitable activities.

(c) A person located in a non-taxable territory.

- Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:

(a) A road, bridge, tunnel, or terminal for road transportation for use by general public.

(b) A civil structure or any other original works pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana.

(c) A building owned by an entity registered under section 12 AA of the Income tax Act, 1961 and meant predominantly for religious use by general public.

(d) A pollution control or effluent treatment plant, except located as a part of a factory.

(e) A structure meant for funeral, burial or cremation of deceased.

- Services by way of construction, erection, commissioning, or installation of *original works* pertaining to:

(a) An airport, port or railways, including monorail or metro.

(b) A single residential unit otherwise than as a part of a residential complex.

(c) Low-cost houses up to a carpet area of 60 square metres per house in a housing project approved by competent authority empowered under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India.

(d) Post-harvest storage infrastructure for agricultural produce including a cold storages for such purposes.

(e) Mechanized food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages.

- Transportation of passengers by a contract carriage (excluding tourism, conducted tour, charter or hire), radio taxi, metered cab, three wheeler, auto rickshaw, stage carrier, public transport not predominantly for tourism purpose *(e.g. Meru cabs, bus having contract permit).*
- Services by way of giving on hire (a) to a state transport undertaking, a motor vehicle meant to carry more than twelve passengers (b) to a goods transport agency, a means of transportation of goods.
- Any process amounting to manufacture or production of goods
- Trading of goods

Note that the above are only illustrative non-taxable services. Kindly refer to the definition of service, exemption notifications and negative list for full coverage.

2. PLACE OF PROVISION OF SERVICE

Neither service provider nor service recipient is liable to pay service tax in respect of services provided or agreed to be provided outside India (refer definition of India) or within J&K or within a Special Economic Zone (SEZ) for authorized operations. Thus, service provided or agreed to be provided in non-taxable territory are not liable to service tax in the hands of any person.

Refer "Place of Provision of Services Rules" to determine whether any service has been provided or agreed to be provided in taxable territory or non-taxable territory.

3. POINT OF TAXATION

Point of taxation means the point of time when a service shall be deemed to have been provided.

Point of Taxation for Service Provider

Point of taxation shall be –

(i) The time when the invoice for the service provided or to be provided is issued.

(ii) The date of completion of provision of the service, when the invoice is not issued within the specified time.

(iii) The time when payment is received, to the extent of such payment, when the person providing the service, receives a payment before the time specified in (i) & (ii) above.

(iv) Wherever the provider of taxable service receives a payment up to Rupees one thousand in excess of the amount indicated in the invoice, the point of taxation to the extent of such excess amount, at the option of the provider of taxable service, shall be determined in accordance with the provisions of clause (i) & (ii) above.

Provided that wherever the provider of taxable service receives an amount upto Rupees one thousand in excess of the amount indicated in the invoice and the provider of taxable service has opted to determine the point of taxation as above, no invoice is required to be issued to such extent.

(v) In the case of continuous supply of service where the provision of the whole or part of the service is determined periodically on the completion of an event in terms of a contract, which requires the receiver of service to make any payment to service provider, the date of completion of each such event as specified in the contract shall be deemed to be the date of completion of provision of service.

(vi) Wherever any advance by whatever name known, is received by the service provider towards the provision of taxable service, the point of taxation shall be the date of receipt of each such advance.

(vii) Provided that in case of change in effective rate of service tax, point of taxation will be determined as per Rule 4 of the Point of Taxation Rules.

Point of Taxation for Service Recipient

Point of taxation under RCM is date of payment to the service provider provided payment must happen within 6 months from the date of invoice otherwise point of taxation will be date of invoice. If invoice is not issued within the specified time, point of taxation will be the date of completion of provision of service.

Provided that in case of "associated enterprises", where the person providing the service is located outside India, the point of taxation shall be the date of debit in the books of account of the person receiving the service or date of making the payment whichever is earlier.

For any service whose point of taxation has been determined and whole liability affixed before 1.7.2012/7.8.2012, the new provisions will not apply. Merely because payments are being made on or after 1.7.2012/7.8.2012 will not add any additional liability on the service receiver in respect of such services.

