SERVICE TAX DECODED

Sketch Artist: Ajay Mandalia

Dear Friends,

You may all have learned and understood the provisions of Service Tax. But ask yourself this question ;

"What makes **my** answer paper stand out from the other thousand answer papers that will be checked? Why should the examiner score **me** more than any other student?"

Before you is that chance to create **the difference.**

How much out of all that you study, do you actually reproduce in those 3 hours of the exam? Why do you only recollect the side of the page where you read the answer but can't actually pen it down? What goes wrong?

SERVICE TAX DECODED is not an attempt to explain you the detailed provisions of Service Tax for you already know them. Reading this book will ensure that after all the countless hours you have already put in learning Service Tax, you actually **recollect and reproduce** exactly that in those three hours.

This book, a first of its kind, is a bold step in simplifying education and professional practice. It is inspired by the book "Super Memory – It Can Be Yours" authored by Shakuntala Devi.

The book contains memory techniques, same as those used by most memory champions, to retain vast chunks of information. Enjoy a hearty laugh at the funny visualisations, mnemonic codes and pictographic representations, for as you read you will have memorised most of your service tax syllabus, before you even realise.

The codes may appear funny, exaggerated, sometimes may not even make sense, but trust me, when it comes to recollecting, the weirder it gets, the better you remember. Do not shy or hesitate as you make your own codes for other subjects, too. Eventually you will realise, they do **work.**

Surrender yourself positively to the fun you are about to have. Remember that there may be no shortcuts to success – but there surely are codes!

Friends, it's time you start enjoying what you study because this knowledge is not something you need for a few months, it is knowledge you need for a lifetime of success.

As you reach the end of the book, revise the codes periodically and you're ready to go out there and impress the examiner and the world by reproducing in your exams - the exact Rule numbers, abatement percentages, services covered under the Negative List/Mega Exemption alongwith with their corresponding entry numbers, and so on. Let that be the difference you aim for.

HAPPY READING! ALL THE BEST! ENJOY!

Making the simple complicated is commonplace;
Making the complicated simple,
Awesomely Simple, that's CREATIVITY.
- Charles Mingus

Service Tax Decoded is the first
revolutionary attempt to simplify
SERVICE TAX. Who said studying cannot
be fun?
Visualise, exaggerate and
remember everything you study!
Surprise yourself with your own potential!
Stop studying the traditional way.
Be Different. Stand Out.

INDEX

CHAPTER-1

SECTION 66D - NEGATIVE LIST

HERE'S **HOW** TO REMEMBER:
The easiest way to remember the negative list is to go back to days when you were a little toddler in the Kindergarten and studied A for Apple, B for Ball!

A FOR AARAAM AADMI PARTY
SERVICES PROVIDED BY THE GOVERNMENT

Services **BY the 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 services

   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; or

d) **Any service, other than services covered** under clauses (a) to (c) above, **provided to business entities.**

   The 4 exceptions are services which face private sector competition and hence no exemption to the Government.

   The term 'support services' under (d) has been substituted with 'any service' w.e.f. 1st April, 2016.

   Thus, now, any service provided by the Government or a local authority to a business entity (other than transportation and in relation to aircraft and vessel which are specifically taxable, too) is taxable, unless exempt elsewhere.

B FOR BANK

SERVICES **BY** THE RESERVE BANK OF INDIA **(RBI)**

C FOR CONSULATE

SERVICES **BY** A FOREIGN DIPLOMATIC MISSION **(CONSULATE)** LOCATED IN INDIA

D FOR DHAAN/DESH KI DHARTI

AGRICULTURAL SERVICES

Services relating to agriculture or agricultural produce by way of

a) **Agricultural operations** directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or seed testing; **[1]**

b) Supply of **farm labour; [5a]**

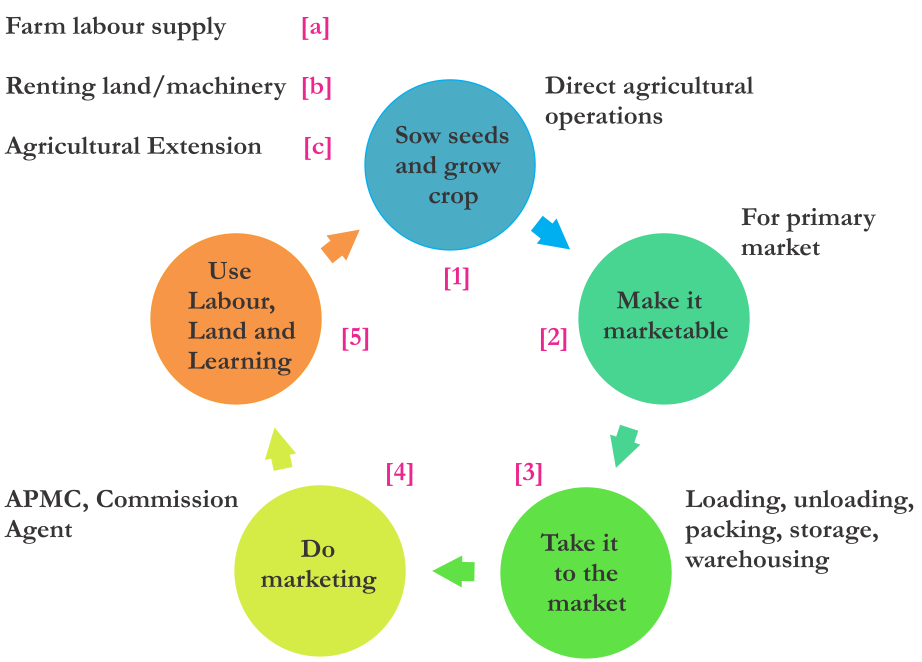
c) Processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter essential characteristics of agricultural produce but **make it only marketable for the primary market; [2]**

d) **Renting or leasing of agro machinery or vacant land** with or without a structure incidental to its use; **[5b]**

e) **Loading, unloading, packing, storage or warehousing** of agricultural produce; **[3]**

f) **Agricultural extension services; [5c]**

g) Services by any **Agricultural Produce Marketing Committee ('APMC')** or Board or services provided by a **commission agent** for sale or purchase of agricultural produce. **[4]**

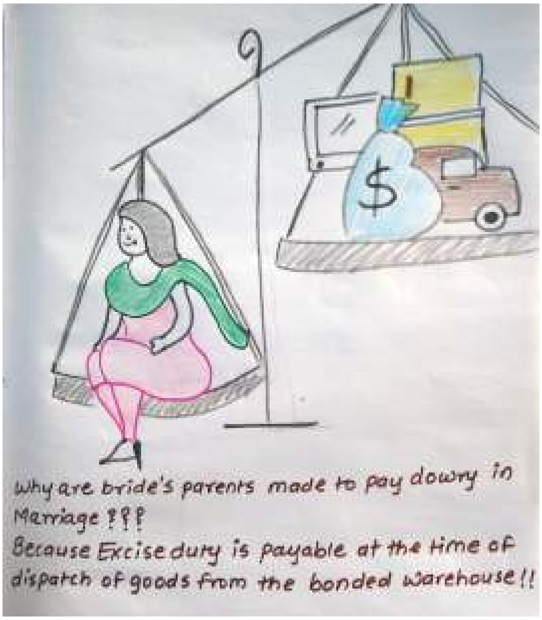


E FOR EXCISE NAHI - E FOR VAT

TRADING OF GOODS

F FOR FACTORY - EXCISE

ANY PROCESS AMOUNTING **TO MANUFACTURE OR PRODUCTION** OF GOODS



Definition of the term "process amounting to manufacture or production of goods" is amended to **exclude** intermediate **production of alcoholic liquor for human consumption.**

Thus, w. e. f. 1st April, 2015, contract manufacturing /job work/ Intermediate production of **potable liquor is made taxable.**

G FOR GUJARAT SAMACHAR

SELLING OF SPACE OR TIME SLOTS FOR ADVERTISEMENTS IN **PRINT MEDIA**

H FOR HIGHWAY

SERVICE BY WAY OF ACCESS TO A ROAD OR A BRIDGE ON PAYMENT OF **TOLL CHARGES**

I FOR I WON THE LOTTERY/INAAM/ITS MAGIC

BETTING, GAMBLING OR LOTTERY

FOLLOWING has been inserted w.e.f. 1st April, 2015:

The expression "Betting, gambling or lottery" does not include the activity specified in Explanation 2 to Section 65B(44) [Definition of 'Service'].

J FOR JASHN

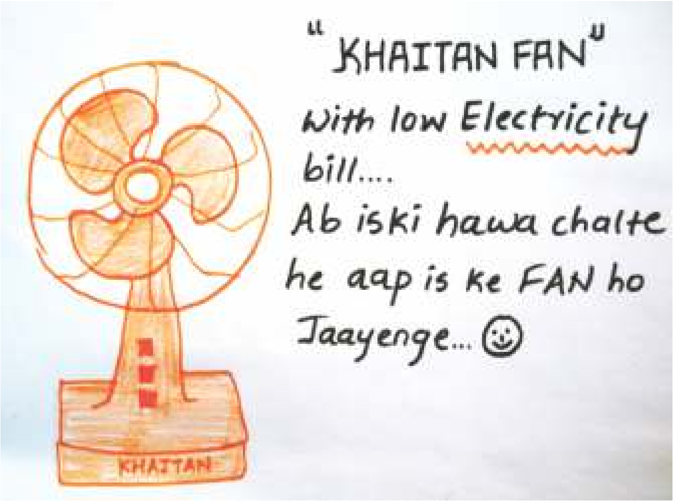
ENTERTAINMENT EVENTS AND AMUSEMENT FACILITIES

W.e.f. 1st April, 2015, this entry as well as the definition of "amusement facility" and "entertainment event" has been omitted.

Corresponding new exemptions introduced in Mega Exemption Notification.

K FOR KHAITAN FANS - ELECTRICITY

TRANSMISSION OR DISTRIBUTION OF ELECTRICITY BY AN ELECTRICITY TRANSMISSION OR DISTRIBUTION UTILITY



L FOR LKG

EDUCATIONAL SERVICES

Services by way of :

a) **Pre-school education** and education up to **higher secondary** school or equivalent;

b) Education as a part of a curriculum for obtaining a qualification **recognized by law**;

c) Education as a part of an approved **vocational** education course.

M FOR MAKAAN

SERVICES BY WAY OF **RENTING OF RESIDENTIAL DWELLING** FOR USE AS RESIDENCE

N FOR NEED OF MONEY

FINANCIAL SERVICES

Services by way of :

a) Extending deposits, loans or advances in so far as the consideration is represented by way of **interest or discount;**

b) **Inter-se sale or purchase of foreign currency** amongst banks or authorized dealers of foreign exchange or amongst banks and such dealers;

O FOR OLA

SERVICE OF **TRANSPORTATION OF PASSENGERS,** WITH OR WITHOUT ACCOMPANIED BELONGINGS, BY :

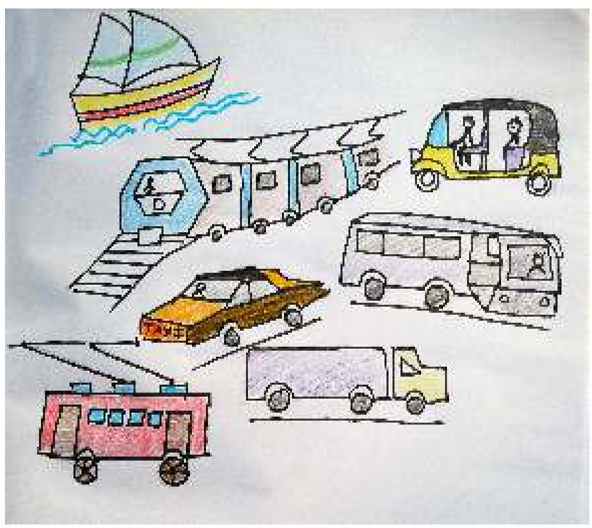
a) A stage carriage;

b) Railways in a class other than –
   (A) first class; or
   (B) an air conditioned coach;

c) Metro, monorail or tramway;

d) Inland waterways;

e) Public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and



f) Metered cabs or auto rickshaws;

