

TRANSMISSION CORPORATION OF AP LTD.

From:
The Financial Adviser and
Chief Controller of Accounts (A,E&R),
APTRANSCO, Vidyut Soudha,
Hyderabad.

To:
All Chief Engineer's/ EA, OPH, AE & D
All FA & CCA's/
All Functional Heads

Lr.No.FA&CCA(A,E&R)/Dy.CCA(A&C)/SAO/IA/D.No. 494 /12, dt. 03-11-2012.

Sir,

Sub:- Service tax guidelines – Reg.

Ref:- Lr.No.FA&CCA(A,E&R)/Dy.CCA(A&C)/SAO/AO(IA)/
D.No.219/12, dt.13-08-2012.

Further to the communication vide reference cited, following Guidelines on Service tax are hereby issued keeping in view on the clarifications sought in respect of latest amendments introduced in Service tax in the Finance Bill – 2012.

1) SERVICE TAX RATE

Vide Notification No.2/2012, dt.17-03-2012, the rate of Service tax is 12% (effective rate of Service tax i.e., 12.36% including Education cess). This is applicable from 01-04-2012.

2) REGISTRATION

As per the New Service tax provisions, all Unit officers of APTRANSCO are now liable for Registration, Payment of Service tax on Reverse charge mechanism, Filing of returns, Assessment etc. with the Service tax department.

3) REVERSE CHARGE MECHANISM

Service provider is liable to pay Service tax as per Service tax provision normally. Finance bill 2012 has extended Reverse charge mechanism for some more services. Under Reverse charge mechanism, Service receiver (APTRANSCO) is also liable to pay Service tax. The extent of liability of service receiver (APTRANSCO) is specified as applicable under each service. This is applicable from 01-07-2012.

4) ABATEMENT

Chief Engineer (EA, OPH), APTRANSCO, VS, Hyderabad. Abatement is provided for certain services as per notification No.26/2012, dt.20-06-2012. The percentage of abatement is specified as applicable under each service. The notification may be referred for complete details.

Inward No.

03 NOV 2012

SE ✓
DE/RE ✓
DE/EA ✓
DE/O&M ✓
DE/LMC ✓
DE/IT ✓
DE/DBA ✓
ADE (T) ✓
(CE/EA, OPH, RE&IT)

DE/TL&S/ERP ✓
DE/TL&C/ERP ✓
DE/Telecom/ERP ✓
DE/APDRP ✓
AO/ERP-1 ✓
AO/ERP-2 ✓
DR core team

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5) MAN POWER SUPPLY

Supply of Man power for any purpose is liable for Service tax. Service tax is applicable on Gross amount of wages including Administration charges, Commission, EPF, ESI and any Other amounts payable to Service Provider. Reverse charge mechanism applies to this Service. It depends upon the person providing the Service.

- (i) If the Service Provider is an individual, HUF, Partnership firm including AOP, then the Service Provider and Service Recipient are liable to pay Service Tax in the ratio of 25:75.

Hence, APTRANSCO should recover Service tax and remit the same to Service tax Department.

- (ii) If the Service Provider is a person other than the persons mentioned in (i) above, then the Service Provider has to pay the entire amount of Service tax.

APTRANSCO engages labour on contract basis through various Agencies, Contractors as Substation Operators, Computer Operators, towards O&M works, Watch & Ward, Security guards etc. Hence APTRANSCO should recover 75% of Service tax and remit the same to Service tax Department in (i) above.

6) LEGAL SERVICES (ADVOCATES)

Service tax is liable to be paid on services provided by Advocate or a Firm of Advocates. No abatement is allowed for this service. Reverse charge is applicable for this service. It depends on the person providing the service.

- (i) If the Advocate providing service is an Individual or a Firm of Advocates, the entire tax liability is on the Service Recipient (APTRANSCO) under Reverse Charge mechanism.

Hence, APTRANSCO should recover Service tax and remit the same to Service tax Department.

- (ii) If the legal service is received from a person other than the persons mentioned in (i) above, then the service provider has to pay the entire amount of service tax.

7) OTHER CONSULTANTS

Service provided by Consultants is liable for Service tax. APTRANSCO engages various consultants viz., Chartered Accountant firms, Statutory Auditors, Internal Auditors, Cost Auditors etc. No abatement is allowed for this service. There is no reverse charge mechanism prescribed for the services provided by the above consultants. The service provider has to pay Service tax.