4. VALUATION

Service tax is payable on the value of service determined as per service tax valuation rules and after giving effect of any abatement available. For simplification, here effect of abatement and exemption in value has been given in rates mentioned in the columns (D) and (E) of the Chart itself instead of in the value of taxable service.

Thus, here service tax rate = 12.36 multiplied by %age of taxable portion (as provided in rule 2A of valuation rules in case of works contracts and in abatement Notification No. 26/2012 in case of other services) ***and*** then appropriating this arrived rate to the service provider and service recipient in the proportion in which they are liable to pay service tax as per Notification No. 30/2012.

Service tax will be calculated at the rates mentioned in the Columns (D) and (E) of the Chart on the value determined as below:

(i) Valuation of Services (other than works contract) = Gross amount charged in invoice by service provider in respect of services (excluding service tax and VAT).

(ii) Valuation of works contract covered under 11(a) to 11(c) of the Chart in the case when segregation of labour and material is not possible = Gross amount charged in invoice by service provider for labour and material used in execution of works contract (excluding service tax and VAT) ***plus*** Fair market value of goods supplied or purchased from outside by the service recipient used in execution of works contract, if any (excluding service tax and VAT) ***less*** Amount charged by service recipient from service provider in respect of goods supplied in relation to works contract (excluding service tax and VAT).

(iii) Valuation of works contract covered under 11(a) to 11(c) of the Chart in the case when labour and material charges are segregated in the invoice = Gross amount charged in respect of labour only (excluding service tax).

5. PAYMENT

Service tax needs to be discharged by 5th or 6th of the month (depending upon mode of payment) next to the end of the month or quarter (depending upon type of assessee) in which point of taxation arises except service tax liability for the month or quarter ending on 31^{st} March, which needs to be discharged by 31^{st} March.

Service tax can be paid in cash or by utilization of accumulated balance of input credit available at the end of the month or quarter. However, service tax under RCM by service recipient has to be paid in cash only i.e. GAR-7 challan. Service Tax should be paid under service tax registration number of service receiver and included in his return as he is liable to pay service tax.

Service tax is a statutory liability and cannot be shifted by mutual agreement. Service provider should charge only his part of service tax. Service recipient is to pay service tax of his part by GAR-7 challan. Service recipient is liable for only his part and not entire amount, even if service provider does not charge his portion of service tax.

6. INPUT CREDIT

Input credit in respect of input service can be taken on or after the receipt of invoice provided payment of value of service including service tax should happen within 3 months of the date of such invoice otherwise input credit taken at the time of receipt of invoice needs to be reversed and can be re-taken when payment is made.

In case of an input service where the service tax is paid on reverse charge by the service recipient, the input credit of the same can be taken on the basis of tax payment challan on or after the payment of the value of input service and the service tax as indicated in invoice or bill or challan.

If any payment made towards an input service is refunded or a credit note is issued in respect thereof, any credit on such input service taken earlier needs to be reversed.

In case of Banks and NBFCs, Rule 6(3B) of cenvat credit rules is also applicable to input credit of service tax paid under RCM.

Input credit of service tax paid in respect of any service (whether paid by service provider or by service recipient under RCM) cannot be taken by any person if the service is not an eligible input service as per the cenvat credit rules:

(i) Input credit of service tax paid on input service used in relation to exempt or non-taxable output services cannot availed to utilize for payment of service tax payable on taxable output services and if taken, needs to be reversed as per the provisions of cenvat credit rules.

(ii) Service taken by way of renting of passenger motor vehicle is an eligible input service only if this is in relation to motor vehicle designed to carry passengers registered in the name of the service provider which is used for providing output service of transportation of passengers, renting of such motor vehicle or imparting motor driving skills.

(iii) Input service excludes service portion in the execution of a works contract and construction services (hereinafter referred to as specified services) in so far as they are used for:

(a) Construction or execution of works contract of a building or a civil structure or part thereof or

(b) Laying of foundation or making of structures for support of capital goods,

except for the provision of one or more of the specified services.