P FOR PARCEL

SERVICES BY WAY OF **TRANSPORTATION OF GOODS**

a) By road except the services of –

   i) A goods transportation agency **(GTA)**; or

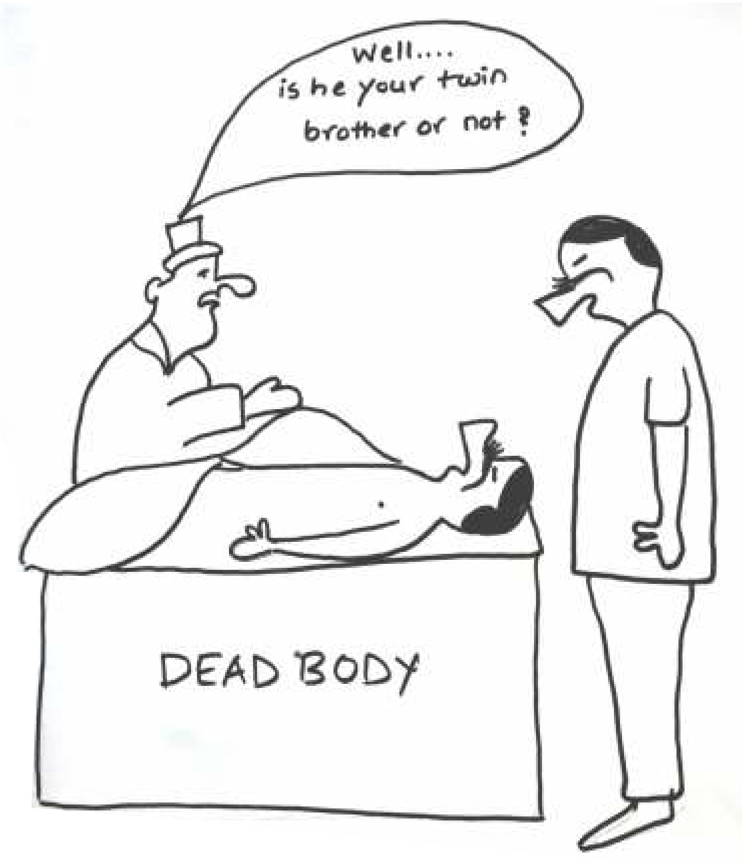
   ii) A **courier** agency;

b) By an **aircraft or a vessel** from a place outside India up to the **customs station** of clearance in India; or

c) By **inland** waterways;

Q FOR Q MAR GAYA

FUNERAL, BURIAL, CREMATORIUM OR MORTUARY SERVICES INCLUDING TRANSPORTATION OF THE DECEASED



Note : You now remember Section 66D with the corresponding entry no. as it actually appears in the Finance Act, 1994.

Services BY :

If you may have observed, most services covered in the negative list are services provided BY and not TO.

Ex: Services BY the Government, Services BY the RBI, Services BY Foreign Diplomatic Missions, etc.

It is important you remember this. One silly way to remember it is:

We must all wave bye-bye to negative stuff! [Simple, and now it's highly unlikely that you will forget.]

A Quick Synopsis:

Clause No.	Code	Exemption
A	Aaram Aadmi Party	Services by Government
B	Bank	Services by RBI
C	Consulate	Services by FDM / Consulate
D	Dhaan / Desh ki Dharti	Agricultural Services
E	Excise nai VAT	Trading of Goods
F	Factory	Manufacture
G	Gujarat Samachar	Advertisements In Print Media
H	Highway	Toll Charges
I	I won the lottery / Inaam / It's magic	Betting, Gambling, Lottery
J	Jashn	Entertainment events and amusement facilities
K	Khaitan Fan	Electricity transmission and distribution
L	LKG	Educational Services
M	Makaan	Renting of residential dwelling for residential purpose
N	Need of Money	Interest and discount on loans, inter-se sale, foreign currency dealings etc.
O	Ola	Transportation of Passengers
P	Parcel	Transportation of Goods
Q	Q mar gaya	Services after death

CHAPTER-2

POINT OF TAXATION RULES, 2011

In all Statutory Acts, Rules and Regulations, Rule 1 and 2 are always Short title, Extent & Commencement and Definitions respectively.
In POTR, 2011, Rule 8A, 9 and 10 are procedural rules.

Hence our code covers Rules 3-8.

LEARNING WITH A STORY:

The story is of 3 very simple couples, who are extremely bored of their everyday routine! So they decide to go somewhere for a change.

One of them suggests this newly opened 5 star restaurant – 5 Spice.

When they reach 5 Spice, what do they see? No single table available for 6 persons!

Disappointed, they decide to go to an art gallery!
(Considering their nature, art gallery sounded perfect!)

Thus, they took a reverse turn and together went to the art gallery.

In the art gallery, just as they started clicking selfies with the paintings, a watchman came and stopped them, saying, NO PHOTOGRAPHY MADAM! EVERYTHING IS COPYRIGHTED!

Thus, the couples went back home, bored again.

End of Story!

Wondering how this is even remotely related to the POTR, 2011?
Here's how!

Rule No.	Storyline	Particulars
3	(three) **simple** couples	simple rule
4	(for-four) a **change** went to	change of rate of tax
5	(Five) spice a **new** restaurant but	new services
6	6 persons ki table **thi hi nai**!	omitted
7	(sath(7)me) therefore, they went **back together** to an	associated enterprises and reverse charge
8	(8–aath -art) gallery, where everything had **copyrights**	copyrights

Let us have a look at each rule in a short summary:

RULE 2:
Definitions:

Point of Taxation: Point in time when services shall be deemed to have been provided

RULE 2A:
<u>Date of payment</u>:

Earlier of:

Date of **entering payment in the books** of accounts

Date of **credit in the Bank account**

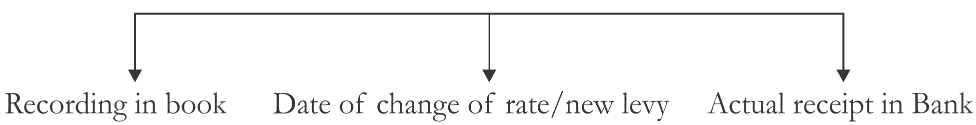
Exception:

If the following conditions are satisfied, date of payment will be treated as date of credit in the Bank account:

- **Condition 1:**

There is either
i.) a change in effective rate of tax or
ii.) a service is taxed for the first time
between the date of recording receipt in the books and actual credit in the Bank.

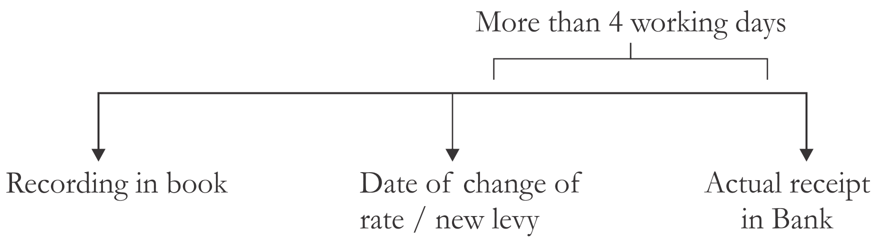
Ex : Service tax rate changed from 12.36% to 14% from 1^{st} June, 2015.
Books record receipt on 29^{th} May, 2015, whereas actual receipt in Bank is on 5^{th} June, 2015.



- **Condition 2:**

The credit in the Bank account is after 4 working days from the date of change in effective rate of tax or service being taxed for the first time;

Like in the above example, Bank is credited on 5^{th} June, 2015 i.e. 4 working days after 1^{st} June, 2015, being date of change or rate of tax (or new levy)



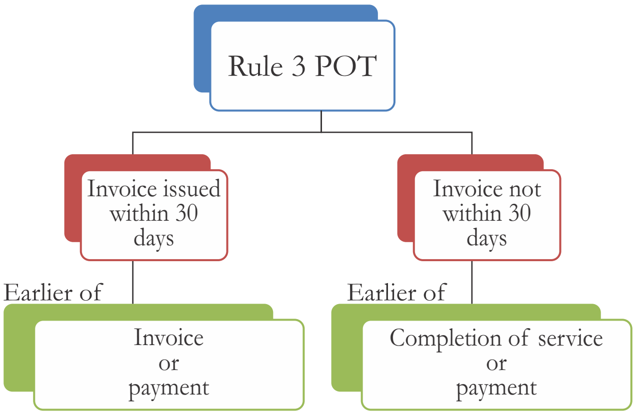
- **Condition 3:**

The payment is made by way of an instrument which is credited to a bank account,

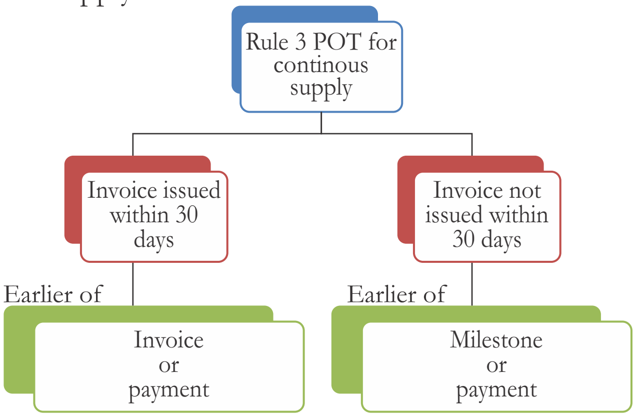
If these 3 conditions are simultaneously satisfied, date of payment will be (b) i.e. receipt in Bank account [even though entered in books before such date.]

Rule 3:
SIMPLE/ GENERAL RULE: [3 simple couples]

a. Cases other continuous supply of service:



b. Continuous supply of service:



MEANING OF CERTAIN TERMS:

1. <u>Continuous supply of service [Rule 2(c)]</u>:

Nature Based:

Any service which is provided, or to be provided

a.) **Continuously** or on **recurrent** basis

b.) for a period **exceeding 3 months**, under a contract,

c.) with the obligation for **payment periodically** or from time to time,

OR

Notification based:

Service which **the Central Government notifies** as a continuous supply of service.[Works contract and telecommunication service have been notified till date]

2. Completion of continuous supply of service [Proviso to Rule 3]:
If

a.) **Provision of whole/part of the service is determined periodically,** on completion of a particular event in terms of the contract[milestone]

b.) Completion of this event [milestone] **requires the service receiver to make payment,**

Then date of **completion of such event** = date of completion of service

Rule 4:
POT in case of a change in the effective rate of tax: [Couples went 4 (for) a change]

Thumb Rules:

1.) Check the bent side of the see saw!

2.) a. If **both I and P are present** - I or P **whichever is earlier,**
b. If both I and P are not present – I or P, whichever is present

3.) In short, the **answer can never be S!**

Example:

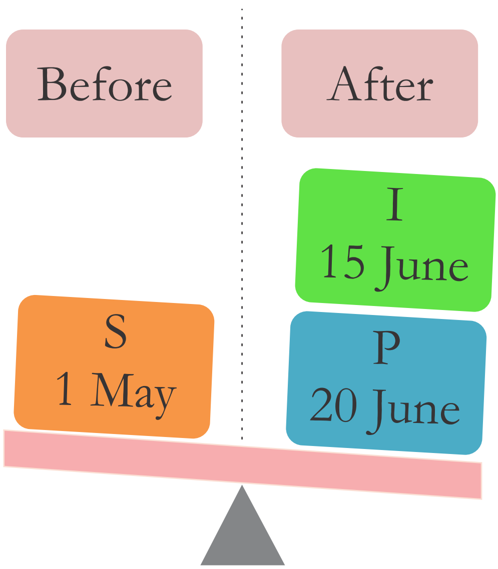
Rate of service tax increased from 12.36% to 14% with effect from 1st June, 2015.

Case 1:

S: 1st May, 2015 (before)

I: 15th June, 2015 (after)

P: 20th June, 2015 (after)



Recollect the thumb rules,

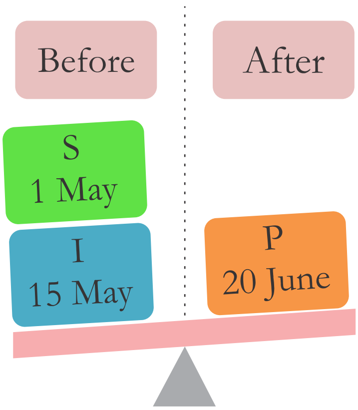
1. Check the bent side
2. Since both I and P are present, it is earlier of the two! That is, I!

Case 2:

S :1^{st} May, 2015 (before)

I :15^{th} May, 2015 (before)

P :20^{th} June, 2015 (after)



Once again, recollect the thumb rules,

1. Check the bent side
2. Since only I is present, answer is I.
3. S can never be the answer!

Similarly, a total of 6 cases have been listed in the table below. Work it yourself and check your answers!

