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We have a attempt to prepare synopsis on applicability & procedure of service tax under reverse charge. Hope it would be helpful for you. If any clarification is required, please fell free to contact me at my mail-id.

Applicability & procedure of service tax under reverse charge

1) Introduced in the Finance Act, 1994 under Service Tax Rules in 2002.
2) An explanation to Section 65(105) was added wherein concept of import of services was launched.
3) This explanation to Section 65(105) was removed in year 2006 and Section 66A was inserted.
4) Rule 2(1)(d) of the Service tax rules, 1994 prescribed the cases of deemed service providers.
5) Notification no. 15/2012-ST dated 17.3.2012 has been issued, Applicable from 01.04.2012 – Supersession Notification no. 36/2014
6) **Notification No. 30/2012-Service Tax** , applicable from 01.07.2012 supersession, Notification no. 15/2012, & 36/2014
7) Supply of manpower and security services added by notification 45-46, dated 07.08.2012
8) Service by director of a company to the said company added by notification 46-47, dated 07.08.2012
9) Service by director to Body Corporate added by notification 46-47, dated 07.08.2012
10) Service by Recovery Agent to Bank, Financial Institution and NBFC

Key Points

1. Further service receiver can not claim general exemption limit of 10 Lakh rupees. So he has to pay even on few rupees of service received.
2. In case of associates enterprises point of taxation will be earlier of date of debit of invoice in books or date of payment
3. As per Rule 7 point of taxation will be date of payment.
4. If payment is not made within 6 months **(3 months from 01.10.2014)** of the date of Invoice, Rule-7 is not applicable. The point of taxation will be determined as per general rule. **(i.e. Rule 3 point of taxation will be earlier of three event i.e. raising of invoice, providing of service or receipt of payment)**
5. For the purpose of import of services, separate rules namely "Place of Provision of Services Rules, 2012" have been framed.
6. Three services have been notified for which both service recipient and service provider i.e. partial reverse charge mechanism, have been made liable for paying the service tax (a) Hiring of motor vehicle for passengers(without abatement) (b) Supply of Manpower and security services (c) Works contract
7. Service tax payable under reverse charge cannot adjust with input credit of services.
8. CENVAT credit shall be available only after the payment of value of service and service tax to the service provider. **From 11.07.2014 CENVAT** Credit of service tax paid under full reverse charge shall be available to the assessee immediately on payment of such service tax even if no payment has been made to service provider however under partial reverse charge, cenvat credit shall be available only after the payment of value of service and service tax to the service provider.

9. Service recipient is allowed to take the credit of the service tax paid by him under reverse charge method on the basis of challan. For this purpose, rule 9(1)(e) is being amended.

List of Services under Reverse Charges

Sl.No.	**Description of a service**	Percentage of service tax payable by the person providing service	Percentage of service tax payable by the person receiving the service
1	services provided or agreed to be provided by an **insurance agent** to any person carrying on insurance business	Nil	100%
2	services provided or agreed to be provided by a **goods transport agency** in respect of **transportation of goods by road**	Nil	100%
3	services provided or agreed to be provided by way of **sponsorship**	Nil	100%
4	services provided or agreed to be provided by an **arbitral tribunal**	Nil	100%
5	services provided or agreed to be provided by individual **advocate**	Nil	100%
6	services provided or agreed to be provided by way of **support service by Government or local authority**	Nil	100%
7	(a) in respect of services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger (With abatement) b) in respect of services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger on non abated value. (Without Abatement) **From 11.07.2014 change in Without Abatement Scheme**	NIL 60% 50%	100% 40% 50%
8	services provided or agreed to be provided by way of **works contract**	50%	50%
9	any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory(IMPORT OF SERVICES)	Nil	100%
10	Service provided or agreed to be provided by way of Supply of manpower and security services **(Inserted through notification 45-46/2012 dated 07.08.2012**	25%	75%
11	Service provided or agreed to be provided by a **director** of a company to the said company **(Inserted through notification 46-47/2012 dated 07.08.2012**	Nil	100%
12	Service Provided by Recovery Agent to banking company or a financial institution or a non-banking financial company (Applicable from 11.07.2014)	NIL	100%
13	Service provided or agreed to be provided by a **director** to Body Corporate (Applicable from 11.07.2014)	NIL	100%

The reverse charge is applicable if service receiver /service provider satisfy few condition .In other case service provider has to pay tax on full amount of service

Sl.No .	Description of a service	SERVICE PROVIDER	SERVICE RECIVER
1	services provided by an insurance agent to any person carrying on **insurance business**	ANY	ANY
2	services provided or agreed to be provided by a **goods transport agency** in respect of **transportation of goods by road**	where the consignor or the consignee is,— (a) any factory registered under or governed by the Factories Act, 1948 (63 of 1948); (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; (c) any co-operative society established by or under any law; (d) any dealer of excisable goods, who is registered under the Central Excise Act, 1944 (1 of 1944) or the rules (e) anybody corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons;	
3	services provided or agreed to be provided by way of **sponsorship**	any	body corporate/partnership firm
4	services provided or agreed to be provided by an **arbitral tribunal**	Arbitral tribunal	Business entity with a turnover more than rupees ten lakh in the preceding financial year;
5	Legal Services provided By ADVOCATE (Whether individual of Firm) to any Business Entity	individual or firm	Business entity with a turnover more than rupees ten lakh in the preceding financial year;
6	services provided or agreed to be provided by way of **support service by Government** or **local authority**	Government / Local authority	Business entity
7(a)	services provided or agreed to be provided by way of **renting or hiring any motor vehicle designed to carry passenger** on abated value.	Individual (prop) /Partnership firm (registered or unregistered) /HUF	any company formed or registered under the Companies Act, 1956 (1 of 1956) or a business entity registered as body corporate located in the taxable territory;
(b)	services provided or agreed to be provided by way of **renting or hiring any motor vehicle designed to carry passenger** on **non abated value.**		
8	Service provided or agreed to be provided by way of Supply of manpower and security services		
9	services provided or agreed to be provided by way of **works contract**		
10	any taxable services provided or agreed to be provided by any person who is located in a **non-taxable territory** and received by any person located in the **taxable territory**	any	any
11	provided or agreed to be provided by a director of a company to the said company	Director (individual)	Company
12	provided or agreed to be provided by a director to Body Corporate	Director	Body Corporate
13	Service Provided by Recovery Agent to banking company or a financial institution or a non-banking financial company	any	Banking company or a financial institution or a non-banking financial company