7. 100% LIABILITY OF SERVICE PROVIDER ONLY

In the below mentioned cases, service recipient will pay nothing under RCM and service provider will pay 100% service tax by charging in invoice raised upon the service recipient.

100% effective rate of service tax will be sum total of the rates mentioned in Columns (D) & (E) of the Chart (e.g. in case of the works contract covered under 11(b) of the chart, 100% rate of service tax will be either 8.652% of total value or 12.36% of labour amount, as the case may be).

Renting Of Passenger Motor Vehicle, Manpower Supply, Security and Works Contract

(i) If service provider is not an individual, HUF or partnership firm or AOP.

(ii) If service recipient is not a business entity registered as body corporate.

(iii) If either of the parties are located in non-taxable territory provided place of provision of service is in taxable territory.

(iv) When renting of passenger motor vehicle to a person who is in similar line of business.

Sponsorship Service

(i) If service recipient is not a body corporate or partnership firm.

(ii) If service recipient is a body corporate or partnership firm located in non-taxable territory provided place of provision of service is in taxable territory.

Goods Transport Agency Service

(i) If service recipient is not a factory, registered society, co-operative society, dealer of excisable goods, a body corporate established by or under any law, partnership firm or AOP.

(ii) If service recipient is a factory, registered society, co-operative society, dealer of excisable goods, a body corporate established by or under any law, partnership firm or AOP located in non-taxable territory (like J&K, Nepal etc.).

Advocate (Individual or Firm)

Taxable service other than taxable legal service provided by advocates and taxable legal service provided by persons other than advocates.

Support Services by Government or Local Authority to Business Entities

Renting of immovable property, services of department of posts by way of speed post, express parcel post, life insurance and agency or intermediary services (distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills), services in relation to an aircraft or a vessel and transport of goods or passengers.

8. TRANSFER OF GOODS BY WAY OF HIRING, LEASING, LICENSING OR IN ANY SUCH MANNER WITH TRANSFER OF RIGHT TO USE SUCH GOODS IN THE CASE OF GOODS TRANSPORT AGENCY SERVICE AND RENTING OF PASSEGER MOTOR VEHICLE

When goods are taken on hire for use under an arrangement where transferee enjoys the right of possession and effective control over the asset to the exclusion of others, it will be a case of deemed sale not service. Transfer of a right to use goods implies that full liberty is vested in the transferee to have the right to use goods to the exclusion of all other including the owner of goods.

If the owner retains effective control over the goods, it is not a transfer of right to use. A mere contract of hiring, without transfer of control, may be a contract of bailment and not a contract for transfer of right to use goods.

If any motor vehicle is taken on hire (operating lease), it may be argued as a case of 'transfer of right to use goods'. Then, it is deemed sale of goods and VAT will apply not service tax. Thus, it may be argued that no need to pay service tax for hiring of vehicles in the cases where transferee enjoys the right of possession and effective control over the asset to the exclusion of others.

The essential difference between transfer of right to use goods as deemed sales and service is the transfer of effective control and possession of the goods and whether such effective control and possession of the goods is transferred while allowing another person to use the goods is a question of fact and is to be decided based on the terms of the contract and other material facts.

For more clarity on the issue vide Page No. 90 and 91 of Taxation of Services: An Education Guide June 20, 2012

9. MEANING OF TERMS

"Date of Payment" *means* **—**

Earlier of the dates on which the payment is entered in the books of accounts of the service recipient or is credited to the bank account of the service provider.

Provided that the date of payment shall be the date of credit in the bank account when —

(i) There is a change in effective rate of tax or when a service is taxed for the first time during the period between such entry in books of accounts and its credit in the bank account; *and*

(ii) The credit in the bank account is after four working days from the date when there is change in effective rate of tax or a service is taxed for the first time; *and*

(iii) The payment is made by way of an instrument which is credited to a bank account.