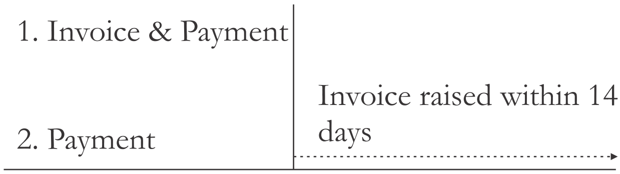
Service (S)	**Invoice (I)**	**Payment (P)**	**Point of Taxation**	**Rate applicable**
1^{st} May 2015	15^{th} July, 2015	18^{th} July, 2015	15^{th} July, 2015	14%
1^{st} May 2015	15^{th} May, 2015	20^{th} July, 2015	15^{th} May, 2015	12.36%
1^{st} May 2015	20^{th} July, 2015	15^{th} May, 2015	15^{th} May, 2015	12.36%
1^{st} July 2015	15^{th} May, 2015	20^{th} July, 2015	20^{th} July, 2015	14%
1^{st} July 2015	20^{th} July, 2015	15^{th} May, 2015	20^{th} July, 2015	14%
1^{st} July 2015	15^{th} May, 2015	8^{th} May, 2015	8^{th} May, 2015	12.36%

Rule 5:
POT IN CASE OF NEW SERVICES:
[Couples went to a new restaurant – 5 spice]

No tax if:

1. Invoice issued and payment received, i.e. both I and P occur, before date service becomes taxable.

2. Payment received before service becomes taxable and invoice issued within 14 days of the date when service is taxed for the first time.



Date when service is taxed for the first time

Rule 6:
OMITTED
[6 ki table thi hi nahi!]

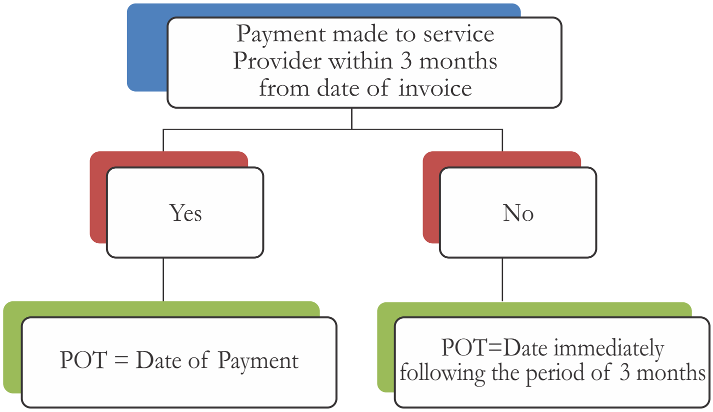
Rule 7:
POT in case of Associated Enterprises and Reverse Charge Mechanism
[7 me they went back together]

This Rule overrides Rules 3, 4 and 8.

For Associated Enterprises:
Where Service Provider is located outside India,

POT = Date of debit in books of service receiver
OR
Date of making payment
— Whichever is earlier

For Service Receiver under Reverse Charge Mechanism:



Rule 8:
POT in case of Copyrights [They went to 8 gallery where everything was copyrighted]

In cases of **CD-TRP** that is:

Copyrights, **D**esigns, **T**rademarks, **R**oyalties, **P**atents, where:

a. Consideration is not determinable during the provision of service
b. Subsequent use/ benefit of services by person other than service provider gives rise to payment

POT = Date when **payment received**
OR
Date of **issuing invoice**
— Whichever is earlier

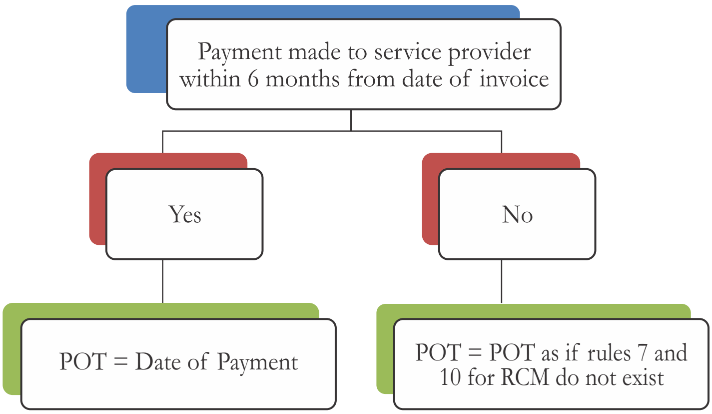
Rule 8A:
POT in other cases:

- If POT cannot be determined based on above Rules, since date of I or P or both are not available,
- The Central Excise Officer may pass a written order determining the POT, to the best of his judgement
- After giving opportunity of being heard, taking into account effective tax rates prevalent, documents, evidences and such other material produced by the concerned person

Rule 9:
Redundant

Rule 10:
Transitional Provision:

For services under RCM where invoice has been raised before 1st October, 2014, but payment not made as on that day, POT =



CHAPTER-3

PLACE OF PROVISION OF SERVICES RULES, 2012

GENERAL FRAMEWORK OF POP RULES

1.) There are totally 14 Rules under PoP Rules, where

Rule 14 lays down that *"the place of provision shall be determined in accordance with the <u>Rule that occurs later</u> among the rules that merit equal consideration"*
<u>– Later the Better!</u>

Implications of Rule 14:

I.) Service fits in > 1 Rule : Thus, in a situation where let's say, both Rule 3 and 5 may be relevant, it is the latter of the two rules, Rule 5 that would determine the PoP of service.

ii.) Service does not fit in any Rule: Rules 4 – 12 are service specific Rules.

Rule 3 (which is the 1st rule in order after definitions contained in Rule 2) is the residuary or general rule. Thus, where a particular service is not falling under any of the specific later Rules 4-12, Rule 3 will determine the PoP of service in that case.

2.) Thus, rule numbers 4 to 12 are specific rules which divide services into 9 types for the purpose of determining the place of provision of service.

These are:

#4	**Performance** based services
#5	Services relating to **Immovable property/ Land, Building, etc.**
#6	Services relating to **Events**
#7	Services provided at **More than one location**
#8	Services where Provider and Recipient are located in taxable territory (**Mischief** Rule)
#9	Certain specified services: • Services to **Account** Holders by a banking company, non banking financial company, or a financial institution; • **Online** information and database access or retrieval services; • **Intermediary** services; • Service consisting of **Hiring of means of transport,** up to a period of 1 **month**
#10	**Goods** transportation services
#11	**Passenger** transportation service
#12	Services provided **on board** a conveyance

HOW TO REMEMBER THESE RULES IN THE RIGHT ORDER?

Technique 1: Mnemonic

We are all familiar with the hilarious characters of Comedy Nights with Kapil – Palak and Gutthi, aren't we?

Palak is Kapil's chubby neighbour who just can't get food out of her mind, and Gutthi Didi, her all time companion in madness. It's Palak's birthday and Gutthi can't think of a better birthday gift for her sister than the newly returned Masala Maggi!

The first letter of the below sentence represents the first letter of Rules 4 to 12.

Palak **L**oves **E**ating **M**asala **M**aggi **S**o **G**utthhi **P**urchased **O**ne!

P	Performance	4
L	Land & Building/Immovable Property	5
E	Event	6
M	More than 1 location	7
M	Mischief Rule	8
S	Specified services	9
G	Goods Transport	10
P	Passenger Transport	11
O	On board a Conveyance	12

Technique 2: Characterization

Suddenly all our rules, from 4 to 12, have come to life, in the form of cute young cartoon numbers.

The pictures below, and their association with the corresponding rule number and nature of service covered, will ensure that you are able to retain them through photographic memory.

Identify and associate characters as you read and enjoy the below story:

Let me introduce you to the family of young baby cartoon numbers aged 4-12 enjoying themselves at their play group.

Here, meet these adorable little sisters 4, 5 and 6 who are enjoying a yummy chocolate PIE.

Now as you see them enjoying the PIE just as in any Dairy Milk Silk Advertisement, understand that 4, 5 and 6 represent PIE:

4 P Performance Based Services

5 I Immovable Property Services

6 E Event based Services

Just as 4, 5 and 6 are still eating the pie, their chubby fat brother 7 ha not even completed hi first, and is already asking for one more pie.

See 7 as he comes running with his big fat tummy and asks for one more pie. [7 – more than 1 location]

8 is this mischievous boy, who enjoys troubling his mother Mrs. 9.

He is the most mischievous in the lot and has stolen the spectacles of Mrs. 9 who is virtually blind without them!

She's running in all directions looking for her spectacles and bumping into every other person excespt michievous 8! (8-Mischief rule, 9- Specific services)

The elder kids– 10, and 11 are enjoying driving and riding their vehicles.

Ten is playing with his tempo while 11 is enjoying the breeze as she stands out in her toy limousine.

They crash their vehicles together and go around driving their vehicles on every possible surface around. [10 – Goods transport, 11 – Passenger transport]

Lastly, poor guy 12 who has nothing to do is bored! No one plays with him because he is too old and wants to study all the time!

Now, a quick recap to show you that you actually remember :

4 5 6	PIE	P – Performance I – Immovable property E - Events	**Performance** based services Services relating to **Immovable property/ Land, Building, etc.** Services relating to **Events**
7	More than one PIE	More than one location	Services provided at **more than one location**
8	Mischievous	Mischief Rule	Services where provider and recipient are located in taxable territory (**Mischief** Rule)
9	Specs	Specified services "At least one month before CA Inter, one must disable internet (online) accounts."	Certain **specified** services: • Services to **account** holders by a banking company, non banking financial company, or a financial institution; • **Online** information and database access or retrieval services; • **Inter**mediary services; • Service consisting of hiring of means of transport, up to a period of **one month**
10	Tempo [ten – tempo]	Goods Transport Services	**Goods** transportation services
11	Limousine [eleven – limousine]	Passenger Transport services	**Passenger** transportation service
12	Bored	On board a conveyance	Services provided on **board a conveyance**

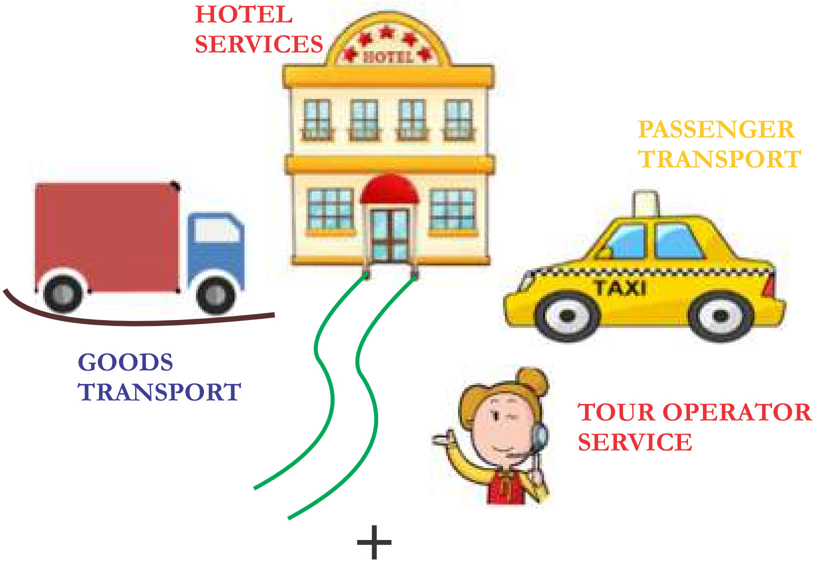
Analysis of the Place of Provision in each case:

RULE #	SERVICE TYPE	WHAT IT SIGNIFIES
3	**<u>Generally</u>**	Location of the Service Receiver If not available : Location of Service Provider
4	**<u>Performance Based</u>** Goods required to be made physically available [Rule N.A. for goods temporarily imported in India for repairs and exported after repairs, being put to use in India only for repair purposes] Service Receiver required to be physically present to enjoy the service	Place where services are actually performed
Exception: A. POPS for services in relation to goods provided from remote location by electronic means – **Location where goods are situated during provision of service**		
5	**<u>Land and Building/Immovable Property related</u>**	Location/ Intended Location of immovable property
6	**<u>Event based</u>**	Place where event is actually held
7	**<u>Services under Rules 4,5 or 6 provided at more than one location</u>**	Location in the taxable territory where greatest proportion of service is provided
8	**<u>Mischief Rule</u>** Both Service Provider and Receiver are located in taxable territory	Location of Service Receiver
9	**<u>Specified Services</u>** **Code**: At least **1 month** before CA **Inter** students must disable **online accounts** • Services by a Banking Co, NBFC, Financial Institution to **Account** holders • **Online** information and database access/ retrieval • **Inter**mediary services • Hiring, **upto 1** month, of all means of transport other than: - Aircrafts - Vessels (excluding yachts)	Location of service provider

10	**Goods Transportation** Services, other than mail or courier Services by GTA	Destination of the goods Location of person liable to pay the tax
11	**Passenger Transportation** Services	Place where the passenger embarks on the conveyance for continuous journey
12	**Services on board a conveyance** Including services intended to be consumed wholly/ substantially on board	First scheduled point of departure of that conveyance for the journey
13	**Power with Central Govt to notify Place of Provision**	To prevent double taxation/ non-taxation, CG can notify service description/ circumstances where place of provision is effective use and enjoyment of a service

CHAPTER-4

ABATEMENTS

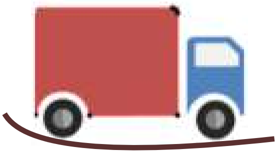


Miscellaneous category:

a. Construction service
b. Leasing service

Note: All percentages provided below are **Abated Values**, that is, values of taxable service after the abatement.

