

Changes in Reverse Charge Mechanism vide Notification No. 7/2015-ST dated 01-03-2015 amending Notification No. 30/2012-ST dated 20-06-2012 From Partial Reverse Charge to Full Reverse Charge:

- Manpower Supply and Security services
- provided by an individual, HUF, partnership firm or association of persons
- to a business entity registered as body corporate
- have been brought under Full Reverse Charge i.e. 100% Service Tax is to be paid by the Service Recipient.

This change is effective from 01.04.2015.

Till 31.03.2015 these were chargeable under Partial Reverse Charge Mechanism i.e. 75% of Service Tax was payable by the Service Recipient and balance 25% was payable by the Service provider.

What action required in transition period:

Key Concerns:

In cases where the provisions of services are completed on or before to 31-03-2015 but the payment for the same is made on or after 01-04-2015, disputes can arise as to who is required to discharge 25% Service tax liability:

A. INVOICE IS ISSUED ON OR BEFORE 31/03/2015 BUT PAYMENT IS MADE ON OR AFTER 01/04/2015

In such case, service provider is liable to pay 25% in terms of Rule 3 of the POT Rules. However, since payment is made on or after 01-04-2015, the Department may invoke Rule 7 of the POT Rules and allege that the service receiver is liable to pay 100% in view of the amended provisions as the date of payment is the Point of taxation.

B. INVOICE IS ISSUED ON OR AFTER 01/04/2015 AND PAYMENT IS ALSO MADE ON OR AFTER 01/04/2015

Here following two situations may arise:

a) Invoice is raised within 30 days of date of completion of service – Clearly, service receiver will have to pay 100% Service tax;

b) Invoice is not raised within 30 days of date of completion of service – Here again, service provider is liable to pay 25% in terms of Rule 3 of the POT Rules. However, since payment is made on or after 01-04-2015, the Department may invoke Rule 7 of the POT Rules and allege that the service receiver is liable to pay 100% in view of the amended provisions as the date of payment is Point of taxation.

Note: Kindly note that the entire contents of this document have been developed on the basis of relevant statutory provisions and as per the information existing at the time of preparation i.e. Act, notification, clarifications & circular issued till April 2015. Though we have made utmost efforts to provide authentic information, however we do not undertake any liability in any way whatsoever, to any person in respect of anything arising by reliance upon the content of this article.