8) HIRING OF VEHICLES

(1) For Transport of materials from stores to the work sites :

Service of Goods transport agency is liable to Service tax, Abatement of 75% is allowed for this service. Hence, Service tax is applicable for 25% of service charge only. Reverse charge is applicable for this service. It depends on the person providing the service. If the service is only for hiring of vehicles for transportation of goods, then the liability is on the Service Recipient. The Service tax is to be paid entirely by the Service Recipient (APTRANSCO).

Hence, APTRANSCO should recover Service tax and remit the same to Service tax Department.

(2) For Carrying passengers :

Service of Renting any motor vehicle designed to carry passengers is liable to Service tax. Abatement of 60% is allowed for this service. Hence, service tax is applicable for 40% of service charges only. Reverse charge is applicable for this service. It depends on the persons providing the service. APTRANSCO hires vehicles for the official use of the departmental officers and the service is liable for Service tax.

- i) If the Service Provider is an Individual, HUF or partnership firm including AOP, the Service tax is to be paid entirely by the Service Recipient (APTRANSCO) on abated value.

Hence, APTRANSCO should recover Service tax and remit the same to Service tax Department.

- ii) If the Service Provider is a person other than the persons mentioned in (i) above, then the service provider has to pay the entire amount of Service tax.

9) PURE LABOUR CONTRACTS

If the Payment for the labour is made on the basis of number of men, then it is to be classified as supply of Man power and accordingly, the Reverse Charge mechanism is to be followed as explained at "5" above.

If the Service is for lumpsum labour contract without specifying the number of men, then the service doesn't come under supply of Man power service and Revenue charge mechanism will not apply. Hence service provider has to pay the service tax.

Contd..4.

10) WORKS CONTRACT (TURNKEY CONTRACTS)

Works contract service is liable for Service tax. Abatement is allowed for this service. Reverse charge is applicable for this service. It depends on the person providing the service:

- i) If the Service provider is an individual, HUF or partnership firm the liability to pay Service tax is 50:50 for Service Provider and Service Recipient.

Hence, APTRANSCO should recover Service tax and remit the same to Service tax Department.

- ii) If the Service provider is a person other than persons mentioned in (i) above, the Service Provider has to pay the entire amount of Service tax.

Vide notification No.10/2012, dt.17.03.2012. Works contract rate under Composition scheme is 4.8% (Including cess @ 3% is 4.944%).

Vide notification No.24/2012, dt.06-06-2012 valuation of Service portion in the execution of a Works contract is as follows:

- (a) The Service tax can be paid by deducting the value of the materials supplied during the course of execution of works contract. Then, the Service tax shall be paid on the labour portion of the works contract.
- (b) If the value of the material cannot be determined, then abatement is provided as follows:

(1) Execution of Original works:

The abatement is 60% and the Service tax is payable on 40% of the Works contract value.

(2) Maintenance or Repair or Reconditioning or Restoration or Servicing of any goods:

The abatement is 30% and the Service tax is payable on 70% of the Works contract value.

(3) Other Works Contracts (Including completion and finishing service such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an immovable property) :

The abatement is 40% and the Service tax is payable on 60% of the Works contract value.

Contd..5.

11) AMENDMENT TO SERVICE TAX CLAUSE:

In view of the changes in Service tax, Service tax clause has to be amended in contract award letters and Agreements.

The amended clause shall be as follows:-

- 1) The Service provider has to raise the Invoice with Service tax showing the clear breakup of liability to both the Service provider as well as service recipient in terms of reverse charge mechanism separately.
- 2) The service provider has to discharge his portion of liability and APTRANSCO will reimburse only on submission of proof such payment.
- 3) (i) APTRANSCO liability as service receiver under reverse charge mechanism starts from the date of making payment to the service provider if the payment is made within a period of 6 months from the date of Invoice.

(ii) Where the payment is not made within a period of six (6) months from the date of invoice, APTRANSCO liability will be from the date of completion of service.

12) ON GOING CONTRACTS:

All Service tax payments made from 01-07-2012 shall come under reverse charge Mechanism and APTRANSCO shall discharge service receiver portion liability.

With regards to the applicability of the provisions of Reverse charge mechanism for the ongoing contracts, presuming that

- i) bill is issued only for completed portion of work, for all those bills issued in the month of June 2012, the old provisions apply.
- ii) for the works completed in July'2012, the new provisions apply.

