

## FAQ on Service Tax

### 1. What is Service Tax?

**Answer:** Service tax is, as the name suggests, a tax on Services. It is a tax levied on the transaction of certain services.

### 2. Who is liable to pay service tax?

**Answer:** Normally, the „person who provides the taxable service and receives the payments of service charges, is responsible for paying the Service Tax. However, in the following situations, the receiver of the Services is responsible for the payment of Service tax :

- (i) Where taxable services are provided by foreign services with no establishment in India, the recipient of such services in India is liable to pay Service Tax.
- (ii) For the services in relation to Insurance Auxiliary Service by an Insurance Agent, the Service Tax is to be paid by the Insurance Company
- (iii) For the taxable services provided by a Goods Transport Agency for transport of goods by road, the person who pays or is liable to pay freight is liable to pay Service Tax, if the consignor or consignee falls under any of the seven categories viz.
  - (a) a factory
  - (b) a company
  - (c) a corporation
  - (d) a society
  - (e) a co-operative society
  - (f) a registered dealer of excisable goods
  - (g) a body corporate or a partnership firm.
- (iv) For the taxable services provided by Mutual Fund Distributors in relation to distribution of Mutual Fund the Service Tax is to be paid by the Mutual Fund or the Asset Management Company receiving such service.

### 3. What are the taxable Service ?

**Answer:** The services not listed in the negative list will attract service tax. (To view negative list, go to Govt. Policies Menu)

### 4 How to decide whether Service Tax is payable by a person?

**Answer:**

#### A. If you are engaged in providing a service to any person, please check:

Whether the service rendered by you is not falling under the negative list. In case the service provided by a person falls within the scope of the taxable services and if such service is not fully exempted, the service tax is payable on the value of

the taxable service received, subject to the eligible abatements, if any.

**B. If you are availing the services of the service provider, please check:**

Whether the service received by you is falling under the scope of any of the services *where the recipient of the service is liable to pay Service Tax*

**5. What is the rate of Service Tax?**

**Answer:** At present, the effective rate of Service Tax is 12 % plus Cess 0.36% on the value of the taxable service.

**6. What is meant by Registration? Who should apply for registration under Service Tax law?**

**Answer:**

- (i) Every person who has provided a taxable service of value exceeding **Rs. 9 lakhs**, in the preceding financial year, is required to register with the Central Excise or Service Tax office having jurisdiction over the premises or office of such service provider.
- (ii) In case a recipient is liable to pay service tax, he also has to obtain registration.
- (iii) The „Input Service Distributors“ are also required to register

**7. When should a prospective assessee obtain registration?**

**Answer:** When a person commences business of providing a taxable service, he is required to register himself within 30 days of such commencement of business

**8. What is the procedure for Registration? Who should be approached for Service Tax Registration?**

**Answer:** A prospective Service Tax assessee (service provider or service receiver) or „Input Service Distributor“ seeking registration should file an application in Form ST-1 (in duplicate) before the jurisdictional Central Excise/Service Tax officer. To verify the correctness of declaration in the said form, certain documents such as copy of PAN card, proof of address of business premise(s), constitution of the business [proprietorship, firm, company, trust, institute etc.] etc. may be required by the registering authority. The copies may be self-certified by the applicant. In case of doubts in select cases, original documents may have to be presented for verification.

**9. Is there any penal provision for non-registration?**

**Answer:** Failure of registration may attract a penalty upto Rs.10000/- or Rs. 200/- for every day during which such failure continues, whichever is higher. However, such penalty may be waived in case the assessee proves that there was reasonable cause for such failure

## 10. How to pay Service Tax?

**Answer:** Form G.A.R.7 (previously known as TR6 Challan) should be used to make service tax payments. Payment of service tax may be made at the specified branches of the **designated banks**. The details of such Banks and branches may be obtained from the nearest Central Excise Office / Service Tax Office.

**Service Tax can also be paid electronically, using e-payment facility.**

## 11 When is Service Tax required to be paid?

### A Payments through Bank :

Category	Frequency	Due Dates
In case of Individuals, Proprietary Firms & Partnership Firms	Quarterly as mentioned below - ( i ) For Q.E. 30th June ( ii ) For Q.E. 30th Sept. ( iii ) For Q.E. 31St Dec. ( iv ) For Q.E. 31st March	- by 5th July - by 5th Oct - by 5th Jan. - by 31st March
Others (e.g. Companies, Societies, Trusts etc.)	Monthly	By 5th of the month immediately following the month in which payments are received towards the value of taxable services. However, in case of March, the payment should be made by 31st March.

