



ROUTINE PROCEDURES – AS SERVICE RECEIVER

A. REGISTRATION

Procedure, conditions and safeguards for registration under service tax will be as prescribed by CBE&C by order – rule 4(9) of Service Tax Rules, inserted w.e.f. 1-3-2015.

The procedure, as prescribed in order No. 1/2015-ST dated 28-2-2015 issued by CBE&C, is as follows –

- Online application for registration in form ST-1 is mandatory. Application should be through ACES (Automation of Central Excise and Service Tax)
- Applicant must have Income Tax PAN. He must have mobile number and e-mail address. On application, applicant will be granted registration within two days. The number will be generated electronically. Online registration through website is adequate proof, even if not signed.
- Assessee can start paying service tax after obtaining registration number electronically
- After application, documents prescribed in CBE&C order No. 1/2015-ST dated 28-2-2015 should be submitted with seven days. These cover copy of PAN, photograph and proof of identity of person, proof of possession of premises, details of main bank account, memorandum and articles and Board resolution.
- Business transaction number with other authorities like Customs Registration Number, IEC (Import Export Code), State Sales Tax Number, CST, Company Index Number etc. should be submitted.
- Verification of premises can be done only with permission of Additional/Joint Commissioner.
- If required clarifications are not provided by assessee, registration can be cancelled after granting personal hearing. If premises are nonexistent, registration can be cancelled by Deputy/Assistant Commissioner

B. PAYMENT & ACCOUNTING CODES

1. Service Tax is payable within **6th day of month** after each quarter. However, service tax for January to March is to be paid within **31st. March**. (For Proprietor, Partnership & HUF concerns)
2. Service Tax is payable monthly within 6th day of next month. However, service tax for March is to be paid within 31st. March. (For Companies)
3. **Every assessee shall electronically pay the service tax payable by him, through internet banking – w.e.f. 01.10.14**
4. Negative List based comprehensive approach to taxation of services came into effect from the first day of July, 2012. Accounting code for the purpose of payment of service tax under the Negative List approach ["All Taxable Services" – 00441089] was prescribed vide Circular 161/12/2012, dated 6th July, 2012.
5. The Circular No. 165 / 16 / 2012-S.T. dated 20th November 2012 revives the old system of category specific tax code for payment of Service Tax and other dues. It also requires that the liability of interest against late payment of Service Tax has to be discharged under a separate code. This is applicable not only to the Service Tax payers, especially who have been



providing multiple services but also for the assesses obliged to pay service Tax under Reverse Charge Mechanism. A specific sub-head has been created for payment of "penalty" under various descriptions of services. Henceforth, the sub-head "other receipts" is meant only for payment of interest payable on delayed payment of service tax. Accounting Codes under the sub-head "deduct refunds" is not to be used by the taxpayers, as it is meant for use by the field formations while allowing refund of tax.

C. RETURNS

1. Service Tax return for April to September is to be submitted in Form ST-3 within 25th. October & for October to March within 25th. April.
2. Annual return for the period April to March to be filed by 30th November of the succeeding financial year. (certain assesses may not be required to file the returns). The return may be revised within a period of 30 days.
3. Service Tax Return to be made electronically by all assesses.

D. POINT OF TAXATION IN CASE OF REVERSE CHARGE:

Reverse charge Mechanism- Under this concept service receiver is liable for payment of service tax to the account of the govt. Point of taxation in case of reverse charge is discussed below –

- a) In case advance payment is made to the service provider then date of advance payment is the Point of taxation.
- b) If payment is made within three months from date of the invoice then date of payment will be considered as Point of taxation.
- c) If payment is made after three months from the date of invoice then Point of taxation will be –
 - a) The first day after 3 months from the Date of invoice provided that the invoice has been issued within 30/45 days (as applicable) from completion of provision of service;

E. COMPUTING TAXES - INVOICE

Invoice by the service provider in the above cases, to be raised, as per Rule 4A of the Service Tax Rules 1944 indicate the name, address and the registration no. of the service provider; the name & address of the service receiver, the description & value of taxable service; and the service tax payable thereon, including service tax payable by the provider. The service provider may not charge any service tax as his turnover is below rupees ten lakhs in proceeding, till they cross the turnover of rupees ten lakhs in the current year.



Illustration: **Computing taxes**

Example: Say A is SP and B is SR such that they fall under reverse charge and ratio applicable is 25-75 for SP & SR respectively. Say an invoice of 15 Lacs (excluding tax) has been raised on 1st August, 2013. For the given facts the computation of service tax shall be as under:

Particulars	Amount (Rs)
Invoice Value (excluding tax)	15,00,000/-
Service Tax (Total Service tax) @ 12.36% (A)	1,85,400/-
Total Value	16,85,400/-
Less: Tax Attributable to service receiver and to be borne by SR himself (75% of (A))	1,39,050/-
Amount Payable by SR to SP	15,46,350/-
ST payable by SR	1,39,050/-
ST payable by SP	46,350/-

Against ST payable the Cenvat available with respective parties can be utilised subject to [Cenvat credit rules, 2004](#).