Thus if against goods transport the code says 30%, abatement available is 70%.



CATEGORY 1 : GOODS TRANSPORT

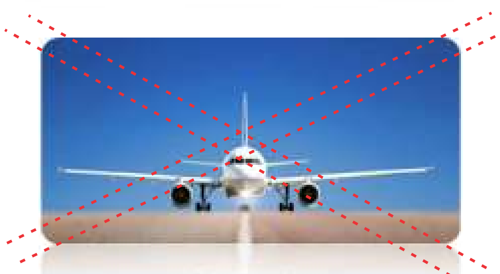
1. Road

2. Railway

+

3. Vessel

= 30% taxable



No abatement on Air

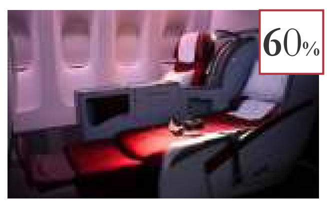
The abatements are subject to the condition that no CENVAT Credit be availed on inputs, capital goods and input services.

Note: Abatements and corresponding abated values have undergone change w.e.f. 1st April, 2015.

Nature of Goods Transport	Earlier Abated Value	Revised Abated Value
By Air	N.A.	N.A.
By Road	25%	30%
By Railway	30%	30%
By Vessel	40%	30%

CATEGORY 2 : PASSENGER TRANSPORT

6 digit income ke baad you be like:



Long distance

4tered (Chartered) banke you be like:

Short distance

3 years of articleship you be like :

Note: Abatements and corresponding abated values have undergone change w.e.f. 1st April, 2015.

Nature of Passenger Transport	Earlier Abated Value	Revised Abated Value
By Railway	30%	30%
By Road Renting of motor cab Contract carriage other than motor cab Radio Taxi	40%	40%
By Air Economy Class Business Class	40% 40%	40% 60%
By Vessel	N.A.	N.A.

CENVAT Credit conditions for input services for Renting of Motor cabs:

a. **Full CENVAT Credit -**
For input service received from a person paying service tax on 40% of the value

b. **Upto 40% CENVAT Credit -**
For input service received from a person paying service tax on full value

CATEGORY 3 : <u>TOUR OPERATORS SERVICE</u>

Recollect the famous character of Anil Kapoor – Lakkhan! A lot of jokes would be cracked on Lakkhan due to his chest hair.

Frustrated, he decided that **‘Enough is enough!’**

So he decided to go to America for a laser hair removal surgery.

It a was hi first time travelling to USA,
so he first contacted a tour operator who asked him to:

1. Book 1 hotel 

2. Pack 2 bags 

3. And then do all other things like singing 1 2 ka 4:

What this actually means :

1	[hotel]	10% for accomodation
2	[packed bags]	25% for packaged tour
Ka 4	[everything else]	40% for other services services by tour operator

Services by a tour operator in relation to- **Solely arranging or booking accomodation** for any person in relation to a tour	**10**	(I) The invoice, bill or challan issued indicates that it **is towards the charges for such accomodation.** (ii) This exemption is **not applicable where** the invoice, bill or challan issued by the tour operator **only includes the service charges.**
A **package** tour	**25**	The **bill** issued for this purpose indicates that it **is inclusive of charges** for such a tour.
Any services **other than specified above**	**40**	The bill issued indicates that the **amount charged in the bill is the gross amount charged** for such a tour.

The abatements are subject to the condition that no CENVAT Credit be availed on inputs, capital goods and input services.

CATEGORY 4 : <u>HOTEL SERVICES</u>

WELCOME TO HOTEL DECENT

<u>Charges –</u>

Room charges - Re. 1/min i.e. **Rs.60/hour**

Room + food/7up - Rs. 70/hr

All food is cooked by our world famous chef "Shevanti (sounds like 70) Bai"

Renting of hotels, inns, guest houses, clubs, campsites or other commercial places **meant for residential or lodging purposes**	**60**	CENVAT credit on **inputs and capital goods,** used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.
Bundled service by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention centre, club, pandal, shamiana or any other place, specially arranged for organizing a function) **together with renting of such premises**	**70**	CENVAT credit on **any goods under Chapters 1 to 22** of the Central Excise Tariff Act, 1985, has not been taken under the provisions of the CENVAT Credit Rules, 2004.

Thus, renting of temporary accommodation is taxable at 60%.

Where a premises is rented and food/drinks are supplied alongwith such renting, the value of such bundled service is 70%.

CATEGORY 5 : MISCELLANEOUS SERVICES

A. Construction Related

Code : It's all about the house

Interviewer: Where do you see yourself when you are 25?

Interviewee: Buying a small house for me and my wife Sir

Interviewer: And when you are 30? That is 5 years later?

Interviwee: Shifting to a big house, with my wife and five kids Sir!

Construction of complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly, except where entire consideration is received after issuance of completion certificate by the competent authority,- (a) for a residential unit satisfying both the following conditions, namely:- (I) the carpet area of the unit<2000 sq ft; and (ii) the amount charged for the unit<Rs.1Crore;	**25**	CENVAT credit on inputs has not been taken under the provisions of the CENVAT Credit Rules, 2004. The value of land is included in the amount charged from the service receiver
(b) for other than the (a) above.	**30**	

Thus residential units whose carpet area is < 2000 sq. ft and amount charged < Rs.1 crore, that is, smaller units are taxable at 25%.

Where the carpet area is >= 2000 sq. ft or amount charged > Rs.1 crore, service tax would be applicable at 30%.

B. <u>Leasing related</u>

<u>Code</u>: What is leased I fixed assets. AS represents fixed asset.

Services in relation to financial leasing including hire purchase	**10**	No conditions

Withdrawal of abatement on Chit Fund Associations' Service:

Services provided by Chit Fund Associations earlier enjoyed an abatement of 30%, i.e. taxable value was 70%.
However, Budget 2015, based on the case of **Delhi Chit Fund Association** has withdrawn the abatement since it was laid down that activities carried out by Chit Funds do not amount to service, since the same only represents a transaction in money.
However, service tax would be leviable on services provided by foremen of such Chit Fund Associations at full rate.

CHAPTER-5

SERVICES UNDER THE REVERSE CHARGE MECHANISM

Sr. No.	Description Of Service	Service Provider	Service Receiver	% payable by the Service Receiver	% payable by the Service Provider
Full Reverse Charge					
1	Insurance Agency	Insurance Agent	Person carrying insurance business	100%	0%
2	Recovery services	Recovery agent	Banking Co./NBFC/Financial Institution	100%	0%
3	Lottery Ticket Agency	Selling/ Marketing agent of lottery tickets i.e. sub-distributor	Lottery distributor or selling agent	100%	0%
4	Goods Transport	Goods Transport Agency	• Body Corporate • Partnership Firm • AOP • LLP • Registered Factory • Registered Society • Co-operative Society established by or under law • Dealers Registered Under Central Excise Act, 1944	100%	0%
5	Sponsorship	Anyone	Body Corporate or Partnership Firm	100%	0%

6	Arbitrary Services	Arbitral Tribunal	Any Business Entity with turnover above Rs.10 lakhs	100%	0%
7	Legal Services	Indivudual advocate or firm of advocates	Any Business Entity with turnover above Rs.10 lakhs	100%	0%
8	Government Services, excluding Renting of Immovable Property Service	Government or Local Authority	Any Business Entity	100%	0%
9	Import of Services	Any person who is located in a non-taxable territory	Any person who is located in a taxable territory	100%	0%
10	Services by Directors	Director other than those in employment	Any Company	100%	0%
11	Mutual Fund agency	Mutual Fund Agent/ Distributor	Mutual Fund/ Asset Management Company	100%	0%
	Newly introduced w.e.f. 1st March 2015				
12	Supply of Manpower/ Security Service	Individual, HUF, Firm or AOP	Body Corporate	100%	0%
	Before 1st April, 2015, 75% was payable by SR and 25% by SP, i.e. Partial Reverse Charge Mechanism.				
13	Aggregator service	Aggregator/Representative office in India	Persons providing service under brand name of aggregator	100%	0%
	Newly introduced with effect from 1st March, 2015 **Note: This and mutual fund are the only amendments in this book which is not w.e.f. 1st April, 2015**				

Partial Reverse Charge					
1	Renting of Motor vehicle to carry passengers a. Abatement taken b. Abatement not taken	Individual, HUF, Firm or AOP	Body Corporate	 a. 100% b. 50%	 a. 0% b. 50%
2	Works Contract Service	Individual, HUF, Firm or AOP	Body Corporate	50%	50%

Code for remembering services under Full Reverse Charge :-

(Excluding aggregator service)

1. Paresh Rawal who was a **lottery** agent in Malamaal Weekly played the role of **lawyer** in Oh My God!

In OMG, he filed a case against **inurance company** to **recover** his loss.

OMG was so **GOOD** that it became a huge hit even **abroad.**

So the **directors, distributors, sponsors** and even the **Government** (from taxes) became malamaal.

Lottery - Lottery Agency Services

Lawyer – Legal or Arbitrary Tribunal Services

Insurance – Insurance Agency Services

Recover – Recovery Services

Good – Goods Transport Agency

Abroad – Import of Services

Directors – Services by Director

Distributors – Mutual Funds Agent/Distributor Services

Sponsors – Sponsorship services

Government - Services by the Government or a Local Authority

OR

2. A **mutual friend** studying at **Government Law College ('GLC')** said that the **security** guard of GLC won a crore rupees **lottery**.

The guard almost got a heart attack but thank God that **insurance** tha! When he **recovered,** everyone asked him how he was going to use the money.

He said "I will use the money to **sponsor** my daughter's higher education **abroad** so that one day she becomes the MD (Managing **Director**) of GLC."

Mutual Friend – Mutual Funds Agent/Distributor Services

Government - Services by Government or Local Authority

Law College - Legal or Arbitrary Tribunal Services

Security – Security / Manpower Supply

Lottery – Lottery Agency Services

God – Goods Transport Agency

Insurance – Insurance Agency Services

Recovered – Recovery Services

Sponsor – Sponsorship services

Abroad – Import of Services

Director – Services by Director

Under Partial Reverse Charge there are only two services –

1. Works contract service

2. Rent-a-cab service

CHAPTER-6

SECTION 66E - DECLARED SERVICES

The following 9 services have been declared to be services:

- **Renting** of immovable property;
- **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;
  Exception: Entire consideration is received after issuance of Completion Certificate by the Competent Authority
- Temporary transfer or permitting the use or enjoyment of any **Intellectual Property Right (IPR);**
- Services in relation to **IT software** – Adaptation, customisation, development, designing, enhancement, implementation, programming, upgradation;
- Agreeing to the obligation to **refrain** from an act, or to **tolerate** an act or a situation, or to do an act;
- Transfer of goods by **HiLeLi** [Hiring, Leasing or Licensing] **without transfer of right to use** such goods;
- Activities in relation to delivery of goods on **hire purchase** or any system of payment by **instalments;**
- Service portion in the execution of a **works contract;**

- Service portion in an activity wherein goods, being **food** or any other article of human consumption or any **drink** (whether or not intoxicating) is **supplied** in any manner as a part of the activity

Picture this:

You have a flat which you want to let out, on rent.