### B Electronic Payments through Internet :

Category	Frequency	Due Dates
In case of Individuals, Proprietary Firms & Partnership Firms	Quarterly as mentioned below - ( i ) For Q.E. 30th June ( ii ) For Q.E. 30th Sept. ( iii ) For Q.E. 31St Dec.	- by 6th July - by 6th Oct - by 6th Jan. - by 31st March.

Others (e.g. Companies, Societies, Trusts etc.)	Monthly	By 6th of the month immediately following the month in which payments are received towards the value of taxable services. However, in case of March, the payment should be made by 31 <sup>st</sup> March.
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**12 Whether the payment of Service Tax is to be made for the billed amount or for the amount received?**

**Answer:** Service Tax is to be paid on the invoice amount or the billed amount.

**13. What are the penal consequences if the Service Tax is not paid or paid late?**

**Answer:** If a person who is liable to pay Service Tax fails to pay service tax, he shall pay in addition to such tax and interest, a penalty which shall not be less than Rs.100/- for every day during which such failure continues or @1% of such tax per month, whichever is higher. However, the penalty amount payable shall not exceed the amount of Service Tax payable.

**14 Which banks provide the facility of e-payment of Service Tax?**

**Answer:** The following banks provide e-payment facility.

Sl.No.	Name of Bank	Name of Central Excise / Service Tax Commissionerate for which the Bank is authorised to collect Revenue through e-Payment
1.	Allahabad Bank	All Commissionerates
2.	Bank of Baroda	All Commissionerates
3.	Bank of India	All Commissionerates
4.	Bank of Maharashtra	All Commissionerates
5.	Canara Bank	All Commissionerates
6.	Central Bank	All Commissionerates
7.	Corporation Bank	All Commissionerates
8.	Dena Bank	All Commissionerates
9.	HDFC Bank	All Commissionerates at Delhi, Bangalore, Kolkata, Mumbai
10.	ICICI Bank	All Commissionerates at Delhi, Chennai, Hyderabad, Mumbai
11.	IDBI Bank	All Commissionerates

12.	Indian Bank	All Commissionerates
13.	Indian Overseas Bank	All Commissionerates
14.	Oriental Bank of Commerce	All Commissionerates (w.e.f 01.08.2009)
15.	Punjab National Bank	All Commissionerates
16.	State Bank of Bikaner & Jaipur	All Commissionerates
17.	State Bank of Hyderabad	All Commissionerates
18.	State Bank of India	All Commissionerates
19.	State Bank of Indore	All Commissionerates
20.	State Bank of Mysore	All Commissionerates
21.	State Bank of Patiala	All Commissionerates
22.	State Bank of Travancore	All Commissionerates
23.	Syndicate Bank	All Commissionerates
24.	UCO Bank	All Commissionerates
25.	Union Bank of India	All Commissionerates
26.	United Bank of India	All Commissionerates
27.	AXIS Bank	All Commissionerates at Delhi, Bangalore, Hyderabad, Mumbai
28.	Vijaya Bank	All Commissionerates

More banks will be added over a period of time. You may find out the latest position on the web site of Principal Controller of Accounts <http://pccacbec.nic.in> or check with the local Central Excise / Service Tax office.

### 15 What are the Returns a service tax assessee has to file?

**Answer:**

- (i) **ST-3 Return** – For all the registered assessee, including **Input Service Distributors**.
- (ii) **ST-3A Return** – The assessee who is making provisional assessment

### 16 When to file returns?

**Answer:** ST-3 Return is required to be filed twice in a financial year – **half yearly**.

Return for half year ending 30th September and 31st March are required to be filed by 25<sup>th</sup> October and 25<sup>th</sup> April, respectively.

### 17 How to file Service Tax Returns?

**Answer:** The details in respect of each month / Quarter, as the case may be, of the period for which the return is filed, should be furnished in the Form ST-3, separately. The instructions for filing return are mentioned in the Form itself. It should be accompanied by

copies of all the GAR-7 Challans for payment of Service Tax during the relevant period.