"Specified Time to Issue Invoice" *means* **—**

(i) Service provider needs to issue dully signed invoice or bill or challan or consignment note etc., with specified details to be mentioned therein, within 30 days of completion of each taxable service or receipt of any payment towards the value of such taxable service, whichever is earlier.

(ii) In case of continuous supply of service, service provider needs to issue invoice 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, is completed.

(iii) In case the provider of taxable service is a banking company or a financial institution including a non-banking financial company providing service to any person, the period within which the invoice, bill or challan, as the case may be, is to be issued, shall be 45 days.

"Continuous Supply of Service" means any service which is provided or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding three months with the obligation for payment periodically or from time to time, or where the Central Government, by a notification in the Official Gazette, prescribes provision of a particular service to be a continuous supply of service, whether or not subject to any condition. As per Notification No.28/2011, telecommunication service and service portion in execution of a works contract shall be treated as continuous supply of service.

“Body Corporate” includes a company (incorporated in India or outside India), LLP (incorporated in India or outside India), corporation (constituted in India or outside India) or any other entity, body, authority, board, commission which enjoys a completely separate legal status apart from its members but does not include corporation sole/proprietorship/individual, HUF, partnership firm (not LLP), AOP, BOI, trust, society and co-operative society or a body corporate (other than a company) declared by Central Government as not being a body corporate.

“Partnership Firm” includes a limited liability partnership (LLP) and unregistered partnership firm.

"***Business Entity"*** means any person ordinarily carrying out any activity relating to industry, commerce or any other business or profession. Thus, Government and charitable organization are not ‘business entity’.

"***Goods***" means every kind of movable property other than actionable claim and money; and includes securities, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale.

"***Goods Transport Agency"*** means any person who provides service in relation to transport of goods by road and issues consignment note, by whatever name called. Simple transportation of goods (where consignment note is not required to be issued by law) is not a GTA service and hence exempt. Courier (includes 'express cargo service', angadia) is a separate taxable service and hence not a GTA service.

“***Means of Transport”*** means any conveyance designed to transport goods or persons from one place to another.

“***Service Recipient in case of Goods Transport Agency Service***" means the person who is liable to pay freight, either himself or through agent (i.e. either consigner or consignee).

"Courier Agency" means any person engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilizing the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles.

“***Goods Carriage***” has the meaning assigned to it in clause (14) of section 2 of the Motor Vehicles Act, 1988.

"***Stage Carriage"*** shall have the meaning assigned to it in clause (40) of section 2 of the Motor Vehicles Act, 1988.

"Metered Cab" means any *contract carriage* on which an automatic device, of the type and make approved under the relevant rules by the State Transport Authority, is fitted which indicates reading of the fare chargeable at any moment and that is charged accordingly under the conditions of its permit issued under the Motor Vehicles Act, 1988 and the rules made thereunder.

"Stage Carriage" shall have the meaning assigned to it in clause (40) of section 2 of the Motor Vehicles Act, 1988.

“***Contract Carriage***” has the meaning assigned to it in clause (7) of section 2 of the Motor Vehicles Act, 1988.

“***Advocate***” has the meaning assigned to it in clause (a) of sub-section (1) of section 2 of the Advocates Act, 1961.

“***Arbitral Tribunal***” has the meaning assigned to it in clause (d) of section 2 of the Arbitration and Conciliation Act, 1996.

"***Legal Service***" means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.

*"**Supply of Manpower**"* means supply of manpower, temporarily or otherwise, to another person to work under his superintendence or control.

"***Support Services***" means infrastructural, operational, administrative, logistic, marketing or any other support of any kind comprising functions that entities carry out in ordinary course of operations themselves but may obtain as services by outsourcing from others for any reason whatsoever and shall include advertisement and promotion, construction or works contract, renting of immovable property, security, testing and analysis.

Thus, services which are provided by government in terms of their sovereign right to business entities, and which are not substitutable in any manner by any private entity, are not support services e.g. grant of mining or licensing rights or audit of government entities established by a special law, which are required to be audited by CAG under section 18 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 (such services are performed by CAG under the statue and cannot be performed by the business entity themselves and thus do not constitute support services.)

