

**PRACTICAL QUESTIONS IN SERVICE TAX**

1. S & E Co. is providing taxable information technology software services. The firm furnishes the following information relating to the services rendered, bills raised, amount received pertaining to this service, for the financial year ending on March 31, 2011:

<b>i.</b> Amount received being 10% of the assignment fees on March 31, 2011 for the up gradation and enhancement of software services to be rendered during the financial year 2011-12.	6,00,000
<b>ii.</b> Services Provided to UNICEF, an international Organisation in Gandhinagar, for analysis, design and programming of latest information technology software	5,00,000
<b>iii.</b> Services billed to client(in one of the bills amounting to Rs.3,00,000 service tax was not charged due to conflicting nature and in another bill the firm failed to recover the service tax from the client, which was charged separately, due to insolvency of the client, the bill details are as under: Being the charged for right to use IT Software : Rs.8,00,000 Service tax @ 10% : Rs.80,000 Education cess @ 2% : Rs.1,600 Secondary and higher education cess @ 1% : Rs.800 Total : Rs.8,82,400	3,00,00,000
<b>iv.</b> Amount received for services rendered during current financial year (excluding payment for 2 bills in item (iii) above for which payment received during current financial year)	1,04,78,500

Service tax and education cess have been charged separately in all the bills except wherever mentioned when it is not so charged separately.

Compute the value of total taxable serviced and service tax payable thereon for the year ending March 31, 2011, assigning reason in brief to the treatment of all items.

2. State with reasons in brief whether the following statements are correct or incorrect with reference to the provision of service tax:
- i.** The scope of taxable service shall include any service provided (or to be provided) to business entity, by any other business entity, in relation to advice, consultancy or assistance in any branch of law including service provided by way of appearance before any Court, Tribunal or authority.
  - ii.** Service tax provisions are not applicable in Jammu & Kashmir because the state Government concurrence was not obtained in respect of the Finance Act, 1944.
3. X Hotels Pvt. Ltd. has given the following information for financial year 2010-11. you are required to compute the taxable services and the tax thereon for the financial year 2010-11 without assigning any reason for the treatment:
- i.** Reception room and vehicle parking space are let out for a film shooting for 3 months. The charges received for this Rs.5 lakh.
  - ii.** The conference hall is let out to a Gujarati Samaj Trust for a week for a music competition for Rs.50,000.
  - iii.** The hotel is booked by a customer for 3 days for a marriage function. The room booking charged are received in advance (excluding service tax) in the same year of Rs.50,000. The electricity charges (separately billed Rs.20,000. Hire charges including catering charges for 3 days (amount billed being Rs.3,25,000 after deducting the advance).
  - iv.** During the year, the conference hall is let out to MNO Ltd. The charges received are as follows- Hall rent Rs.4 lakh, computer and projector systems charges Rs.25,000, electricity charges Rs.30,000. Hall rent includes charges for snacks and cold drinks Rs.50,000.
  - v.** The hotel garden is let out to a political party for 2 days for a meeting. The charges received Rs.25,000. The hotel charges 10 percent service charges which are later distributed as tips to employees. The above charges are excluding service tax. All the charges have been received in the financial year 2010-11. The hotel has already been registered under service tax in the financial year 2009-10.

4. Y & Co. seeks your advise for the following in the context of service tax:
- i. It wants to file revised service tax return even through the original return was filled belatedly.
  - ii. It will pay service tax only on actual receipt of money from the customers though it maintained its books of account on mercantile basis.

5.

ABC & Co. receives the following amounts during the half year ending March 31, 2011.	
For services performed prior to the date of levy of service tax (assume service tax was levied from a specified date by change of law)	3,50,000
Advance amount received in March 2011 (no service is rendered and the amount is refunded to the client in July 2011)	75,000
For free services rendered to customers, amount reimbursed by the manufacturer of such product (for the period after the imposition of service tax)	50,000
Amounts realized and on which service tax is payable (excluding the items above)	14,26,500

Calculate the service tax liability duty considering the threshold limit.

