

# IPC

## Service Tax

### Answer Sheet

Total Marks -40

Q 1

Person liable to pay service tax in relation to purchase or sale of foreign currency, including money changing, has an option to pay an amount at the following rates instead of paying service tax at the rate of 14%:-

For an amount	Service tax shall be calculated at the rate of
Upto ₹ 1,00,000	0.14 % of the gross amount of currency exchanged Or ₹35 whichever is higher
Exceeding ₹ 1,00,000 and upto ₹ 10,00,000	₹ 140 + 0.07 % of the (gross amount of currency exchanged - ₹ 1,00,000)
Exceeding ₹ 10,00,000	₹ 770 + 0.014 % of the (gross amount of currency exchanged - ₹ 10,00,000 ) Or ₹ 7,000 whichever is lower

However, the person providing the service shall exercise such option for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

Therefore, Mr. Abhay, being a money changer, has an option to pay service tax at the aforementioned rates.

Q2

Rule 2B of Service Tax (Determination of Value) Rules, 2006 provides the manner of determination of the value of taxable service so far as it pertains to purchase or sale of foreign currency, including money changing. The value of service for a currency, when exchanged from, or to Indian Rupees (INR) shall be equal to the difference in buying rate or the currency at that time, multiplied by the total units of currency.

Hence the value of Taxable Service = (RBI Reference rate for \$ - Selling rate for \$) x Total Units

$$= ₹ (71-70) \times 20,000$$

$$= ₹ 1 \times 20,000$$

The taxable value shall be ₹ 20,000.

Q3

**Computation of interest on delayed payment of service tax**

Name of the service provider	Superduper Pvt Ltd.	Mr. Alok
Service tax liability	₹ 1,25,000	₹ 2,50,000
Delay in payment of service tax	25 days	20 days
Value of taxable services in previous financial year	₹ 40,00,000	₹ 62,00,000

Rate of interest	15% per annum	18% per annum
Interest (rounded off)	[₹ 1,25,000 x (15/100) x (25/365)] =₹ 1,284	[₹ 2,50,000 x (18/100) x (20/365)] =₹ 2,466

**Note:** As per section 75 of Finance Act, 1994 read with *Notification No. 12/2014 ST dated 11.07.2014*, delay in payment of service tax upto six months attracts interest @ 18% per annum. However, the applicable rate gets reduced by 3% for service providers whose turnover of services does not exceed ₹ 60 lakh in the preceding financial year.

Q 4

Service Tax Rules, 1994 provide that every assessee has to submit half-yearly service tax return electronically, irrespective of the amount of service tax paid by him in the preceding financial year. Hence, Aishwarya Ltd. has to file service tax return electronically for the half year ended September 30, 20XX.

Q5

Yes, Surbhi & Co. can file a revised return. Revised service tax returns may be filed within 90 days from the date of filing original return. Thus, even if the original return is filed belatedly, the same could be revised by filing a revised return.

Q6

Service tax law provides for delayed filing of returns. A half-yearly return can be filed after the due date with prescribed late fee. The prescribed late fee is given hereunder:

Period of delay	Late fee
15 days from the date prescribed for submission of the return	₹500
Beyond 15 days but not later than 30 days from the date prescribed for submission of the return	₹ 1,000
Beyond 30 days from the date prescribed for Submission of the return	An amount of ₹ 1,000 plus ₹ 100 for every day from the 31 <sup>st</sup> day till the date of furnishing the said return

However, such late fee cannot exceed ` 20,000. Further, if the gross amount of service tax payable is nil, such late fee may be reduced/ waived by the Central Excise Officer on being satisfied that there was sufficient cause for the delay.

Q7

SWOT Ltd will be required to furnish to the Superintendent of Central Excise, at the time of filing the return for the first time, a list of following documents in duplicate:

- (a) all the records prepared or maintained by the assessee for accounting of transactions in regard to
    - (i) providing of any service;
    - (ii) receipt or procurement of input services and payment for them;
    - (iii) receipt, purchase, manufacture, storage, sale or delivery, as the case may be, in regard to inputs and capital goods;
    - (iv) other activities such as manufacture and sale of goods, if any.
- all other financial records maintained by him in the normal course of business

Q 8

As per rule 4 of Service Tax Rules, 1994, where a person, liable for paying service tax on a taxable service provides such service from more than one premises or offices and has centralised billing/accounting system in respect of such service, and such centralised billing/accounting systems are located in one or more premises, he may, at his option, register such premises or offices from where centralised billing/accounting systems are located.

However, if such assessee does not have any centralized billing/accounting systems, he shall make separate applications for registration in respect of each of such premises or offices to the jurisdictional Superintendent of Central Excise. It may be noted that w.e.f. 01.03.2015, registration for a single premises shall be applied by making an online application at ACES website of CBEC.

Therefore, since Happy Go Lucky Academy provides coaching from different centres spread across the country, it can opt for centralized registration if it has centralized billing/accounting system located at one or more of its centres. However, if it does not have any centralized billing/accounting systems, it shall have to obtain separate registration for each of its centres.

Q9

A service tax return must indicate *inter alia*, **monthwise**:

- (i) the value of taxable services charged/billed;
- (ii) the value of taxable service realised;
- (iii) the amount of service tax payable/paid etc.

Therefore, Mr. Akshay cannot furnish consolidated details relating to value of taxable service charged, amount realised against the same and service tax payable in his half-yearly service tax return.

Q10

- (i) If the amount allocated for investment has been intimated by LLLICL to policy holders at the time of providing service, LLLICL has the option to pay service tax on the gross premium charged from a policy holder reduced by the amount allocated for investment. Thus service tax liability of LLLICL for the year 2015-16 will be computed as under:  
$$= ₹ (200-150) \text{ lakh} \times 14 \% = ₹ 7,00,000$$
- (ii) If the amount allocated for investment has not been intimated by LLLICL to policyholders at the time of providing service, LLLICL have to pay service tax @ 3.5% of the premium charged from policy holders in the first year and 1.75% of the premium charged from policy holders in the subsequent years.

Thus, service tax liability of LLLICL for the year 2015-16, being first year of its operations, will be computed as under:

= ₹ 200 lakh x 3.5% = ₹ 7,00,000

- (iii) If gross premium received from policy holders is only towards risk cover, LLLICL can not discharge its service tax liability using aforesaid option. In such case, it will have to pay service tax @ 14% on the entire premium charged from the policy holders. Thus, Service tax liability of LLLICL for the year 2015-16 will be computed as under-

= ₹ 200 lakhs x 14% = ₹ 28,00,000

#### Q 11

Where a person, liable for paying service tax on taxable service,-

- i) Provides such service from more than one premises or offices;or
- ii) Receives such service in more than one premises or offices;or,
- iii) Is having more than one premises or offices, which are engaged in relation to such service in any other manner, making such person liable for paying service tax, and has centralised billing system or centralised accounting system in respect of such service, and such centralised billing or centralised accounting systems are located in one or more premises, he may at his option, register such premises or offices from where centralised billing or accounting systems are located.

The registration under sub-rule (2), shall be granted by the Principal Commissioner or Commissioner as the case may be of Central Excise in whose jurisdiction the premises or offices, from where centralised billing or accounting is done, are located.

