

SERVICE TAX

Service tax payable @ 12% on 8 specified services and services taxable under reverse charge if the payment is received after 31st March, 2012 - CBEC clarifies

Service tax rate has been increased from 10% to 12% with effect from 01.04.2012. There have been doubts regarding applicability of rate of tax in case of 8 specified service providers (covered under Rule 7 of POT Rules, 2011) and services on which tax is paid under reverse charge when the invoices have been issued and services rendered prior to 1st April, 2012.

The Board has clarified that the rate of service tax prevalent on the date when point of taxation occurs is the rate of service tax applicable on any taxable service. Therefore, in the abovementioned cases where the point of taxation is the date of payment, service tax should be charged @ 12% on these services, if the payment is received on or after 1st April, 2012 even though the invoices have been issued before 1st April, 2012.

It has also been clarified that the supplementary invoices may be issued to reflect the new rate of tax, if required to recover the differential amount and that CENVAT credit can be availed on such supplementary invoices and tax payment challans (in case of reverse charge).

[Circular No. 158/9/2012 ST dated 08.05.2012]

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