6. X & Co., is a service provider. It receives Rs.19,80,000 during the financial year 2010-11 after deduction of tax at source under section 194J. The rate of tax deduction being 10 percent (i.e., after deduction of Rs.2,20,000). Calculate the service tax liability of X & Co. Further discuss whether multiple service provider can use a single challan for payment of service tax for various services rendered by it.
7. X & Co., a partnership firm, is providing taxable legal consultancy services, for the second consecutive assessment year. The firm furnishes the following information relating to the services rendered, bills raised amounts received relating to this service, for the year ending March 31, 2011.

i. Free services rendered to poor people (value of the services computed on comparative basis)	40,000
ii. Advances received from clients for which no taxable service has been rendered so far	5,00,000
iii. Services billed to clients (gross amount) (service tax has been charged separately in all the bills; the firm follows mercantile system of accounting)	12,00,000
iv. The firm has received the following amounts during the year relating to taxable services rendered in March 2010 (excluding service tax at applicable rates and TDS under section 194J to the tune of Rs.45,320)	5,44,680
Amount received relating to taxable services rendered in current year 2010-11 (excluding service tax at applicable rates and TDS under section 194J to the tune of Rs.1,20,000) (* includes Rs.50,000 for appearance fee before labour court received from another firm)	9,80,000

Service tax has been separately received for applicable items in (iv) above.

You are required to compute the value of taxable services for the year ending March 31, 2011 and the service tax payable, briefly explaining the treatment of each item above.

8. Ms. X, a proprietress of Royal Security Agency received Rs.1,00,000 by an account payee cheque, as advance while signing a contract from providing taxable service, she receive Rs.5,00,000 by credit card while providing the service and another Rs.5,00,000 by a pay order completion of service on January 31, 2011. All three transactions took place during financial year 2010-11. She seeks you advice about her liability towards value of taxable service tax payable by her.
9. X has arranged three package tours during financial year 2010-11. The particulars of the service and charges are as under:
- Tour1**- April 2010: Charges received Rs.3.5 lakh. The package includes transportation, accommodation, food tourist guide and entry fees for monuments.
- Tour 2** - October 2010: Charges received Rs.6.5 lakh. The package includes transportation and accommodation for stay.
- Tour 3** - December 2010: Charges received Rs.4 lakh. The charges are solely for arranging accommodation for stay. However, the bills issued to the clients do not mention it clearly that the charges are solely for arranging the accommodation for stay.
- All the charges are excluding service tax. The rate of service tax is 10.3 %. Compute the taxable service and tax thereon.

**10.** Answer the following:

- a. Whether export service provided by service provider is excluded for the purpose of payment of service tax?
- b. List the documents to be submitted along with the first service tax return.
- c. What is the due date for payment in case of e-payment of service tax?

**11.** An unregistered "service provider" provides following details in respect of taxable service providing during the financial year 2010-11:

Date	Particulars	Amount Rs.
June 30, 2010	Advance received from a customer	1,00,000
September 30, 2010	Part payment received against a bill of Rs.9,50,000 raised on a customer	5,00,000
December 31, 2010	Money received against taxable services providing during December 2010.	3,00,000
January 31, 2011	Taxable service rendered during January 2011.	1,00,000
March 31, 2011	Taxable services provided during March, 2011.	2,00,000

The service tax provider complies with the provisions of registration and collection of service tax as per service tax laws. He gets registered during the year. He received the money against the bills raised during the months January and March 2011. Compute the service tax liability of service provider for the year 2010-11. Considering the rate of service tax @ 12.36%.

**12.** X, the owner of a commercial property, had entered into an agreement with a bank. The agreement has entered into on April 1, 2010 to give ground floor of the property on monthly rent of Rs.1,00,000. The bank had taken the property for commercial purpose. Explain whether X is liable to pay service tax on the transaction will bank.

**13.** Y, a consulting engineer raised a bill of Rs.2,24,720 (including service tax) on his client for consulting services rendered by him in the month of June 2010. A partial payment of Rs.1,68,540 is received by Y in the month of March 2011. Compute the service tax amount payable by Y and the due date by which service tax can be deposited.

**14.** Ms. X rendered to taxable service to a client. A bill for Rs.40,000 was raised on April 29, 2010; Rs.15,000 was received from the client on May 1, 2010 and the balance on May 23, 2010. No service tax was separately charged in the bill. The questions are:

- i. Is Mr.X liable to pay service tax, even through the same has not been charged by her?
- ii. In case she is liable, what is the value of taxable service and the service tax payable?

**15.** A partnership firm gives the following particulars relating to the services provided to various clients by it for the half-year ending September 30, 2010:

Total bills raised for Rs.8,75,000 out of which bill for Rs.75,000 was raised on an approved international organisation and payments of bills for Rs.1,00,000 were not, received till September 30, 2010. Amount of Rs.50,000 was received as an advance from XYZ Ltd. on September 25, 2010 to whom the services were to be provided in October 2010.