### **18 Is there any provision to file a revised return?**

**Answer:** Yes, under rule 7B of Service Tax Rules, 1994 an assessee may submit a revised return, in Form ST-3, in triplicate, to correct a mistake or omission, within a period of ninety days from the date of submission of the return under Rule 7.

### **19 What is e-filing of Service Tax Returns?**

**Answer:** The e-filing is a facility for electronic filing of Service Tax Returns through the Internet.

### **20 How to file Service Tax return?**

**Answer:** With effect from 25<sup>th</sup> August, 2011 in terms of Notification No. 43/2011 all Service Tax returns are to be filed electronically.

### **21 Is e filing of Returns mandatory to all assessees?**

**Answer:** e filing of Returns is mandatory for all assessee

### **22 What is the procedure for e-filing?**

**Answer:** File an application to the jurisdictional Asst. / Deputy Commissioner of Service Tax, specifying 15-digit PAN based registration number (STP Code) & Valid e-mail address - so that the Department can send them their User ID and password to help them file their Return.

- (i) Log on to the Service Tax e-filing home page by typing the address <http://servicetaxefiling.nic.in> in the address bar of the browser.
- (ii) Upon entering the Service Tax code, user ID and password, you will be permitted to access the e-filing facility.
- (iii) Follow the instructions given therein for filing the Returns electronically.
- (iv) Obtain the acknowledgement.

### **23. Is filing of return compulsory even if no taxable service provided or received or no payments received during a period (a particular half year) ?**

**Answer:** Filing of return within the prescribed time limit is compulsory, even if it may be a nil return, failing which penal action is attracted.

### **24. Is there any penalty for non-filing or delayed filing of the Returns?**

**Answer:** If a person fails to file the ST-3 Return by the due date ( 25th October and 25th April every year ), he shall be liable to penalty which may extend to Rs. Ten thousand rupees

## Mandatory Penalty for Late filing of ST-3 Return under Rule 7C of Service Tax

Sr.No.	Period of Delay from the prescribed date	Penalty
1	15 days	Rs.500/-
2	Beyond 15 days but not later than 30 Days	Rs.1000/-
3	Beyond 30 days	Rs.1000/- plus Rs. 100/- for every day from the thirty first day till the date of furnishing the said return ( <b>not exceeding Rs.20000</b> )

### 25 What are the conditions of exemption to small scale service providers ?

**Answer:** Rs.10 lakhs vide Notification No.8/ 2008-ST dated 01.03.2008 (effective from 01.04.2008).

#### **Above exemption is not admissible to :**

- (i) Taxable service provided by a person under a brand name or trade name, whether registered or not, of another person or
- (ii) such value of taxable services in respect of which service tax shall be paid by recipient of service under section 68 (2) of Finance Act read with Service Tax Rules, 1994.

#### **Above exemption is admissible subject to following conditions :**

- (i) Taxable service provider has the option not to avail the said exemption and pay service tax on the taxable service and such option are exercised in a financial year shall not be withdrawn during the remaining part of such financial year ;
- (ii) the provider of taxable service shall not avail Cenvat credit of service tax paid on any input used for providing taxable service on which exemption of small scale is availed.
- (iii) The provider of taxable service shall not avail Cenvat credit under Rule 3 of the Cenvat Credit Rules 2004, during the period in which the service provider avail small scale exemption.
- (iv) The provider taxable service shall avail CENVAT Credit only on such inputs or input services received on or after the date on which the service provider starts paying service tax and used for provision of taxable services on which service tax is payable.
- (v) The provider of taxable service shall be required to pay an amount equivalent to the CENVAT credit taken by him, if any, in respect of

- (vi) such inputs lying in stock or in process on the date on which he starts availing exemption under this notification.
- (vii) The balance CENVAT Credit lying unutilized if any after the adjustment of credit under (e) above, shall lapse on the day such service provider starts availing the exemption under this notification.
- (viii) This notification shall apply to the aggregate value of one or more taxable services provided from one or more premises and not separately for each premises or each service.
- (ix) The aggregate value of taxable services rendered by a provider of such service from one or more premises does not exceed exemption limit fixed (i.e. Rs.Ten lakhs) in the proceeding financial year.

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