So you go to TechCity – a place where all IT Companies have offices – like HP, Intel, Microsoft, etc.

You reach there on lunch time, and as soon as you see employees coming out of their offices, you loudly **declare** your offer:

Hello you people working in HP, Microsoft and Intel! Take my flat on rent!

The flat has a kitchen full of food and drinks plus a bathroom equipped with toiletries (shampoos, soaps and other bathing accessories) too!

You will have right to use all that too!

Le Lo! Le Lo! Rent pe Le Lo!

Now that you have visualised this picture, let's see what this story stands for:

Flat	Construction of complex
On **Rent**	Renting of immovable property
To those **working**	Works Contract
In **HP**	Hire purchase
Intel	Intellectual property Right
Microsoft	Information Technology Software
Along with **right to use**	Temporary Transfer without transfer of right to use
The **food/drinks**	Catering
and **toiletries**	Agreeing to tolerate an act/situation

CHAPTER-7

SECTION 65B(44) -
DEFINITION OF SERVICE

"Service means any ACTIVITY carried out by a person for another for CONSIDERATION, and includes a DECLARED SERVICE, **but shall not include;**

a) An activity which constitutes MERELY,

  i. A transfer of **TITLE** in goods or immovable property, by way of sale, gift or in any other manner; or Deemed sale under Article 366(29A) of the Constitution

  ii. A transaction in money or **ACTIONABLE CLAIM**

b) A provision of service by an **EMPLOYEE TO THE EMPLOYER** in the course of or in relation to his employment.

c) Fees taken in any **COURT OR TRIBUNAL** established under any law for the time being in force.

HOW TO REMEMBER THE EXCLUSIONS:

Rajat Sharma, took all other **employees** to watch his upcoming **action** movie, whose **title** is "**Adaalat** ki Aadat"

The above picture has Rajat Sharma the famous anchor. Picture him having a fun time with all the employees and crew of his news channel, in the theatre, hooting and whistling at the premier show. He makes an action appearance and says dialogs of Chulbul Pandey in his famous court setup.

Do not feel shy as you imagine, for, the funnier your imagination, the longer it lasts in your brain.

Employees–Employer employee relationship

Action– Actionable Claims and transactions in money

Title– Transfer of title in property by way of sale, gift, etc.

Adaalat– Court fees or fees taken in Tribunals

<u>Detailed Understanding:</u>

- **Exclusion of Parliamentarians and Government officials:**

  Explanation 1 specifically excludes Functions and Duties performed by the following persons from the definition of service:

(A) Members of
  - Parliament,
  - State Legislative,
  - Panchayats,
  - Municipalities and
  - Other local authorities who receive any consideration in performing the functions of that office as such member; or

(B) Persons holding any post in pursuance of the provisions of the Constitution in that capacity; or

(C) **CMD** -**C**hairpersons or **M**embers or **D**irectors in a body established by the Central Government or State Government or a local authority and who is not deemed as an employee before the commencement of this section

- **What is a transaction in money?**

  Explanation 2 provides that transaction in money excludes:

  Any activity relating to

i) **Use of money** or **conversion** by cash or by any other mode, from one form to another form, from one currency or denomination to another currency or denomination **for which a separate consideration is charged.**

ii) Activity **in relation** to or **for facilitation** of transaction in money or actionable claim including activities by:

   a. **Lottery distributor/ selling agent** for promoting, marketing, organising or selling of lottery

   b. **Foreman of a Chit Fund** for conducting or organizing chits

- **Understanding meaning of distinct persons:**

  Explanation 3 provides that:

  A body of persons or an unincorporated association is distinct from the members forming it.

  An establishment of a person in a taxable territory and another in a non- taxable territory are different persons.

  Explanation 4 defines establishment as a branch or agency or representational office in any territory used to carry business in that territory.

CHAPTER-8

NOTIFICATION 25/2012 AS AMENDED - MEGA EXEMPTION NOTIFICATION

2 WAYS OF REMEMBERING THE ENTIRE MEGA EXEMPTION NOTIFICATION :

1. **REMEMBER IT WITH ITS RELEVANT SERIAL NUMBERS, IN THE SAME ORDER AS THEY APPEAR.**

   This helps you recollect and refer to the relevant serial number of the exemption rather than running through the entire list every time to find whether the particular service is exempt or not.
   Moreover, in examinations, it is impressive and highly appreciated if you quote the corresponding serial number, though the same is not expected from students.

2. **REMEMBERING ONLY THE NEGATIVE LIST:**

   You may choose to skip this code by retaining the negative list and reading individually every entry of mega exemption without remembering them all together.
   Whatever question asked in the exam does not fit in the negative list, would by implication fall in the mega exemption notification.

Word of Caution before you use the code:

This code aims to aid you broadly remember, at once, the heads of exemptions covered under the mega exemption.

Once you know what falls under the mega exemption notification, you must familiarise yourself with every internal detail of each entry under the exemption.

TRICK TO REMEMBERING :

The mega exemption contains

- 42 old exemptions (some of them omitted) +
- New exemptions as introduced by Budget 2015 +
- Exemptions earlier under negative list withdrawn and now included in mega - exemption.

So ensure that you start learning the code with a fresh mind, taking up about 15 exemptions at a time. Take a break, revise them and then pick up the next set. It is one of the easiest lists to remember, and if you take my word, you will retain this for longer than you expect. Just avoid giving up before you even start.

1. MEGA EXEMPTION WITH THE EXACT SERIAL NUMBER :

1) Code:
One in Hindi is Ek – Ek for Ekta – Ekta means United
or One is UNO - UNO means United Nations Organisation

Services provided to the **United Nations ('UN')** or a **Specified International Organization('SIO')**

One - Ek - Ekta - United Nations and Specified International Organisation
One – UNO– United Nations Organisation (UNO) and Specified International Organisation

2.) CODE:

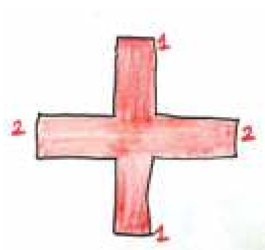
Two lines- 1 horizontal 1 vertical makes a cross – Health Service

- Health care services by: **(CAMP)**
  - i. **C**linical establishment,
  - ii. **A**uthorized **M**edical practitioner or
  - iii. **P**ara-medics;

- **Transportation** of a patient in an ambulance;

- Services by **Cord Blood Banks** by way of preservation of stem cells or any other service in relation to such preservation;

- Common **Bio-medical Waste** Treatment Facility provided to clinical establishment by way of treatment/disposal of bio-medical waste including the incidental processes.

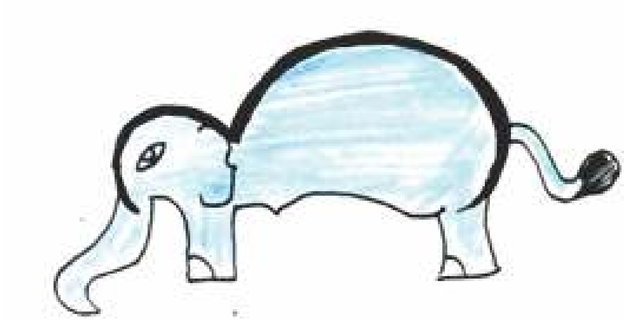


Two lines – health cross – CAMP, Transportation, Cord Blood Bank, Biomedical Waste

3.) CODE:

Inverted 3 – looks like an Elephant – Animals and Birds - Veterinary Service

Veterinary clinic services in relation to health care of animals or birds.



Inverted 3 – Elephant – Veterinary services

4.) CODE:
In Hindi – 'Char' – Charitable services

Charitable activities by an entity registered under section 12AA of the Income Tax Act, 1961.

4 – Char – Charitable

5.) CODE:
5 Pandavas - married Draupadi - religion+ marriage

- **Renting of precincts of a religious place** meant for general public or
- Conduct of any **religious ceremony (includes marriage);**
- Services in respect of a **religious pilgrimage** by a specified organization, facilitated by the MEA, GOI, under bilateral arrangement

5 – Pandav married to Draupadi – marriage + religion
Religious [Pilgrimage + Place + Ceremony]

6.) CODE:

6 comes after 5 – After 5 (marriage) comes 6 (divorce) – done by lawyer in court

- Services **by an arbitral tribunal** or **legal services by an individual advocate / firm of advocates** to –
    i. Any person **other than a business entity**; or
    ii. **A business entity with a turnover up to Rs.10 lakh** in the preceding financial year

- Legal services
    i. **BY** an advocate or a partnership firm of advocates
    ii. **TO** an **advocate or a partnership firm of advocates**, providing legal services

- By **person represented on an arbitral tribunal** to an arbitral tribunal

6 after 5 – divorce after marriage – lawyer and court

7.) OMITTED

8.) CODE:

8 – in Hindi is Aath – Aath sounds like Art

Training/coaching in recreational activities relating to:
Arts, Culture or Sports (CArS)

8 – Aath – Art – Art, Culture and Sports (CArS)

9.) CODE:

9 – in Hindi is Nau – Nau sounds like 'No' - No Masti only Padhai - Education

Services provided:

- **BY an Educational Institution** to its students, faculty and staff
- **TO an Educational Institution** by way of-

    i. **Transportation** of students, faculty and staff;

    ii. **Catering**, including any mid-day meals scheme sponsored by the Government;

    iii. **Security or cleaning or house-keeping** services performed in such educational Institution ;

    iv. Services relating to admission to, or conduct of **examination** by, such Institution.

Students come by bus – give exam – have lunch – go back to their house

9A.)

- Any **services provided by** -
  i. the **NSDC** set up by the GoI;
  ii. a **SSC** approved by the NSDC;
  iii. an **assessment agency** approved by the **SSC** or the**NSDC**;
  iv. a **training partner** approved by the SSC or the NSDC

  in relation to

  (a) NSDP implemented by the NSDC; or

  (b) a vocational skill development course under the NSCMRS; or

  (c) any other Scheme implemented by the NSDC

NSDC – National Skill Development Corporation

SSC –Sector Skill Council

NSDP –National Skill Development Programme

NSCMRS –National Skill Certification and Monetary Reward Scheme

10.) CODE:

After 9 (Padhai) comes 10 (khel kood)

Services provided to a recognized sports body by -

- **AN INDIVIDUAL** as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body;

- **Another recognized sports body;**

10 – comes after 9 – khel kood i.e. sports comes after padhai i.e. education

11. CODE:

11 – 11 players in cricket team – 2011 world cup – Sahara sponsored Services by way of sponsorship of sporting events organized,-

- by a **National Sports Federation**, or its affiliated federations, where the participating teams or individuals represent any District, State, Zone or Country;

- by Association of Indian **Universities, Inter-University** Sports Board, **School Games Federation** of India, All India Sports Council for the **Deaf, Paralympic** Committee of India or Special Olympics Bharat;

;

- by **Central Civil Services** Cultural and Sports Board;

- as part of **National Games**, by Indian Olympic Association; or

- under Panchayat Yuva Kreeda Aur Khel Abhiyaan **(PYKKA)** Scheme

11 – 11 players and 2011 cricket world cup – Sahara sponsored – NSF/ Universities, School Federation, Council for Deaf, Paralympic Committee/ CCS/ National Games/ PYKKA

12.) CODE:

The **pipe** in the **water canal** of **Taj Mahal** got spoilt.

Services to Government, LA or GA

Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of -

- **A historical monument**, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958;

- **Canal,** dam or other irrigation works;

- **Pipeline, conduit or plant** for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal;

The following entries in Sr. no. 12 have been omitted w.e.f. 1st April, 2015:

- A civil structure or any other original work meant predominantly for **use, other than commerce, industry, or any other business or profession**

- A civil structure meant for use as (i) **Educational,** (ii) **Clinical,** (iii) **Art or Cultural Establishment**

- A residential complex meant predominantly for **self-use or use of employees** or persons specified in Sec. 65B(44) - Explanation 1.