You are required to compute value of taxable services and service tax thereon.

**16.** X Ltd. has agreed to render services to Y. The following are the chronological events:

Service Tax	Rs.
Contract for services entered into on August 31,2010	60,000
Advanced received in September, 2010 towards all services	2,10,000
Total includes non-taxable services of	70,000
Balance amount is received in March, 2011	

When does the liability to pay service tax arise and for what amount? Contract contains clear details of services; consideration and service tax are charged separately, as mutually agreed upon.

17. X Ltd. starts the business of tour operator on April 10, 2010. The following bills are issued by X ltd. during 2010-11.

Bill.No	Amount Rs.	Registration	Exemption
Bill.No.1 (June 30, 2010)	7,40,000	No registration	No service tax
Bill.No.2 (July 2, 2010)	1,30,000	No. registration	No service tax
Bill.No.3(July 17, 2010)	60,000	Registration is required as value of taxable services exceeds Rs.9,00,000	No Service tax as the value of services does not exceed Rs.10,00,000.
Bill.No.4(July 29, 2010)	80,000		Value of taxable service immediately after issue of Bill.No.4 is Rs.10,10,000. Rs.10,000 out of Rs.80,000 of Bill.No.4 is chargeable to service tax.
Bill.No.5 (Oct 10, 2010)	1,000		Chargeable to service tax.

18. Y .Ltd. is starts the business of dry cleaning on June 3, 2010. During the financial year 2010-11. value of taxable service is Rs.9,10,000. Although registration is required as soon as value of taxable services exceeds Rs.9,00,000, service tax is not chargeable (value of taxable service does not exceed Rs.10,00,000 during the financial year 2010-11).

Value of taxable services does not exceed Rs.10,00,000 in the financial year 2010-11. In the immediately following financial year 2011-12, the applicability of service tax will be as follows:

Bill.No	Amount Rs.	Registration	Exemption
Bill.No.1(April 2, 2011)	6,97,000	Already registered	No service tax (as value of taxable service in the immediately preceding financial year does not exceed Rs.10,00,000 and current year's value of taxable service has not crossed Rs.10,00,000)
Bill.No.2 (May 22, 2011)	2,60,000	Already registered	No service tax (as value of taxable service in the immediately preceding financial year does not exceed Rs.10,00,000 and current year's value of taxable service has not crossed Rs.10,00,000)
Bill.No.3 (June 10, 2011)	1,60,000	Already registered	Value of taxable service immediately after issue of Bill.No.3 is Rs.11,17,000. Rs.1,17,000 out of Rs.1,60,000 of Bill.No.3 is chargeable to service tax.
Bill.No.4 (August 12, 2011)	2,000	Already registered	Chargeable to service tax
Bill.No.5 (Sep 17, 2011)	4,000	Already registered	Chargeable to service tax

19. X Ltd. has obtained a Cenvat credit of Rs.55,000 by fraud. The fraud is deducted by the Central excise officer on March 13, 2010. A show cause notice is issued to X ltd. on March 15, 2010. The central excise officer (after consideration representation by X Ltd.) determines the quantum of tax payable on May 16, 2010 as follows:

Tax payable (i.e., Cenvat credit obtained by fraud)	55,000
Interest	7,200
Penalty (at the rate of 200% of Rs.55,000)	1,10,000
Amount payable	1,72,200

The above order is communicated to X ltd. On May 20, 2010. If X ltd. pays the following amount on or before June 19, 2010 (i.e., 30 days from May 20, 2010), the quantum of penalty will be reduced to 25% of Rs.55,000 (i.e., Rs.13,750)

Tax payable (i.e., Cenvat credit obtained by fraud)	55,000
Interest	7,200
Penalty (at the rate of 200% of Rs.55,000)	13,750
Amount paid on or before June 19, 2010	<u>75,950</u>

If the amount payment is not made up to June 19, 2010 (or the amount paid up to June 19, 2010 is lower than Rs.75,950), the quantum of penalty will not be reduced to 25%. In such case, the penalty will be Rs.1,10,00, as determined by the concerned officer.

- 20.** On April 1, 2010, X is unregistered “ service provider”. He provides the following details in respect of taxable services provided during the financial year 2010-11.

