# Reverse Charge Under Service tax law

Reverse charge means where government has shifted liability to pay service tax on person other than service provider. (Even a contract between parties where service provider agrees to pay service tax on services under reverse charge cannot override the law)

Person made liable to pay has to pay first but if contract provides otherwise this law should not be assumed to prejudice the right to recover back taxes as per contract from the other party liable as per contract.

Ever civil suit is also maintainable to recover taxes paid as per contract from the other party but government is not liable to refund if the other party is declared insolvent by the court.

Reverse Mechanism and Partial Reverse Mechanism in Service Tax was First Introduced Vide Principal Notification No. 30/2012-Service Tax Dated- 20th June, 2012 and

Subsequently been amended vide

- Corrigendum Notification [F. No.334/1/2012 -TRU], Dated 29-6-2012,
- Notification No.45/2012-Service Tax, Dated 7th August, 2012,
- Notification No.10/2014-Service Tax Dated- 11th July, 2014 and
- Notification No. 7/2015-Service Tax Dated- 1st March, 2015.

I have compiled the Reverse and Partial Reverse Mechanism Chart as Applicable from 01.04.2015

## Table

| Sl. No. | Description of a service | Percentage of service tax payable by the person providing service | Percentage of service tax payable by any person liable for paying service tax other than the service |
|---|---|---|---|
| 1 | in respect of services provided or agreed to be provided by an insurance agent<br>**to**<br>any person carrying on insurance business | Nil | 100% |
| 1A | in respect of services provided or agreed to be provided by a recovery agent<br>**to**<br>a banking company or a financial institution or a non-banking financial company<br>**(Effective from 01.04.2015)** | Nil | 100% |

| | | | |
|---|---|---|---|
| 1B | in respect of services provided or agreed to be provided by a mutual fund agent or distributor,<br>**to**<br>a mutual fund or asset management company<br>**(Effective from 01.04.2015)** | Nil | 100% |
| 1C | in respect of service provided or agreed to be provided by a selling or marketing agent of lottery tickets<br>**to**<br>a lottery distributor or selling agent. | Nil | 100% |
| 2 | in respect of service provided or agreed to be provided by a goods transport agency in respect of transportation of goods by road<br>**to**<br>Company, Partnership Firm, Registered Factory, Registered Society, co-operative society, AOP, LLP, Person Registered Under Central Excise Act, 1944 including Excise Dealers | Nil | 100% |
| 3 | in respect of services provided or agreed to be provided by way of sponsorship<br>**to**<br>anybody corporate or partnership firm | Nil | 100% |
| 4 | in respect of services provided or agreed to be provided by an arbitral tribunal<br>**to**<br>Any Business entity. | Nil | 100% |
| 5 | in respect of services provided or agreed to be provided by individual advocate or a firm of advocates by way of legal services<br>**to**<br>any Business Entity | Nil | 100% |
| 5A | in respect of services provided or agreed to be provided by a director of a company or a body corporate<br>to<br>the said company or the body corporate | Nil | 100% |
| 6 | in respect of services provided or agreed to be provided by Government or local authority<br>excluding,-<br>(1) renting of immovable property, and<br>(2) services specified in sub-clauses (i), (ii) and (iii) of clause (a) of section 66D of the Finance Act,1994<br>**to**<br>**any Business Entity** | Nil | 100% |
| 7 | (a)in respect of services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers on abated value<br>**to**<br>any person who is not engaged in the similar line of business by individual, HUF, firm or AOP to Body | Nil | 100% |

| | | | |
|---|---|---|---|
| 7 | (b) in respect of services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers on non-abated value<br>**to**<br>any person who is not engaged in the similar line of business by individual, HUF, firm or AOP to Body Corporate<br>**Revised wef 01.10.2014** | 50% | 50% |
| 8 | in respect of services provided or agreed to be provided by way of supply of manpower for any purpose or security services by individual, HUF, firm or AOP<br>to<br>Body Corporate | NIL | 100% |
| 9 | in respect of services provided or agreed to be provided in service portion in execution of works contract by individual, HUF, firm or AOP<br>**to**<br>Body Corporate | 50% | 50% |
| 10 | in respect of any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory<br>**and**<br>received by any person located in the taxable territory | Nil | 100% |
| 11 | in respect of any service provided or agreed to be provided by a person involving an aggregator in any manner<br>**to**<br>any Business Entity<br><br>**Effective from 01.03.2015** | Nil | 100% |

Explanation-I – The person who pays or is liable to pay freight for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the service for the purpose of this notification.

Explanation-II. – In works contract services, where both service provider and service recipient is the persons liable to pay tax, the service recipient has the option of choosing the valuation method as per choice, independent of valuation method adopted by the provider of service.

Explanation-III. Hitherto, support services provided by a Government/Local authority to any business entity was subject to 100% reverse charge. The scope of reverse charge has now been extended in case of all services provided by the Government/Local authority to such business entities. The exclusion from reverse charge on renting of immovable property and some specified services of Sec. 66D of the Act shall continue.