RAISING SERVICE INVOICE

Above mentioned table shall be our reference point to discuss raising a service invoice. In this case the total service tax payable of Rs. 1, 85,400/- needs to be disclosed. In addition to that service tax attributable to service receiver i.e. Rs. 1, 39,050/- shall be disclosed on invoice so that the SR knows the amount of service tax that is required to be paid by him.

The 14 Days time limit for issuing invoice increased to 30 days from the date of provision of service. The 14 Days time limit for issuing invoice increased to 45 days in case of banking company / financial institutions. In case of continuous supply of services, 14 days time limit increased to 30 days of the completion of each taxable event. No invoice is required to be issued in case of the amount received by service provider from service receiver is in excess of amount mentioned in the invoice by Rs. 1000/-.

F. ACCOUNTING ISSUES

It will be evident from the above that in case of car hire, manpower supply, works contract; the liability is fastened on the recipient of service provided the service provider is of specified person. In case of service provider is other organization like Company, Society, the tax is payable by the service provider himself. The organization responsible for payment of service tax will also have to file ST-3 return for the payment of service tax made by them. It has been the experience that during audit, the auditors invariably ask the company to tally the value of taxable service with the amount shown in the ledger. It will therefore be advisable to maintain separate ledger code for the service for which service tax is payable under reverse charge and service tax payable as service provider. This will help the company in reconciling the amount in the return.

G. CENVAT CREDIT

Time limit for taking Cenvat Credit of Input Services at a glance

Description	When service tax is payable	When Cenvat Credit can be taken	When the Cenvat Credit is required to be reversed?
Entire service tax payable by service provider (normal provision)	Service provider liable to pay service tax on issue of invoices – rule 3(a) of POTR (except where his value of taxable services were less than Rs 50 lakhs per annum in previous financial year, in which case, service tax payable on receipt basis – third <i>provisoto</i> to rule 6(1) of Service Tax Rules)	On receipt of invoice of service provider (but within one year from date of invoice of service provider (w.e.f. 01.03.15) (earlier within 6 months w.e.f. 01.09.14 till 28.02.15) - rule 4(7) of Cenvat Credit Rules)	If payment of value of input service plus service tax is not made to service provider within three months – Later when payment is made, the Cenvat credit can be taken back – third <i>provisoto</i> rule 4(7) of Cenvat Credit Rules
Entire service tax payable by service receiver (under reverse charge)	Service receiver liable to pay service tax on payment of value of input service plus service tax to service provider or three months from date of invoice of service provider (whichever is earlier) – rule 7 of POPS	On payment of service tax by the service receiver by GAR-7 challan (but within one year w.e.f. 01.03.15 from date of GAR-7 challan – (earlier within 6 months w.e.f. 01.09.14 till 28.02.15) - rule 4(7) of Cenvat Credit Rules)	No question of reversal of Cenvat Credit
Portion of service tax charged by service provider in his invoice, in cases where remaining portion of service tax is payable by service receiver under reverse charge	Service provider liable to pay service tax on issue of invoices – rule 3(a) of POTR (except where his value of taxable services were less than Rs 50 lakhs per annum in previous financial year, in which case, service tax payable on	On receipt of invoice of service provider (but within one year from date of invoice of service provider (w.e.f. 01.03.15) (earlier within 6 months w.e.f. 01.09.14 till 28.02.15) rule 4(7) of Cenvat	If payment of value of services plus service tax is not made to service provider within three months – Later when payment is made, the Cenvat credit can be taken back – third <i>provisoto</i> rule 4(7) of Cenvat



	receipt basis – third <i>proviso</i> to rule 6(1) of Service Tax Rules)	Credit Rules)	Credit Rules
Portion of service tax payable by service receiver, in cases where partial service tax is payable by service receiver (under reverse charge)	Service receiver liable to pay his portion of service tax, on payment of value of input service plus service tax to service provider or three months from date of invoice of service provider (whichever is earlier) – rule 7 of POPS	On payment of service tax by the service receiver by GAR-7 challan, irrespective of whether payment is made to the service provider – w.e.f. 01.04.15 (but within one year from date of GAR-7 challan.) (Prior to 01.04.15 - On payment of value of services plus service tax to service provider and payment of portion of service tax paid by service receiver by GAR-7 challan (but within six months from date of GAR-7 challan – see sixth <i>proviso</i> to rule 4(7) of Cenvat Credit Rules)	No question of reversal of Cenvat Credit