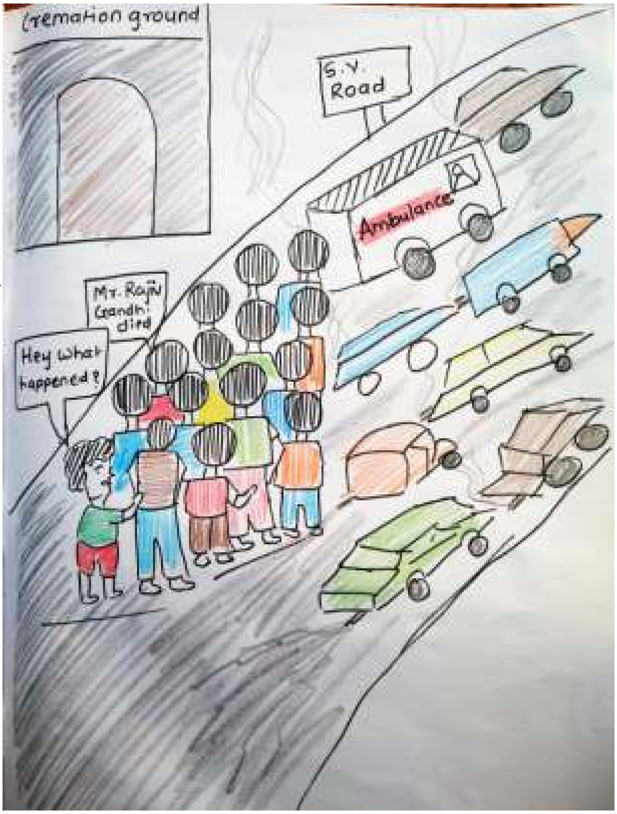
12 – Services provided to Government, LA, GA – Pipe in water canal of Taj Mahal got spoilt (includes repair maintenance etc, i.e. contract other than original works unlike Sr. no. 14)

13.) CODE:

When **Rajiv Gandhi** died, he had to be taken to the **crematorium** for **religious rites.** But so much **public** and vehicles gathered on the **roads and bridges** that it led to **pollution.**

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

- A civil structure or any other original works pertaining to a scheme under **Jawaharlal Nehru National Urban Renewal Mission** or **Rajiv** Awaas Yojana;
- A structure meant for funeral, burial or **cremation** of deceased;
- 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;**
- A **road, bridge,** tunnel, or terminal for road transportation for use by **general public;**
- A **pollution control** or effluent treatment plant, except located as a part of a factory



13 – Rajiv Gandhi died – crematorium – religious rites – roads and bridges – public - pollution -
(like Sr. No. 12, includes repair, maintenance, etc, i.e. contract other than original works unlike Sr. no. 14)

14.) CODE:

Wife to husband: We should have **one small house** – near the **Railway Station** – which has at least a **refrigerator** in which **food** can be kept

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

- A **single residential** unit otherwise than as a part of a residential complex;

- **Low- cost houses** up to a carpet area of 60 square meters per house in a housing project approved by competent authority under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, GoI;

- **Railways**, including monorail or metro;

- **Post- harvest storage infrastructure** for agricultural produce including a **cold storage** for such purposes or;

- **Mechanized food grain handling system**, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages

14 – woman to husband – one small house – near railway station – refrigerator – food-grains – only original works contract covered

15.) CODE:
15 – 1 and 5 – in Hindi Ek and Panch - Ek baje aur paanch baje ka movie show – copyright of films or
15 in Hindi is Pundra - **P**ermitting **U**se or **N**joying **DRA**matic works

Services provided by way of temporary transfer or permitting the use or enjoyment of a **copyright**, -

- Covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 , relating to **original literary, dramatic, musical or artistic works**; or

- Of **cinematographic films** for exhibition in a **cinema hall or cinema theatre.**

15 – One Five – Show timings one o' clock and five o' clock – Cinematographic film in cinema hall / theatre – Copyright for original literary/ dramatic/ musical/ art works or
or
15 in Hindi is Pundra - **P**ermitting **U**se or **N**joying **DRA**matic works

16.) CODE:
16 in Hindi is 'Sola'– Sholay – Basanti – Hema Malini – Classical Dancer and Brand ambassador of Kent

Services by an artist by way of a performance in **folk or classical art forms** of

- music,
- dance,
- theatre,

If the consideration charged for such performance is upto Rs. 1 lakh.
Amended w.e.f. 1st April, 2015

Exception: Above service provided by such artist **as a brand ambassador** is not exempt.

16 – Sixteen in Hindi – Sola – Sholay – Hema Malini – Classical Dancer – Brand Ambassador of Kent – performance in classical/folk forms – music / dance / theatre upto Rs. 1 lakh – excludes as brand ambassador

17.) CODE:
17 in hindi is satra – satre pe khatra – chain se sona hai toh jaag jao

Collecting or providing news by an independent journalist, PTI or UNI

PTI – Press Trust of India
UNI – United News of India

17 – 17 in Hindi is Satra – Satre pe Khatra – Sansani – Chain se sona hai toh jaag jao – collecting/providing news – independent journalist/ PTI/ UNI

18.) CODE:
Once you are 18 you can go to clubs

Services by a **hotel, inn, guest house, club or campsite**, by whatever name called, for residential or lodging purposes, having **declared tariff per unit below Rs.1000 per day**

18 – After becoming 18 you can go to club – temporary accommodation below Rs. 1000 per day – hotel, inn, guest house, club or campsite

19.) CODE:
After going to the club (18), people usually start drinking

Serving of food/beverages by:

- a **restaurant, eating joint or a mess,** not having air-conditioning or central air-heating facility in any part of the establishment, at any time during the year;

19 A.)
a **canteen maintained in a factory** covered under the Factories Act, 1948, having air-conditioning or central air-heating facility at any time during the year;

19 – after going to club (after 18) you can drink or eat there- restaurant/eating joint/ mess not having AC or central air heating in any part at any time during the year – canteen in factory even though having AC or central air heating

20.) CODE FOR 20 & 21:
After drinking (19), don't drive or go by road, travel safe by train.

- Services by way of **transportation by rail or a vessel** within India of

- Other goods common with sr. no 21

21.)
Services provided by a GTA [Goods Transport Agency], by way of **transport in a goods carriage** of , -

- Goods, where gross amount charged for transportation of goods :

  i. On a consignment transported in a **single carriage is upto Rs.1500**;
  ii. For a **single consignee is upto Rs.750**;

- Other goods common with sr. no 20

COMMON GOODS FOR SR. NO. 20 AND 21 :

CODE:
RND on **fertilisers** to improve **agriculture** :

- **R**elief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
- **N**ewspaper or magazines registered with the Registrar of Newspapers;
- **D**efence or military equipments;
- **Chemical fertilizer**, organic manure and oil cakes;
- **Agricultural** produce;
- Milk, salt and food grain including flours, pulses and rice;
- Cotton, ginned or baled

W.e.f. 1st April 2015, entry containing –
Foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages has been omitted from the list of common goods.

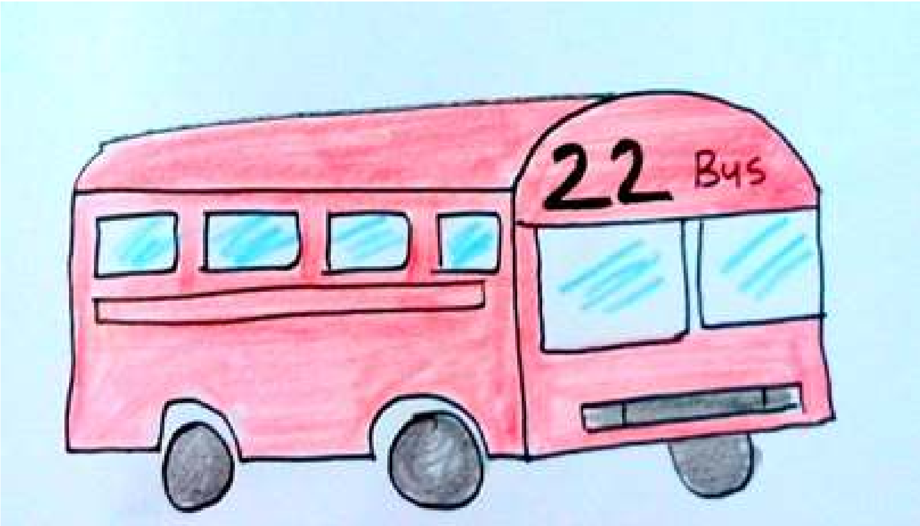
20 and 21– After drinking (after 19) in club you must not go driving by road but use train – rail and road transport of common goods – for rail specific railway equipment – for road specific transportation where single consignee Rs.750 and where single carriage Rs. 1500 – common goods – RND on fertilisers for agriculture – milk, salt, foodgrains and cotton.

22.) CODE:
BEST Bus No. 22

Services by way of giving on hire -

- A motor vehicle meant to carry more than 12 passengers to a State Transport Undertaking or

- A means of transportation of goods to a GTA



22 – BEST Bus no. 22 – State Transport Undertaking vehicle > 12 passengers – Means of transporting goods to a GTA

23.)

Transport of passengers, with or without accompanied belongings, by –

- **Air, embarking from or terminating in an airport** located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal; **[North Eastern States]**

- **Non-air-conditioned contract carriage** other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or

- Ropeway, **cable car** or aerial tramway

23– Passenger transport – By air in north eastern states of India and West Bengal – Non AC contract carriage other than radio taxi except for tourism, charter, hire – ropeway, cable car or aerial tramway

24.) OMITTED

25.) CODE:
25 is Two Five – Two Five sounds like To Fight – To Fight poverty/poor health etc. we must help Government

Services provided to the Government, a local authority or a governmental authority by way of –

- **Water** supply, **public health**, **sanitation** conservancy, **solid waste** management or **slum improvement** and up-gradation; or

- Repair or maintenance of a **vessel.**

25– Two Five – sounds like To Fight – To fight poverty/ poor health we must help the Government – services to Government, LA or GA by water supply, public health, sanitation, solid waste management, slum improvement / upgradation – repair/maintenance of vessel

26.)

- Services of **general insurance business** provided under specified schemes [Refer Notification 25/2012 for details]
  Pradhan Mantri Suraksha Bima Yojana added to the list
  w.e.f. 1st April, 2015.

- Services of **life insurance business** provided under following schemes
  i. Janashree Bima Yojana **(JBY)**; or
  ii. Aam Aadmi Bima Yojana **(AABY)**
  iii. **Life micro-insurance** product as approved by the IRDA having maximum amount of cover of **Rs.50,000**

The following have been added to the list w.e.f. 1st April, 2015:
- **Varishtha Pension Bima Yojana;**
- **Pradhan Mantri Jeevan Jyoti Bima Yojana;**
- **Pradhan Mantri Jan Dhan Yojana;**
- **Services of collection of contribution under Atal Pension Yojana (APY)**

26– General Insurance and Life Insurance Schemes – newly introduced Varishta Pension Bima Yojana and 3 other schemes newly launched – Jan dhan , Jeevan Jyoti, Atal Pension Yojana

27.) CODE:
2+7 = 9 – Less than 9 month babies are kept in incubators

Services provided by an incubatee upto a total turnover of Rs. 50 lakh in a financial year subject to the following conditions, namely, -

- **The total turnover is upto Rs. 50 lakh** during **the preceding financial year**; and

- **3 years have not been elapsed** from the date of **entering into an agreement** as an incubatee.

27 : 2 +7 = 9- less than 9 months babies are kept in incubator – Services by an incubatee upto Rs. 50 lakhs provided previous year turnover also upto Rs. 50 lakhs – 3 years not elapsed from entering into agreement

28.)

Service to its own members by an unincorporated body or a non - profit entity, registered under any law for the time being in force, by way of reimbursement of charges or share of contribution -

- As a **trade union**;
- For the provision of **carrying out exempt services**; or
- **Upto Rs. 5000 per month per member** for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex;

Service by Unicorporated Association/ Registered Non Profit Entity to own members – as trade union – providing exempt services – upto Rs. 5000 per member per month in case of housing societies/residential complexes

29.)

Services by the following persons in **respective capacities** -

- **Sub-broker** or an authorized person to a **stock broker**;
- **Authorized person** to a **member of a commodity exchange**;
- **Selling agent or a distributor of SIM cards or recharge coupon** vouchers;
- **Business facilitator or a business correspondent** to a banking company or an insurance company, in a rural area; or
- **Sub-contractor** providing services by way of works contract to another contractor providing works contract services which are exempt;

The following have been omitted from the above list w.e.f. 1st April, 2015:

- **Mutual Fund agent or Distributor** to Mutual Fund/ Asset Management Company
- **Selling/Marketing agent of lottery tickets** to distributor/ selling agent

29 – Services in capacities as – sub- broker, authorized person to member of commodity exchange- selling agent of SIM cards and recharge coupons –

Business facilitator or correspondent to Banking Company or Insurance Company in rural area – sub-contractor to main contractor.