Bill. No	Date of transaction	Particulars	Amount of bill (excluding service tax) Rs.	Payment received Rs.
100	June 30, 2010	Advanced received from a customer (on July 14, 2010 Bill.No 100 was issued)	-	1,00,000
100	July 14, 2010	Bill.No.100 issued	1,00,000	-
101	Sep 30, 2010	Bill.No. 101 issued	9,50,000	-
101	Sep 30, 2010	Part payment received against Bill No.101	-	5,00,000
102	Dec 31, 2010	Bill.No.102 issued (for taxable services rendered during December 2010)	3,00,000	-
102	Dec 31, 2010	Money received against Bill.No.102	-	3,00,000
103	Jan 31, 2011	Bill.No103 issued (for taxable services rendered during January 2011)	1,00,000	-
103	Jan 31, 2011	Money received against Bill.no.103	-	1,00,000
104	March 31, 2011	Bil.No.104 issued (for taxable services rendered during March 2011)	2,00,000	-
104	March 31, 2011	Money received against Bill.No.104	-	2,00,000

\* Service is collected extra wherever it is applicable.

The service tax provider complies with the provisions of registration and collection of service tax as per service tax laws. He gets registered during the financial year. Compute the service tax liability of service provider for the year 2010-11 considering the rate of service tax @ 10.3%.

- 21.** X Ltd. and Y Ltd. Provide business auxiliary service in relation to processing of parts and accessories used in manufacture of cycle. In this case, abatement is available vide Notification No.1/2006. Service providers have an option to pay tax on 70 percent of gross amount. The following data is available for the period ending on March31, 2011.

	X.Ltd Rs.	Y.Ltd Rs.
Gross amount charged (a)	18,00,000	25,00,000
Value of goods and material sold which is included in the gross amount (b)	15,00,000	4,00,000
Balance [(a)-(b)] (c)	3,00,000	21,00,000
Normal service tax liability [@ 10.3% of (c)] (d)	30,900	2,16,300
Service tax liability if abatement is availed [70% of (a) × 10.3%] (e)	1,29,780	1,80,250
Service tax payable [(d) or (e), whichever is lower]	30,900	1,80,250

- 22.** State whether the following services are taxable under the provisions of the Finance Act, 1994 relating to Service tax:

i. A practicing Chartered Accountant representing a client before Income-tax Officer in assessment proceeding

- 23.** Write a brief note explaining the circumstances under which expenditure or costs incurred by a service provider as a pure agent of the recipient of service shall be excluded from the value of taxable services under the Service Tax (determination of value) Rules, 2005.

- 24.** Briefly explain the provisions in the Service Tax Rules, 1994 relating to furnishing of list of records at the time of filling of records at the time of filling of return for the first time.

- 25.** Briefly explain the following with references to the Service Tax Rules, 1994 and the Finance Act, 1994:
- Gross amount charged
  - E-payment of service tax.
- 26.** Calculate the net service tax payable under the provision of Rule 2A of the Service tax (Determination of value) Rules, 2006 relating to determination of value of services in the execution of a works contract from the following particulars:
- |  |              |
|--|--------------|
| <b>i.</b> Gross amount for the works contract (excluding VAT)                              | Rs. 1,00,000 |
| <b>ii.</b> Value of goods and materials sold in the execution of works contract            | Rs. 70,000   |
| <b>iii.</b> Cenvat Credit on (ii) above  | Rs. 1,000    |
| <b>iv.</b> Service tax paid on input services  | Rs. 1,000    |
| <b>v.</b> Cenvat Credit on capital goods issued in the provision of works contract service | Rs. 1,000    |
| <b>vi.</b> Service tax rate  | 12.36%       |
- Make suitable assumptions and provide explanations where required
- 27.** State briefly whether persons are liable to apply for registration under the Finance Act, 1994 and Service tax (Registration of Special Category of Persons) Rules, 2005 and if so from which date:
- An input service distributor who starts his business with effect from 1<sup>st</sup> January, 2008
  - A provider of taxable service under an unregistered brand name of another person.
- Aggregate value of taxable services was Rs. 6,00,000 upto 31.3.08.
- 28.** Calculate the value of taxable service of 'X' Transport Company engaged in the business of transport of goods by road. Give reasons for taxability or exemption of each item. No freight is received from any of the specified category of Consignor/Consignee. Suitable assumptions may be made wherever required X does not avail cenvat credit:
- |   |           |
|---|-----------|
| <b>i.</b> Total freight charges received by 'X' during the year   | 13,50,000 |
| <b>ii.</b> Freight charges received for transporting fruits   | 1,25,000  |
| <b>iii.</b> Freight collected for transporting small consignment for persons who paid less than Rs.750 for each consignment | 75,000    |
| <b>iv.</b> Freight collected for transporting goods in small vehicles for person, who paid less than Rs.1,500 per trip.     | 1,50,000  |
- 29.** Calculate the value of taxable service under Cargo handling services of Cargo Ltd., providing brief reasons where required with suitable assumptions based on the following for the month of April, 2009:
- |  |           |
|--|-----------|
|  | Rs, lakhs |
| <b>i.</b> Total amount charged for all services  | 40        |
| <b>ii.</b> Receipts for services in relation to export cargo and handling of Passenger baggage included in (i) above | 13        |
| <b>iii.</b> Charges for storage and cleaning of empty containers of shipping lines included in (i) above             | 10        |
| <b>iv.</b> Charges for packing and transport of Cargo included in (i) above  | 3         |
| <b>v.</b> Charges for handling for agricultural produce included in (i) above  | 2         |
| <b>vi.</b> Charges for transportation of Cargo included in (i) above   | 5         |
- 30.** Under which Act is the Service tax levied?
- 31.** At what rate is Service tax levied?
- 32.** When is Service tax payable?
- 33.** Is Service tax Payable on advances received by Service provider?
- 34.** When was service provided by a practicing Chartered Accountant brought within the purview of Service tax?
- 35.** Are services provided in the State of Jammu and Kashmir liable for Service tax?
- 36.** What are the due dates for filing of returns under the Services Tax Law?
- 37.** Does the doctrine of 'unjust enrichment' apply to payments under the Service Tax Law?

