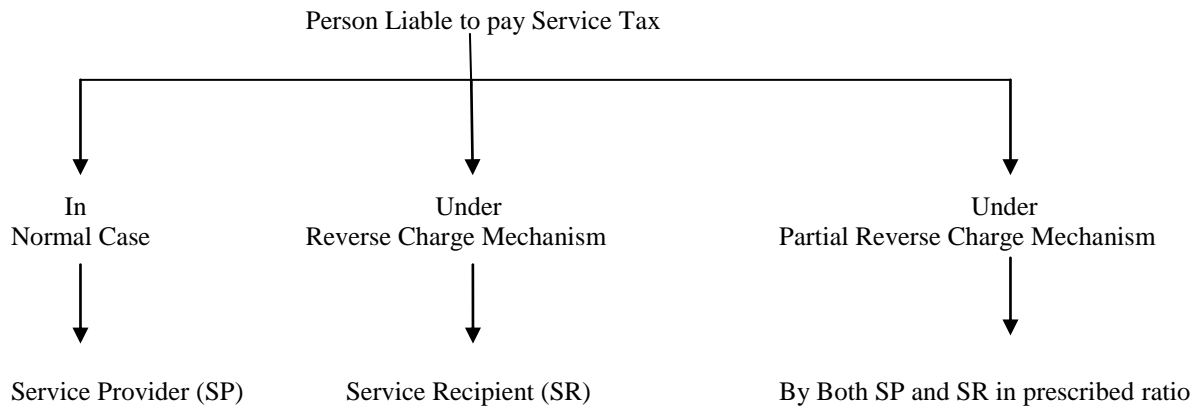

Reverse Charge/Partial Reverse Charge Mechanism of Service Tax

Service Tax is an indirect tax levied by the Service provider on the Service recipient. Ideally a Service provider levies Service tax on the services provided and deposits it in Government treasury after collection of the same from the Service Recipient. Thus it is the Service provider who is liable to pay Service tax (section 68(1)). But by virtue of Section 68(2) there is an exception given to the aforementioned rule wherein the Central government can specify services wherein, even the Service recipient is liable to pay Service tax either wholly or partially.

Under mentioned table summarizes this provision:



With reference to this and by virtue of Service Tax Notification no 30/2012 and 45/2012 dated 20th June 2012 and 7th August 2012 modifications were made in certain taxable services wherein, liability to pay service tax is distributed between the Service provider and Service recipient either wholly or partially. Accordingly each party will be required to pay their respective percentage share of service tax to government treasury and file Service tax (ST3) returns. This is called Reverse Charge/ Partial Reverse charge Mechanism.

The said notification has several dimensions wherein:

- In respect of some services, the applicability of service tax is absolute wherein the service provider is released from the liability of registration and compliance with Service tax law for e.g.: Import of Services, Advocates etc
- In respect of certain Services the applicability of reverse charge mechanism is dependent on the status of the service recipient, irrespective of the status of service provider for e.g. : Goods Transport Agency
- Whereas in few other cases the applicability of Reverse Charge mechanism is dependent on the combination of the status of Service Provider and Service Recipient for e.g.: Works Contract Services.

Under-mentioned table summarizes the list of services covered under the Reverse Charge/Partial Reverse Charge mechanism:

Description of Services	Service Provider	Service Receiver	% Share of Service Tax Payable by Service Provider	% Share of Service Tax Payable by Service Receiver	Effective Tax Rate Payable by Service Recipient
Insurance Services (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by an Insurance agent to any person carrying Insurance business	Insurance agent	Business man carrying Insurance Business	Nil	100	12.36%
Goods Transport agency (by road) (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by a goods transport agency in respect of transportation of goods by road	Goods Transport Agency	Consignor or consignee is specified person	Nil	100	3.09%
Sponsorship (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by way of sponsorship	Any Person	Body Corporate or partnership firm	Nil	100	12.36%
Arbitral Tribunal (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by an Arbitral Tribunal	Arbitral Tribunal	Any Business Entity	Nil	100	12.36%
Advocate Services (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by an INDIVIDUAL advocate	Individual Advocate	Any Business Entity	Nil	100	12.36%

Description of Services	Service Provider	Service Receiver	% Share of Service Tax Payable by Service Provider	% Share of Service Tax Payable by Service Receiver	Effective Tax Rate Payable by Service Recipient
Support Services (w.e.f. 01.07.2012)					
In respect of services provided or agreed to be provided by way of support services excluding renting of immovable property.	Government or local authority	Any Business Entity	Nil	100	12.36%
Rent a cab Services (w.e.f. 01.07.2012)					
a) in respect of services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger on abated value	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	Nil	100	4.944%
b) in respect of services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger on non - abated value		Company under Companies Act, 1956 or a Body Corporate	60	40	4.944% (by Service recipient) & 7.416% (By Service Provider)
Supply of Manpower (w.e.f. 01.07.2012)					
in respect of services provided or agreed to be provided by way of supply of manpower for any purpose	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	25	75	9.27% (by Service recipient) & 3.09% (By Service Provider)
Works Contract Services (w.e.f. 01.07.2012)					
Works Contract for Original works	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	50	50	2.472% each by both Service Recipient and Service Provider

Description of Services	Service Provider	Service Receiver	% Share of Service Tax Payable by Service Provider	% Share of Service Tax Payable by Service Receiver	Effective Tax Rate Payable by Service Recipient
Works Contract for Moveable assets	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	50	50	4.326% each by both Service Recipient and Service Provider
Works Contracts for Repairs of Immovable Properties	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	50	50	3.708 % each by both Service Recipient and Service Provider
Import of Services (w.e.f. 01.07.2012)					
in respect of any taxable services provided or agreed to be provided by any person who is located in non taxable territory and received by any person located in taxable territory	Any Person located outside Taxable Territory	Any Person located in Taxable Territory	Nil	100	12.36%
Security Services (w.e.f. 07.08.2012)	Individual/HUF/Proprietary or Partnership firm /AOP	Company under Companies Act, 1956 or a Body Corporate	25	75	9.27% (by Service recipient) & 3.09% (By Service Provider)
Sitting fees to directors (w.e.f. 07.08.2012)	Individual	Company	Nil	100	12.36%

This Document is Issued by Pooja R Teli & Co., Chartered Accountants and is meant for private circulation only. The information provided here is of a generic nature and we recommend that you take professional advice before acting on any topics discussed herein. For further information and assistance please feel free to write to us at prt@prteli.com