

Sub.: Note on service tax - revised

1. Act and rules of the Act for service tax were changed from 01.07.12. A concept of negative list was introduced. Accordingly, construction of complexes (including residential) and works contract services became taxable without any ambiguity.
2. In works contract services (WCS) the applicable rates are as follows:
 - a. 10.3% less 60% abatement – 4.12% upto 31.5.12
 - b. 12.36% less 60% abatement – 4.944% upto 31.5.15
 - c. 14% less 60% abatement – 5.6% upto 14.11.2015
 - d. 14.5% less 60% abatement – 5.8% upto 31.05.2016
 - e. 15% less 60% abatement – 6% from 01.06.2016
3. For construction of complex services (CCS) the applicable rates are as follows:
 - a. 10.3% less 75% abatement – 2.575% upto 31.5.12
 - b. 12.36% less 75% abatement – 3.09% upto 31.5.15
 - c. 14% less 75% abatement – 3.5% upto 14.11.2015
 - d. 14.5% less 75% abatement – 3.625% upto 31.03.2016
 - e. 14.5% less 70% abatement – 4.35% upto 31.05.2016
 - f. 15% less 70% abatement – 4.5% from 01.06.2016
4. In light of the above, unless otherwise specified, for all new bookings/sale deeds service tax shall be charged as follows:
 - a. KNM/SOB – sale deed Vs agreement of construction (AOC) ratio 60:40. Charge service tax on agreement of construction under WCS.
 - b. MNM/VSC (new bookings after OC application) – 100% sale deed. No service tax. In cases where AOC cannot be avoided try to limit it to 25% of sale consideration. Charge service tax on AOC under WCS.
 - c. NE/BNC/PMR II/Vista – 100% sale deed. Pay service tax on full consideration under CCS. In cases where AOC cannot be avoided make it for 40% of sale consideration. Charge service tax on full consideration under CCS.
 - d. Vista/BNC – no service tax on blocks that have received OC. Construction contract cannot be made.
 - e. PMR I/GWE (bookings after OC) – 100% sale deed only. No service tax.
 - f. VOC - 100% sale deed. Pay service tax on full consideration under CCS. In cases where AOC is required make it for 40% of sale consideration. Charge service tax on full consideration under CCS.
 - g. Serene – consideration to be split into 3 parts:
 - i. Rs. 1 lakh to be paid to Serene Clubs & resorts LLP. Pay service tax at full rate (15% from 1.6.16)
 - ii. Serene Constructions LLP to be paid @ Rs. 720/- per sft. Pay service tax under WCS. Here VAT to be paid at 5%.
 - iii. Balance amount to be paid to Modi Farmhouse LLP. No VAT or service tax.
 - h. DND/Verdure – same as PMR II.
5. In light of the above, unless otherwise specified, for all old bookings/sale deeds service tax shall be charged as follows:
 - a. MNM/VSC (old bookings before OC) - sale deed Vs agreement of construction (AOC) ratio 60:40. Charge service tax on agreement of construction under WCS.

- b. Old bookings of GWE/PMR I/KNM/SOB - sale deed Vs agreement of construction (AOC) ratio to be decided on a case to case basis. Typically it will vary from 75:25 to 60:40. Charge service tax on agreement of construction under WCS.
- 6. VAT to be paid on entire sale consideration @ 1.25% (except Serene).
- 7. For Vista Homes – share of investors flats service tax to be paid on total sale consideration between developer and investor under CCS. VAT also to be paid @ 1.25% on the consideration between developer and investor. Collect the same amount from purchaser.
- 8. There is no further need of collecting PDCs or undertaking for payment of VAT or service tax.
- 9. Calculation for service tax is being made with the help of buyer info database. Contact respective accountants for details and confirm the calculations with Jaya Prakash.
- 10. The taxes calculated to be suitably amended at the earliest.

Soham Modi