Services provided by government security agencies are covered by the main portion of the definition of support service as similar services can be provided by private entities. In any case it is also covered by the inclusive portion of the definition.

*"**Works Contract**"* means a contract wherein transfer of property in goods involved in the execution of such contract is leviable to tax as sale of goods and such contract is for the purpose of carrying out construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration of any moveable or immovable property or for carrying out any other similar activity or a part thereof in relation to such property.

Note that construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration is received after issuance of completion-certificate by the competent authority is a separate declared service other than "works contract". Thus, in this case RCM is not applicable. Service tax is payable by service provider only @ 3.09% of agreement value (including value of land) provided that input credit on inputs (not input service and capital goods) used for providing the taxable service has not been taken otherwise rate will be 12.36%. However, other construction services are covered under "works contract" only.

"Construction" includes additions, alterations, replacements or remodeling of any existing civil structure.

*"**Original Works**"* means (a) all new constructions (b) all types of additions and alterations to abandoned or damaged structures on land that are required to make them workable.

*"**Process Amounting to Manufacture or Production of Goods**"* means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 or any process amounting to manufacture of alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs and narcotics on which duties of excise are leviable under any State Act for the time being in force.

*"**Local Authority**"* means **—**

(a) A Panchayat as referred to in clause (d) of article 243 of the Constitution.

(b) A Municipality as referred to in clause (e) of article 243P of the Constitution.

(c) A Municipal Committee and a District Board, legally entitled to, or entrusted by the Government with, the control or management of a municipal or local fund.

(d) A Cantonment Board as defined in section 3 of the Cantonments Act, 2006.

(e) A regional council or a district council constituted under the Sixth Schedule to the Constitution.

(f) A development board constituted under article 371 of the Constitution.

(g) A regional council constituted under article 371A of the Constitution.

The definition of 'local authority' is very specific. It would not include other bodies which are merely described as a local body by virtue of a local law. However, it may be noted that services by a governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243W of the Constitution are specifically exempt.

"***Governmental Authority"*** has been defined in the said mega exemption as a board, or an authority or any other body established with 90% or more participation by way of equity or control by Government and set up by an Act of the Parliament or a State Legislature to carry out any function entrusted to a municipality under article 243W of the Constitution. Thus, some of these local bodies may comprise governmental authorities.

"Government" includes Central Government and any State Government and their departments and offices. Central Government means the President and the officers subordinate to him while exercising the executive powers of the Union vested in the President and in the name of the President. State Government means the Governor or the officers subordinate to him who exercise the executive power of the state vested in the Governor and in the name of the Governor. Union Territory means Central Government.

A statutory body, corporation or an authority created by the Parliament or a State Legislature is neither 'Government' nor a 'local authority'. Government companies, corporations, regulatory bodies and other autonomous entities which attain their entity under an act would not comprise either government or local authority. Thus, Reserve Bank of India is not Government. However, all the services provided by RBI are exempt from service tax.

CHART

Sl. No.	Description of a service	Explanation	ST rate applicable to service recipient under RCM	ST rate to be charged by service provider in invoice
(A)	(B)	(C)	(D)	(E)
1	Services of an insurance agent to any person carrying on insurance business	Service should be taxable service. Agency service of insurance agents to a person carrying **any** insurance business. [w.e.f. 01-07-2012, this was in effect even before Finance Act, 2012]	12.360%	-
2	Services of goods transport agency in respect of transportation of goods by road	Service should be taxable service. Charges for services like loading/ unloading, packing/unpacking, transhipment, temporary warehousing etc., if included in invoice issued by GTA, will be treated as freight. [w.e.f. 01-07-2012, this was in effect even before Finance Act, 2012]	3.090% (12.36% if GTA does not give declaration in invoice regarding non-availment of **any** input credit)	-
3	Services by way of sponsorship	Service should be taxable service. Sponsorship does not include advertisement & business promotion. [w.e.f. 01-07-2012. This was in effect even before Finance Act, 2012]	12.360%	-
4	Services of an arbitral tribunal	Service should be taxable service. [w.e.f. 01-07-2012]	12.360%	-
5	Legal service by advocates (individual or firm)	Service should be taxable service. Only legal services are covered. Consideration includes out-of pocket expenses like travelling and hotel exp. [w.e.f. 01-07-2012]	12.360%	-
6	Services of non-executive directors (i.e. directors not in employment) of a company	Service should be taxable service. Example: sitting fee, out-of pocket expenses like travelling and hotel exp. [w.e.f. 07-08-2012]	12.360%	-
7	Support services by Government or Local Authority to business entities	Service should be taxable service. Support services to charitable institutions are exempt. [w.e.f. 01-07-2012]	12.360%	-

