

Service Tax in India

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Introduction

Service Tax is a tax levied on service providers in India. All service providers who provide services notified by the Central Board of Excise & Customs (CBEC) from time to time are required to pay a certain percentage of their receipts as service tax to the authorities. There are currently over 100 services that have been notified on which Service Tax is applicable.

In few cases, tax is payable by service receiver, under reverse charge method

Service tax is not payable on the basis of amounts charged in the bills/invoice, but only on amounts actually **received** during the relevant period.

Persons liable to pay service tax:

In most of the cases the **service provider** is liable to pay service tax, however in few cases exceptions have been made and the **service receiver** is liable to pay service tax. The provision is termed as 'Reverse Charge', the exceptions are as follows:

- * Services provided to non-resident.
- * Services to insurance agents.
- * Consignor/Consignee paying freight in case of GTA services.
- * Services of agents of Mutual funds.
- * Body corporate or firm located in India receiving sponsorship service.



Governing body:

Central Board of Excise and Customs (CBEC).

Applicable rate & effective date:

Period	Rate
11 May 07 to 23Feb09	12.36%
24 Feb 2009 onwards	10.30%

- * Basic rate: 10%
- * Education cess: 2%
- * Higher education cess: 1%
- * Aggregate rate: 10.3%

Classification of services

The service provider should ensure that he classifies the concerned service properly as this would enable him to ascertain his liability correctly.

Correct classification is critical as the exemptions under service tax other than the general exemptions are based on specified categories and if the classification is wrong, the service provider may either end up paying more than required or even facing a liability.

Registration

Any person providing such taxable service coming under the list of taxable services issued by the CBEC is required to obtain registration with the jurisdictional Central Excise Office

- * within thirty days from the date on which the service tax on a particular service comes into effect or
- * within thirty days from the commencement of business.



Exemptions available:

- * A value based Service Tax exemption is available to small service providers where aggregate receipt of value towards taxable services does not exceed Rs. 1 million in a Financial Year.
- * Export of services
- * Services to UN agencies.
- * Exemptions to services provided **to** SEZ units are exempt if the services are wholly consumed within SEZ.
- * Services provided **by** SEZ units
- * Services provided **by** RBI [services provided **to** RBI are not exempt]



Service Tax Remittance Dates:

Type of Service Provider	Basis of Payment	Due Date
Individual / Proprietary Concern / Partnership Firm	Quarterly	#5 th of the month immediately following the respective quarter
Others	Monthly	# #5 th of the month immediately following the previous month.

6th of the succeeding month instead of 5th if payment is made electronically

6th of the month succeeding the quarter if payment is made electronically

Note: In the case of quarterly payments remittance for the last quarter viz January to March has to be made by March 31st.



Service Tax Returns

All assesseees are required to file a Half yearly return in form ST3 or ST 3A [in case of provisional assessment] along with copies of tax paid challans on

- * 25th October for the first half year and
- * 25th April for the second half year.

For any payment made after the due date the assessee is required to pay simple interest at the rate prescribed. The rate specified at present is 13% per annum.



Electronic Payment of Service Tax:

In this age of e-governance the Government is encouraging service providers to file their returns using the e-filing facility.

E-tax payment has been made mandatory with effect from 01.10.2006 for those assesseees who have paid service tax of Rs.5 million or more in the preceeding or current financial year.

To know the services and the nature of services which come under the purview of Service Tax [CLICK HERE](#)

Sources:-

- [http://en.wikipedia.org/wiki/Service_Tax_\(India\)](http://en.wikipedia.org/wiki/Service_Tax_(India))
- <http://servicetaxindia.co.in/readyreckoner.html>
- <http://www.servicetaxonline.com/content.php?id=72>
- <http://www.servicetax.gov.in/st-actmainpg.htm>