The Tax liability is illustrated below for easy reference:

- (i) CASE-1: If the work was completed prior to July 2012 and the bill is raised by 30th July, 2012, even if the payment is made after July, 2012, new provisions will not apply.
- (ii) CASE-2: If the work is completed prior to 01.07.2012 and advance is received prior to 01.07.2012 then even if the bill is raised after 01.07.2012, then also old provisions apply.
- (iii) CASE-3: In the case of continuous work where Running account bills are raised and if the bill is raised in July 2012 and no advance payments were made, then the new provisions apply. The reverse mechanism shall be followed in the above cases for which bill is raised after 01.07.2012.

13) FUTURE CONTRACTS / AGREEMENTS:-

The Service tax clause mentioned above shall be incorporated in tender specifications, contract award letters and agreements.

14) DEPOST CONTRIBUTION WORKS:

In case of Deposit Contribution works the role of APTRANSCO is of Service Provider. Since the APTRANSCO is a body corporate reverse charge Mechanism is not applicable and APTRANSCO has to pay Service tax as service provider according to the Service tax Valuation Rules as mentioned in Sl.No.10.

Invoice has to be issued within 30 days of Receipt of payment or Completion of service whichever is earlier. Format of Invoice has been enclosed herewith.

15) SSP EXEMPTION

If the Service Provider is under SSP (Small Service Provider) exemption (turnover less than Rs.10 lakhs), Service Provider is not liable for payment of Service tax. However, the Service Recipient (APTRANSCO) is required to pay Service tax on Portion of value on which APTRANSCO is required to discharge Service tax.

16) OTHER PROVISIONS

- i) For remitting the Service tax as recipient of service under reverse charge and for remitting the Service tax as Service Provider in Deposit contribution works, the field Units are supposed to register under the service tax.
- ii) The registration has to be made online. The application for registration is referred to be made in form ST-1 and a print of the form submitted online to be submitted along with the following documents. For online creation official e-mail of the accounting unit has to be created. The service tax web site address is: www.aces.gov.in
 1. Declaration received from online
 2. Address proof (Telephone bill copy)
 3. PAN Copy of AP Transco
 4. Memorandum and Articles of Association of AP TRANSCO.
- iii) Based on the documents submitted the Service tax officials will issue the Certification of registration under the Service tax provisions.
- iv) Already existing Service tax registration holders has to make addition in their registration certificate as recipient of service.

The accounting Codes for payment of Service tax are as under.

	Tax collection	Other Receipts
Other than in the Negative list	00441089	00441090
Education Cess	00440298	00440299
Secondary & Higher Education Cess	00440426	00440427

- v) The Service tax has to be paid on monthly basis by 5th of the month successive month failing which an interest of 18% per annum will be charged.
- vi) Service tax return has to be submitted on half yearly basis. The due dates are as follows.

For the half year ending 31 st March	- 25 th of April
For the half year ending 30 th September	- 25 th of October.

- vii) If Service tax return is filed after due date, then the late fee will be levied by the Service tax department.

Upto 15 days	Rs. 500/-
Beyond 15 days but not later than 30 days	Rs. 1,000/-
Beyond 30 days	Rs. 1,000/- + 100/- per day
Penalty can be levied upto a maximum of	Rs.20,000/-

17) EXEMPTED SERVICES:

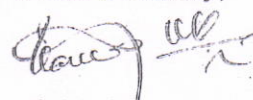
Some Services are exempted vide Notification No – 25 / 2012, Dt: 20-6-2012. One of such service is service provided to the Government by way of construction relating to Irrigation works, Railways and Metro Rail works. The notification may be referred for detailed list of services exempted.

Any statutory variations relating to taxes and duties shall be the responsibility of the Unit officers. The Unit officers shall not wait for instructions from Head quarters.

All the functional heads are requested to communicate the above guidelines to the Officers under their control for implementation.

Encl: Format of Invoice.

Yours faithfully,



Financial Adviser & Chief
Controller of Accounts (A,E&R)

Copy to:

The PS to Director / Finance & Revenue / APTRANSCO, Vidyut Soudha, Hyd.

INVOICE

7/15/1

Sl. No. of Invoice

Service Receiver Address:

Year

STC No.

Service provider name and address:

Item	Description of service	Abatement	Value of Service
01.			
02.			
03.			

Total :

Service Tax 4.8% + Education cess
(on DC works as per composition scheme)

(or)

Service tax 12% + Education cess 3%

Grand Total :

SIGNATURE