30.)

Carrying out an intermediate production process as job work in relation to –

- **Agriculture, printing or textile** processing;

- Cut and polished **diamonds and gemstones**; or **plain and studded jewellery** of gold and other precious metals, falling under Chapter 71 of the Central Excise Tariff Act ,1985 (5 of 1986);

- Any goods [excluding alcoholic liquors for human consumption] on which **appropriate duty is payable by the principal manufacturer**; or

- Processes of :
  i. Electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black;
  ii. During the course of manufacture of parts of **cycles or sewing machines**;
  iii. Up to an aggregate value of taxable service of the specified processes of **Rs.150 lakhs in a financial year**;
  iv. Provided such aggregate value was **up to Rs.150 lakhs during the preceding financial year**

30 – Job work – Agriculture, textile and printing - Diamonds, gemstones, jewellery – goods on which appropriate duty is payable by Principal Manufacturer – Electroplating, zinc plating, heat treatment, powder coating or painting parts of cycles or sewing machines upto Rs. 150 lakhs provided previous year value upto Rs. 150 lakhs.

31.) CODE:
On the last day of every month, exhibitions are held

Services in respect of a **business exhibition held outside India by an organizer**

31– Last day of every month – there is exhibition – business exhibitions held outside India

32.) OMITTED w.e.f. 1st APRIL, 2015

CODE : 32 in Hindi is Battis – Battis sounds like Battiyana/ baatein – talking over phone

Making telephone calls from:

a. **Guaranteed public telephone** operating only for local calls;

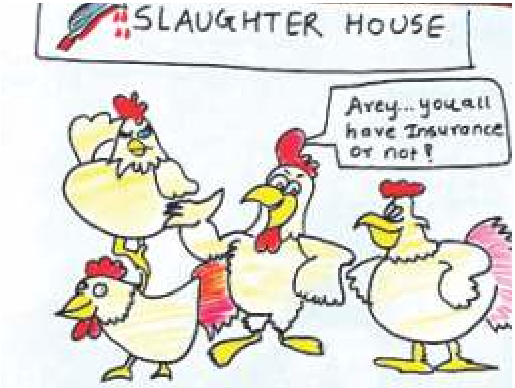
b. **Free telephone at airport or hospitals** where no bills are being issued.

32 – Omitted – Battis is 32 in Hindi – Battiyana over phone – Guaranteed Public Telephone – Free telephone at airport or hospitals.

33.) CODE:

3 was veterinary care of animals – 33 is exact opposite – slaughtering

Services by way of **slaughtering of animals**;



33– 3 was veterinary service – 33 is opposite – slaughtering of animals

34.)
Services **received from a service provider located in a non- taxable territory** by -

- **Government, LA** [Local Authority], **GA** [Governmental Authority];
- **An individual** in relation to any purpose **other than commerce, industry or business or profession**;
- **Entity registered u/s 12AA of the Income Tax Act, 1961** - for the purposes of providing charitable activities; or
- A person located in a **non-taxable territory**;

34 – Service received from outside India by – a person located outside India, an individual for personal/non-commercial purpose – Charitable organisation registered under 12AA of Income Tax – Government, LA or GA

35.) CODE:
35 in Hindi is Paitees – Librarian says Pai Pai mat karo – be quiet it's a library

Services of **public libraries** by way of lending of books, publications or any other knowledge- enhancing content or material.

35 – 35 in Hindi is Paitees – Library me pai pai mat karo – Be quiet – service of lending books, publications, knowledge enhancing material by public libraries.

36.) CODE:

36 in Hindi is Chattis – Employers and Employees ka hamesha Chattis ka aakda hota hai

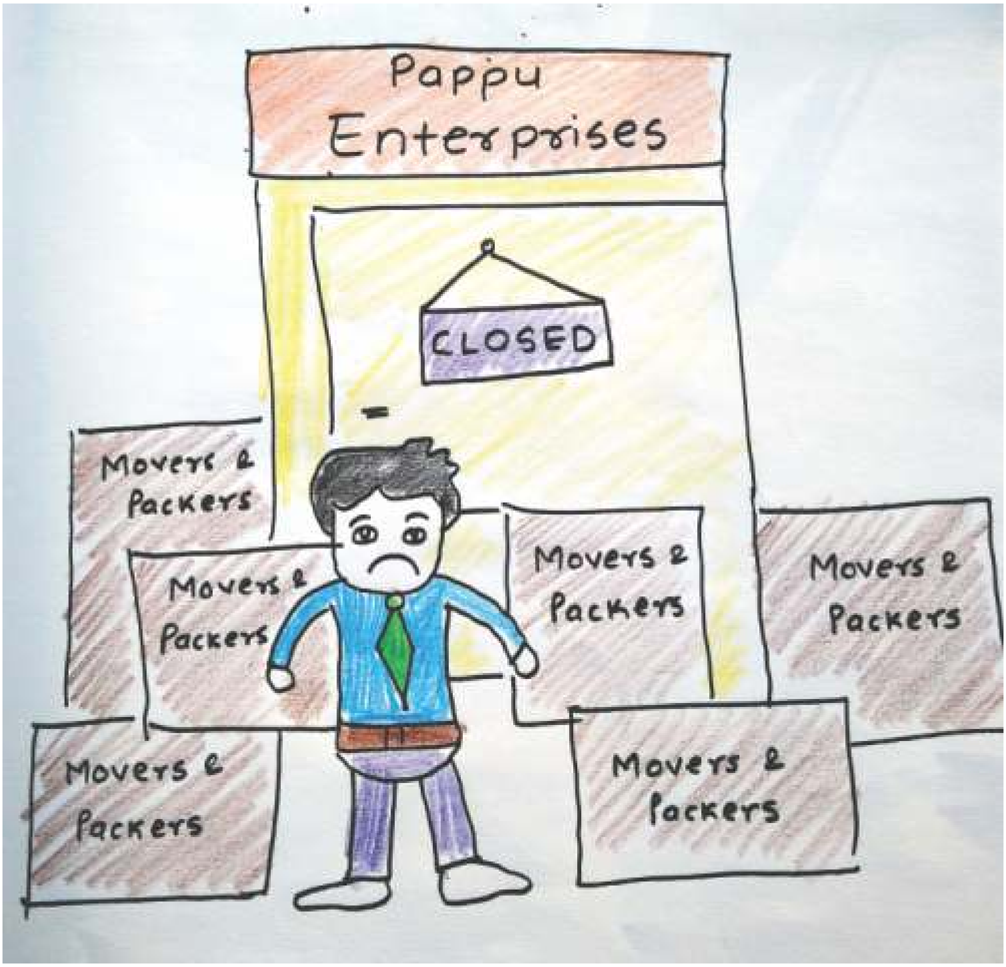
Services by Employees' State Insurance Corporation to persons governed under the Employees' Insurance Act, 1948

36 – 36 in Hindi is Chattis– Employers and employees always have Chattis ka aakda – Services by ESIC to employees governed under the Employees' Insurance Act, 1948

37.) CODE:

37 in Hindi is Saintees – Saintees sounds like Senty - While selling his business Pappu became very senty

Services by way of **transfer of a going concern**, as a whole or an independent part thereof



37 – 37 in Hindi is Saintees – sounds like Senty – Pappu became senty while selling his business – transfer of going concern as a whole or an independent part thereof

38.)

Public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets;

39.)

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.

40.)

Loading, unloading, packing, storage or warehousing of **rice, cotton**, ginned or baled

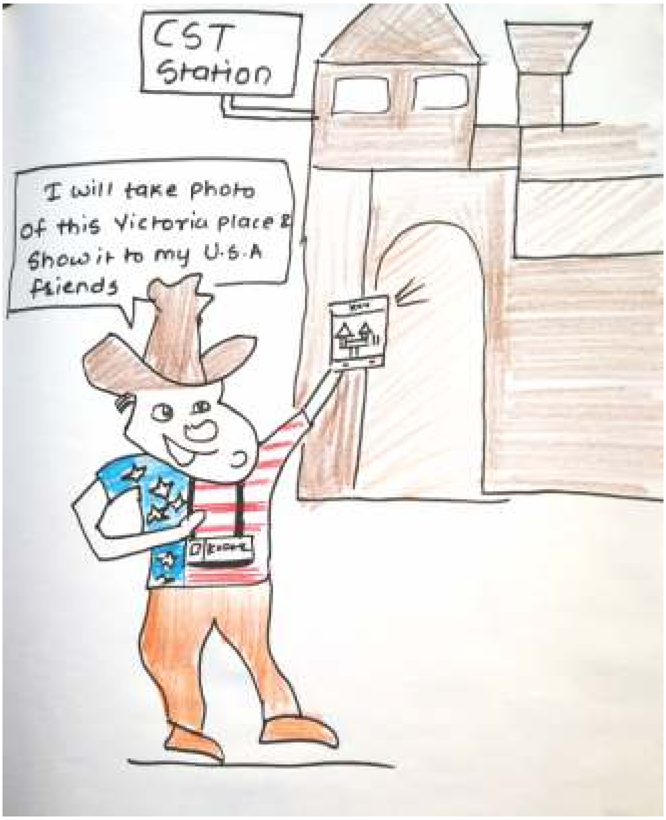
41.)

Services **received by the RBI, from outside India** in relation to foreign exchange reserves management.

42.) CODE:

Four two - sounds like Photu – photos - tourists

Services provided by a **tour operator to a foreign tourist** in relation to a tour conducted wholly outside India



42 – 42 is Four Two – sounds like Photu – Tourists take photos – tour operator service to foreign tourist in relation to a tour conducted wholly outside India.

ALL ENTRIES AT A GLANCE :

SR. NO.	CODE	WHAT IT SIGNIFIES
1	1 - EK - Ek for Ekta - Ekta means United	Services to **UNITED** Nations / Specified International Organisations
2	2 - Two lines make a plus (+) – health cross (+)	**Health Care Services** by Clinical Establishment/Authorised Medical Practitioner and para medics
3	Imagine an inverted 3 as an elephant	**Veterinary clinic** services for health care of animals or birds
4	4 – Char – **Char**itable	**Charitable activities** by an entity registered under section 12AA of the Income Tax Act, 1961
5	5 - 5 Pandavas married Draupadi – marriage and religious	Conduct of any **religious ceremony (including marriage)** or renting of precincts of a religious place meant for general public
6	6 is after 5 – divorce by lawyer is after marriage (5)	Services by arbitral tribunal or advocate/ firm of advocates to a. Non business entity b. Business Entity with a turnover upto Rs. 10 lakhs in the preceding FY Legal services provided among advocates
7	Omitted	Technical testing/analysis of newly developed drugs on human participants by a clinical research organisation
8	8 - Aath - Art	Training or coaching in recreational activities relating to **arts**, culture or sports
9	9 - Nau – **No (Nau)** masti only padhai - education	Services in relation to an **educational institution**
10	10 comes after 9 – After Padhai (9) **khel kood (sports)**	Services provided to a recognised sports body by another recognised sports body or by a player, referee, umpire, coach or team manager for participation in the sporting event
11	11- 11 ki cricket team or world cup 2011 - cricket sponsored	**Sponsorship of sporting events** organised by specified sports Associations/

SR. NO.	CODE	WHAT IT SIGNIFIES
12 13 14	Services to Government and others in relation to works contract	See in detail
15	15 - Ek aur Paanch ka movie show timing	Temporary transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical, artistic works or cinematographic films;
16	16 - Sola = Sholay – Hema Malini – classical dancer-Brand Ambassador of Kent water purifier	Services by a **performing artist in folk or classical** art forms of (i) music, or (ii) dance, or (iii) theatre, **excluding** services provided by such artist as a **brand ambassador**
17	17 - Satra - Satra pe khatra – chain se sona hai toh jaag jao	**Collecting or providing news** by an independent journalist, Press Trust of India or United News of India
18	18 means adult – you have to be minimum 18 for going to the club	**Renting of a hotel, inn, guest house, club, campsite or other commercial places** meant for residential or lodging purposes, having declared tariff of a unit below Rs. 1000
19	After going to the club people usually start drinking	**Serving of food or beverages** by a restaurant, eating joint or a mess, not having the facility of air-conditioning or central air-heating in any part of the establishment, at any time during the year + Canteen in a factory even though having such facility
20 21	After drinking when you leave, don't drive! So go by train!	Transportation by road and rail – see in detail
22	Bus. No. 22	Giving on hire – (a) to a state transport undertaking, a motor **vehicle meant to carry > 12 passengers** or (b)to a GTA, a means of transportation of goods

