Partial - RCM

Works Contract – "Expenses"

Partial-RCM

Meaning:

Work Contract Service definition in simple terms:-

1). A contract where transfer of property in goods involved (on which VAT leviable). ***AND***

2). Such contract is for carrying out certain specified activities in relation to Movable Or Immovable property.

Partial-RCM:

1. Partial RCM is applicable when the SP/Sub-contractor is Individual/HUF/AOP (i.e., Other than Company/Body Corporate).
2. Service Provider (SR) and Sub-Contractor (SP) has to pay their share (50% each) of Service Tax component as per the respective valuation adopted.

WORD OF CAUTION

1. **This is only overview of Work Contract Service Provisions , for in-depth and better understanding please go through Definitions, Valuation Rules and various other notifications applicable to Work Contract (like Negative List, Mega Exemption, Abatement etc.**

2. **This Document is prepared assuming the Service Provider is a Company (i.e., not an Individual, AOP or others to whom few provisions will change under Reverse Charge)**

Works Contract – “Expenses”

Partial-RCM

Continued…

If Contract is:

1. For Only Supply of Material

- NO Service Tax

SCOPE of Work in agreement;

Supply of Material only

2. For Only Work/Labour

- ✓Service Tax Applicable
- ✓**But NO RCM**
- ✓ST is payable by the Main Contractor

SCOPE of Work in agreement;

Supply of Labour alone

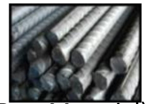
3. For Supply of Material ➕ Work / Labour = Works Contract

- Individual, HUF, P.firm or AOP: RCM Applicable
- *“O R”*
- Company: NO RCM

SCOPE of Work in agreement;

Supply of Material and Supply of Labour

Work Contract



(Raw Material)

+

(Labour)

WC Received
Ex. ABC given contract to Service Provider (Assuming SP is a Company)

" OR "

WC Given
Ex. Service Provider given contract to XYZ (sub-Contractor

SP – Service Provider
SR – Service Recipient

If Service Provider (or) Sub-Contractor is

Individual, HUF, P.firm or AOP

" OR "

Company

RCM Applicable

NO RCM

Both SP & SR should pay 50% of Total Service Tax Liability

Option1:

Particulars	Rs.
Gross Amount	xxx
Less: Value of Material	(xx)
Less: VAT/Sales Tax	(xx)
'.' Taxable Portion	xx

Service Tax = Taxable Portion x 12.36 %

" OR "

Option 2 (Composition Scheme):

Type of WC	Taxable Portion (on Gross)
a).Original Works OR	40%
b).Repairs & Maintenan OR	70%
c).Finishing services	60%

Service Tax = Taxable Portion(Gross x %) x 12.36% x 50% share