- 38.** A practicing Chartered Accountant also provides manpower recruitment services to his client.
- 39.** Initial deposit made by a subscriber at the time of application for a telephone connection
- 40.** Cargo handling services in relation to Agricultural Producer and Cold Storage.
- 41.** Services by a consulting Engineer relating to Computer Software
- 42.** Is Service tax payable as services provided to a developer or an unit in the Special Economic Zone (SEZ)?
- 43.** When could an assessee surrender his Certificate of Registration under Service tax?
- 44.** What is the due date for monthly / quarterly payment of Service tax?
- 45.** What do you understand by "Centralised Registration"?
- 46.** Service Tax (Determination of Value) Rules, 2006 (Valuation Rules) and Taxation of Services (Provided from outside India and India and received in India) Rules, 2006 (Import Rules) came into force from 19.4.2006.  
Answer the following with reference to the said Rules:
- i.** Expenditure or costs incurred by the service provider as "Pure agent" of the recipient of service shall be excluded from the value of the taxable service. Who is a "pure agent" under the valuation rules?
  - ii.** What is the value of taxable service in the case of service provided from outside India under the valuation rules?
  - iii.** What are the three categories specified in Rule 3 of the Import Rules?
- 47.** Answer the following with reference to the Finance Act, 1994 and the Rules made there under relating to Service tax:
- i.** Intimation regarding charge in details furnished by an assessee in Form ST-1
- 48.** State briefly whether the following services under the Finance Act, 1994 relating to service tax are taxable services
- i.** Services provided in the State of Rajasthan by a person having a place of business in the State of Jammu and Kashmir
  - ii.** Services provided from India for use outside India
  - iii.** Service provided from outside India and received in India by an individual, otherwise than for purpose of use in business or commerce.
  - iv.** Service provided to an Export oriented unit
- 49.** Answer any four of the following with references to the Finance Act, 1994 as amended relating to applicability of Service Tax:
- i.** One professionally qualified engineer with one non-professionally qualified engineer rendering engineering consultancy services under the name and style of ABC Consultancy Pvt. Ltd.
  - ii.** Business Auxiliary services provided by a Commission Agent
  - iii.** An institute providing pre-school coaching and training
  - iv.** Ship repair services including dry docking within port premises
  - v.** Blood test and analysis service provided by a Commercial pathology laboratory.
- 50.** With references to the Finance Act, 1994 as amended and the Rules made there under relating service tax, state whether registration is required or not in the case of the following persons or class of persons:
- i.** Input service distributor
  - ii.** Small service provider whose aggregate value of taxable service is Rs. 3,50,000 per annum
  - iii.** Indian based recipient of taxable services provided from abroad by a non-resident not having any place of business in India.