SR. NO.	CODE	WHAT IT SIGNIFIES
23	No Code	Transport of passengers by a) air, embarking or terminating at an airport located in specified north eastern states b) a contract carriage for the transportation of passengers, excluding tourism, conducted tour, charter or hire; or c) ropeway, cable car or aerial tramway
24	Omitted	**Vehicle parking** to general public excluding leasing of space to an entity for providing such parking facility
25	**Two Five - To Fight** problems, we should help Govt. carry out its duties	**Services provided to the Government**, a local authority or a governmental authority by way of - (a) carrying out any activity in relation to **any function ordinarily entrusted to a municipality** in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation; or (b) **repair or maintenance of a vessel** or an aircraft
26	No Code	General Insurance business under specified schemes and specified Life Insurance schemes
27	2+7 = 9 = 9 months – **baby**	Services provided by an **incubatee** up to a total turnover of Rs. 50 lakh in a FY subject to : (a) the total turnover had not exceeded Rs. 50 lakh during the preceding FY; and (b) 3 years have not been elapsed from the date of entering into an agreement as an incubatee
28 29 30	No Code	See In Detail
31	Last day of the month we hold an exhibition	Services by an organiser to any person in respect of a business exhibition held outside India

SR. NO.	CODE	WHAT IT SIGNIFIES
32	Omitted	Services by way of making telephone calls from - a) departmentally run public telephone; b) guaranteed public telephone operating only for local calls; or c) free telephone at airport and hospital where no bills are being issued
33	3 was animal health care – 33 is opposite - slaughtering	Services by way of slaughtering of animals
34	No Code	See in detail
35	Paintees – Pai pai mat karo – library hai	Services of public libraries by way of lending of books, publications or any other knowledge - enhancing content or material
36	Employees ka boss ke sath hamesha 36 ka aakda rehta hai	Services by Employees' State Insurance Corporation to persons governed under the Employees' Insurance Act, 1948
37	Saintees - Senty ho jate hain when business is sold	Services by way of transfer of a going concern, as a whole or an independent part thereof
38 39 40 41	No Code	See In Detail
42	Four Two - Photu - Tourism	Services by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India

NEW EXEMPTIONS INTRODUCED BY FINANCE ACT, 2015 w.e.f. 1ST APRIL, 2015:

CODE :
Old (Varishtha) ya Beemar (Bima) logo ka treatment is not eating vegetables or fruits, but enjoying by going for movies like Ek tha Tiger

26.) Addition of - **Varishtha** Pension **Bima** Yojana and 3 newly introduced Schemes in life insurance schemes; [Refer Sr. No. 26]

43.) Services of effluent **treatment** by operator of Common Effluent Treatment Plant;

44.) Preconditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said **fruits or vegetables**;

45.) Admission to a museum, national park, wildlife sanctuary, **Tiger** reserve or zoo;

46.) Service provided by way of exhibition of **movie** by an exhibitor to the distributor or an association of persons consisting of the exhibitor as one of its members.

SERVICES WITHDRAWN FROM NEGATIVE LIST BUT INCLUDED IN MEGA EXEMPTION BY FINANCE ACT, 2015:

47. Service by way of right to admission to:

i.) Exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet;

ii.) Recognized sporting events;

iii.) Concerts, pageants, award functions, musical or sporting event not covered by the above exemption, where the consideration for such admission is upto Rs.500 per person.

CHAPTER-9

SECTIONS 76, 77, 78 AND 78A - PENALTIES

<table>
<tr><th>Sr. no.</th><th>😇 Section 76 😇</th><th>😈 Section 78 😈</th></tr>
<tr><td>1</td><td colspan="2">Where service tax has
• not been levied or paid, or
• has been short-levied or short-paid
or erroneously refunded

UNINTENTIONALLY Not Due to 😇
INTENTIONALLY Due to 😈
• Fraud
• Collusion
• Wilful Misstatement
• Suppression of facts
• Contravention of any provision or Rule with intent to evade payment</td></tr>
<tr><td rowspan="2">2</td><td colspan="2">If ST and interest paid within 30 days of service of SCN</td></tr>
<tr><td>0</td><td>15% of such service tax determined</td></tr>
<tr><td rowspan="2">3</td><td colspan="2">If ST, interest and penalty paid within 30 days of service of Order</td></tr>
<tr><td>25% of the Penalty imposed i.e. 2.5% of service tax determined</td><td>25% of such service tax determined</td></tr>
<tr><td rowspan="2">4</td><td colspan="2">Maximum penalty</td></tr>
<tr><td>10% of such service tax determined</td><td>100% of service tax determined</td></tr>
<tr><td></td><td colspan="2">Where the service tax determined to be payable is reduced or increased by the Commissioner (Appeals), the Appellate Tribunal or, the court, then, such reduced or increased service tax shall be taken into account and 30 days shall apply from date of such order for the increased penalty amount</td></tr>
</table>

Section 77

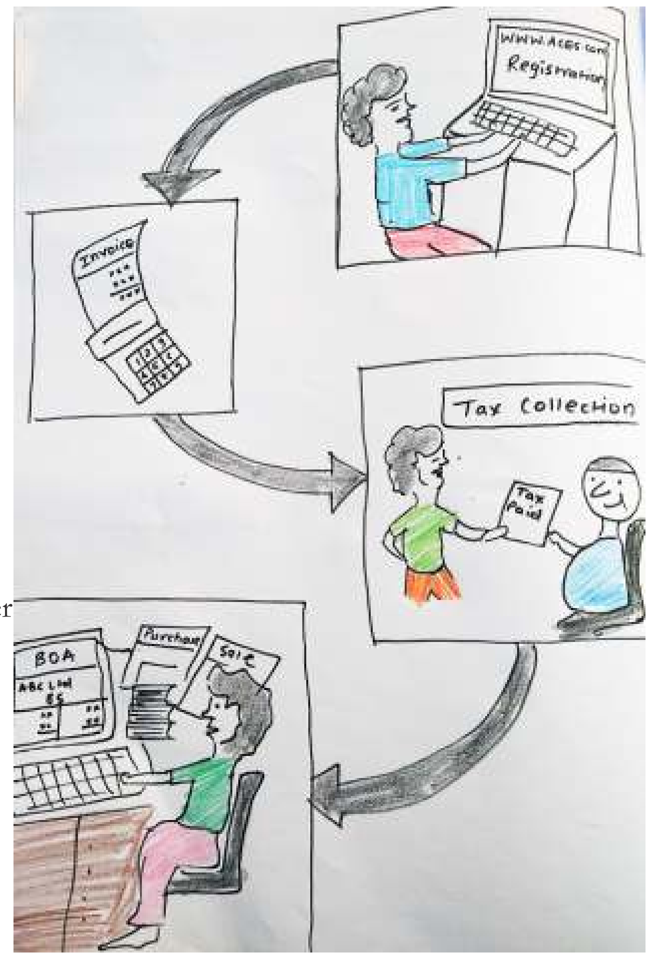
Section 77
Penalty upto **Rs. 10000**

- Failure to take **registration** as per Section 69
- **Failure to account for invoices/ issue of invoices with incorrect/incomplete details**
- Failure **to pay tax** electronically
- Failure to keep, maintain or retain **books of accounts** or other documents
- **Miscellaneous** Contravention for which no penalty separately provided

The penalty can be understood from the order of steps normally carried out by any assessee:

1. Registration
2. Issuing Invoice
3. Making payment of tax
4. Maintaining books of accounts

If penalty for any other contravention under the Act is not provided elsewhere, it will fall under Section 77 too.



Failure to furnish information called by officer

Section 77

Penalty of Rs. 10000 or penalty of Rs 200 per day of continuing failure, Whichever is higher

Faiure to appear before an Officer when summoned

Failure to produce documents called for by Officer

Section 78A:

Penalty **up to Rs. 1,00,000** to the director, manager, secretary, responsible officer of the Company who was in charge of and knowingly concerned with the following contraventions committed by the Company:

- Collects but fails to pay tax for > **6 months** from due date;

- Knowingly **evades payment;**

- Issuance of **invoice, bill or challan** without provision of service in violation of Rules;

- Avails/ Utilises **CENVAT Credit without actually using** goods/ services

Code: Hawala transaction –

Hawali ne Mawali se 6 mahine pehle hi vade (promise) kiye the – that he will issue false invoices so that Mawali can take credit

6 mahine – Collects but fails to pay tax for > 6 months

Vade – Evades payment

False invoices – Issuing invoice without provision of service

Credit –Without actually using goods/ services, avails/ utilises credit

CHAPTER-10

COMPOSITION SCHEMES

1. **M**oney Changing/ Foreign Exchange Broker
2. **I**nsurer for Life Insurance Business
3. **L**ottery distributor or selling agent
4. **A**ir Travel Agent

Money Changing/ Foreign Exchange Broker:

For an Amount	New Rate w.e.f 01.06.15	Co-relation	
Up to Rs. 1 lakh	**0.14%** of the gross amount of currency exchanged or **Rs.35** whichever is **higher**		
Exceeding Rs.1 lakh and up to Rs. 10 lakh	Rs.140 + **0.07%** of the gross amount of currency exchanged-Rs.1,00,000	**1/2**	**140=0.14% of 1 lakh**
Exceeding Rs. 10 lakh	Rs.770 + **0.014%** of the gross amount of currency exchanged -Rs.10,00,000 **or Rs.7,000/-** whichever is **lower**	**1/10**	**770 = 140 + (0.07% of 9 lakh) = 140 + 630**

Option once exercised will apply uniformly for all bookings made and cannot be changed during a financial year in any circumstance.

Insurer for Life Insurance Business:

Option 1:

Period	New Rate w.e.f 01.06.15
First year	**3.5%** of the gross amount of premium charged
Subsequent Year	**Half of first year** **1.75%** of the gross amount of premium charged

The above option is not available where entire premium is only towards risk cover in life insurance.

Option 2:

Service tax can be paid on gross premium charged less amount allocated for investment/savings, if such amount has been intimated to the policy holder at the time of provision of service.

Lottery distributor or selling agent:

Particulars	New Rate w.e.f. 01.06.15
Guaranteed lottery **prize payout is > 80%**	Rs.8200/- on every Rs.10 Lakh (or part of Rs.10 Lakh) of aggregate face value of lottery tickets printed by the organizing state for a draw.
Guaranteed lottery **prize payout is < 80%**	Rs.12800/- on every Rs.10 Lakh (or part of Rs.10 Lakh) of aggregate face value of lottery tickets printed by the organizing state for a draw.

For online lottery, aggregate face value of tickets printed is taken as aggregate value of tickets sold.

The distributor/ selling agent shall exercise the option within a period of 1 month of beginning of Financial Year and such option cannot be withdrawn for the remaining part of the year.

Air Travel Agent:

In the case of	New Rate w.e.f 01.06.15
Domestic bookings of passage for travel by air	**0.7%** of the basic fare
International bookings of passage for travel by air	**Double of domestic** **1.4%** of the basic fare

Option once exercised will apply uniformly for all bookings made and cannot be changed during a financial year in any circumstance.

Basic fare refers to the air fare on which commission is normally paid by the airline to the travel agent.

How to remember:

This is the story of a boy whose pay kept doubling with every job that he took.

1st job: Insurance Company – 3.5

2nd job: Air Travel Agent – 7

3rd job: Money changing/ Forex Broker – 14

Remember just 2nd - Air Travel Agent saatve aasmaan par hai (7th heaven/ cloud 7)

The other two can automatically be calculated.

Lottery distributor or selling agent:

80 % + 20 % = 100 %

Payout> 80% = First 80 then 20 [82 > 80] **8200**

Payout< 80% = Start with 1. First 20 then 80 [12 < 80] **12800**

SERVICE TAX DECODED

Designed on the principles of imaginative association, "Service Tax Decoded" is a compilation of comic memory techniques to master core areas of Service Tax in no time!

Mnemonics and comic associations have always worked for me, whether in exams or professional life.

Use this book as an inspiration to start enjoying what you learn. Let your imagination free and use these techniques to master everything you study!

Ultimately, codes that you create for yourself will work best!

Use this book as an inspiration to transform the way you remember.
Happy Studying!