CHAMBER OF TEXTILE TRADE & INDUSTRY

160, JAMUNALAL BAJAJ STREET, (1st FLOOR), KOLKATA - 700 007

Phones : 2268-2686, 2269-9811, Fax : 91-33-2273-4034, e-mail : cottiindia@gmail.com, Website : www.cotti.in

Circular No. C-3/2012-13/ 07 Dated 31st August, 2012

To

All Members

Dear Sir,

Re : Service Tax

The Members of Revenue, Ministry of Finance, Govt of India, vide its Notification No 26/2012-Service Tax has exempted the taxable service of the description specified in column (2) of the **table enclosed**, from so much of the service tax leviable thereon under section 66B of the Service Tax Act, as in the excess tax calculated on the value which is equivalent to a percentage specified in the corresponding entry in column no. (3) of the said table of the amount charged by such service provider for providing taxable service, subject to the relevant conditions mentioned in the corresponding entry in column (4) of the table.

Hitherto, barring few cases, the service recipient was under no obligation towards the government regarding services received by it and a trading/manufacturing concern was happy discharging service tax on the basis of invoice raised by the service provider. Now from July, 2012 onward, under notification no 30/2012-Service Tax, many manufacturing and trading concerns will have to obtain service tax registration even if they never have and never will provide taxable services. This is following the introduction of Reverse Charge Mechanism and the service tax shall be paid by the service recipient. The cases where service tax liability will have to be discharged by the service recipient are shown in the corresponding column No (8) of the table enclosed.

A single company can have different contracts with the different directors depending upon the nature of work executed by them. They can be executive director, non executive director and nominee director. The executive directors have overall responsibility for primary management of the company and are usually paid salary and other benefits. The Executive Directors' salary and remuneration (other than profit linked commission for which TDS is being deducted u/s 192 of Income Tax Act) **should not form part of the taxable service** under the meaning of Service Tax (clause 44 of section 65B of the Finance Act, 1994).

Under circular no 161/12/2012-ST dated 6th July, 2012, the Negative List based comprehensive approach to taxation of services came into effect from the first day of July, 2012. For payment of service tax under the new approach, a new Minor Head - 'All taxable Services' has been allotted under the Major Head "0044-Service Tax"

Accounting codes for the purpose of payment of service tax under the Negative List approach, with effect from 1st July, 2012 are as follows :

Name of Services	Accounting codes			
	Tax Collection	Other Receipts	Penalties	Deducted refunds
All Taxable Services	00441089	00441090	00441093	00441094

NOTE : (I) Service specific accounting codes will also continue to operate side by side, for accounting of service tax pertaining to the past period (meaning, for the period prior to 1st July, 2012) (ii) Primary Education Cess on all taxable Services will be booked under 00440298 and Secondary and Higher Education Cess on all taxable services will be booked under 004404298: (iii) a new sub-head has been created for payment of "penalty", the sub-head "other receipts" is meant only for payment of interest etc. leviable on delayed payment of service tax, (iv) the sub-head "deduct refunds" is not to be used by the assessees, as it is meant for use by the Revenue/Commissionerated while allowing refund of tax

Thanking you,

For Chamber of Textile Trade & Industry (COTTI)

Mahendra Jain
Hony. Secretary

Encl. : -Table

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SERVICE TAX

I. o.	Description of service	Percentage on which Services Tax Payable	Conditions	Service Provider	Service Recipient	Provider % OF Service Tax Liability	Recipient % OF Service Tax Liability
1	02	03	04	05	06	07	08
1	Services in relation to financial leasing including hire purchase	10	Nil.	Leasing Company	Any Body	100%	NIL
2	Transport of goods by rail	30	Nil.	Railway	Any Body	100%	NIL
3	Transport of passengers, with or without accompanied belongings by rail	30	Nil.	Railway	Anybody	100%	NIL
4	Bundled service by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention center,club, pandal, shamiana or any other place, specially arranged for organizing a function) together with renting of such premises	70	(i) CENVAT credit on any goods classifiable under Chapters 1 to 22 of the Central Excise Tariff Act, 1985 (5 of 1986) used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.	Caterer & Decorator	Individuals or Hotel or Club or Association	100%	NIL
5	Transport of passengers by air, with or without accompanied belongings	40	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.	Airways	Any Body	100%	NIL
6	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.	60	Same as above.	Any Body	Individual	100%	NIL
7	Services of goods transport agency in relation to transportation of goods by road	25	Same as above	Goods Transport Agency	Factory, Society, Co-operative Society, Dealer of Excisable Goods, Body Corporate, Partnership Firm	NIL	100%
[illegible]	Services provided in relation to [illegible]t	70	Same as above.			100%	Nil

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01	02	03	04	05	06	07	08
9	Renting of any motor vehicle designed to carry passengers	40	Same as above.	Individual/HUF/Firm/AOP	Body Corporate	With Abetment Nil Without Abatement 60%	100% 40%
10	Transport of goods in a vessel	50	Same as above.				
11	Services by a tour operator in relation to,- (i) a package tour	25	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour.			100%	Nil
	(ii) a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour	10	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation. (iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation.			100% 100% 100%	Nil NIL NIL
	(iii) any services other than specified at (i) and (ii) above.	40	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii)The bill issued indicates that the amount charged in the bill is the gross amount charged for such a tour.			100%	Nil

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01	02	03	04	05	06	07	08
12.	Construction of a 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	25	(i) CENVAT credit on inputs used for providing the taxable service has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii)The value of land is included in the amount charged from the service receiver.	Individual/HUF/Firm/AOP	Body Corporate	50%	50%
13	Insurance Agency Service	NIL	NIL	Insurance Agent	Any Person carrying on Insurance Business	NIL	100%
14	Sponsorship Services	NIL	NIL	Any Body	Body Corporate/Partnership Firm	NIL	100%
15	Legal Service	NIL	NIL	Arbitral Tribunal	Any Business Entity	NIL	100%
16	Legal Service	NIL	NIL	Individual/Firm/of Advocates	Any Business Entity	NIL	100%
17	Support Service	NIL	NIL	Government/Local Authority	Any Business Entity	NIL	100%
18	Supply Manpower Services	NIL	NIL	Individual/HUF/Firm/AOP	Body Corporate	25%	75%
19	Works Contract Service	NIL	NIL	Individual/HUF/Firm/AOP	Body Corporate	50%	50%
20	Any Taxable Service	NIL	NIL	Located in Non Taxable Territory	Located in Taxable Territory	NIL	100%
21	Security Services	NIL	NIL	Individual/HUF/Firm/AOP	Body Corporate	25%	75%
22	Any Taxable Service	NIL	NIL	Director	Company	NIL	100%

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