8	Import of service from out of India or from J&K	Service should be taxable service. Place of provision of service & location of service recipient should be in taxable territory (in India excluding J&K) and location of service provider should be in non-taxable territory (out of India or J&K). If either of the conditions is not satisfied, it is not an import of service. Service tax is payable on gross amount including TDS.[w.e.f. 01-07-2012. This was in effect even before Finance Act, 2012]	12.360%	-
9	(a) Renting of a motor vehicle designed to carry passengers on **abated value**	Service should be taxable service. Abated value refers to abatement available as per Notification No. 26/2012. If service provider is not availing **any** input credit, 9(a) is applicable otherwise 9(b) is applicable. Declaration should be obtained in invoice whether service provider is availing input credit or not. Example: hiring passenger motor vehicles like cars, cabs, buses etc. [w.e.f. 01-07-2012 – 9(a) & 9(b)]	4.944%	-
	(b) Renting of a motor vehicle designed to carry passengers on **non-abated value**		4.944%	7.416%
10	Supply of manpower for any purpose or security, detective and verification services	Service should be taxable service. Hiring people through a third person (not as employee, whether regular or under contract) for carrying out any work (e.g. housekeeping staff supplied by manpower agency), staff on deputation, all security, detective and verification services are covered. Service tax is payable on gross amount including salary, PF, ESI, commission of supplier. Joint employment, person approaching himself and the employer appointing him on contract basis are excluded from the definition of service because this will be a case of service by an employee to the employer. Outsourcing the activity itself (e.g. outsourcing house-keeping work to an outside agency instead of getting the manpower supplied by an agent for house-keeping work) and placement consultant's service for recruitment of employees for the employer are taxable services other than manpower supply.[manpower w.e.f. 01-07-2012 & security, detective and verification services w.e.f. 07-08-2012]	9.270%	3.090%

11	(a) Works contract (oral or written)	Service should be taxable service. Any contract for carrying out a work wherein transfer of property in goods involved in the execution of such work is leviable to VAT/WCT *provided* such contract is for any new construction; any addition and alteration to abandoned or damaged structures on land that are required to make them workable; any erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise. It is the responsibility of service recipient to determine whether particular works contract covered under 11(a) to 11(c) is leviable to VAT or not. Service recipient is liable under reverse charge mechanism even if service provider does not charge VAT/WCT in invoice if it is otherwise applicable. [w.e.f. 01-07-2012 – 11(a) to 11(c)]	2.472% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)	2.472% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)
	(b) Works contract (oral or written)	Service should be taxable service. Any contract for carrying out a work wherein transfer of property in goods involved in the execution of such work is leviable to VAT/WCT *provided* such contract is for maintenance or repair or reconditioning or restoration or servicing of any goods (e.g. AMC or warranty charges for office equipments)	4.326% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)	4.326% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)
	(c) Works contract (oral or written)	Service should be taxable service. Any contract for carrying out a work wherein transfer of property in goods involved in the execution of such work is leviable to VAT/WCT *provided* such contract is for maintenance, repair, completion, finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an immovable property or for any other work not covered under 11(a) & 11(b) (e.g. interior and furnishing work)	3.708% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)	3.708% (6.18% of labour amount if the amount of labour separately mentioned in the invoice)

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