

An Overview of Changes due to introduction of Negative List Approach

CA Amarpal M- 0971.710.5008

An Overview of Changes and Amendments in the Existing Service Tax Laws

Due to enactment of Negative List Approach

To be Effective from 01/07/2012

The Negative List Approach under service tax laws which was introduced in the Union Budget 2012-13, was given effect from 01/07/2012 vide notification nos. 19/2012 dated 05/06/2012. The Introduction and enactment of Negative List Approach seeks to make the major amendments in the existing services tax laws and procedures:

Below is the summary of amendment/changes made in the sections/rules/notifications in the existing Service Laws due to Negative list Approach is given below:-

(A) Existing Section which would cease to take effect completely

- (i) Section 65 - Definitions and Interpretations
- (ii) Section 65A - Classification of Taxable Services
- (iii) Section 66 - Charge of Service Tax i.e. Charging Section
- (iv) Section 66A - Import of Service from outside India

An Overview of Changes due to introduction of Negative List Approach

CA Amarpal M- 0971.710.5008

(B) Existing Rules which shall be rescinded completely

- (i) Taxation of Services (Provided from outside India and received in India) Rules, 2006
- (ii) Export of Service Rules, 2005

(C) Existing Rules which shall be amended

Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 – Notification no. 11/2012 dated 17/03/2012 which is to be effective due to enactment of section 66A from 01/07/2012, seeks to make the following amendments;

- Determination of value of Taxable Services involved in the execution of works contract
- Determination of value of Taxable Services involved in supply of food and drink in a restaurant or as outdoor catering
- Some other small changes

An Overview of Changes due to introduction of Negative List Approach

CA Amarpal M- 0971.710.5008

(D) New Section to be introduced

Section 65A – Interpretations

Section 66B – Charge of Service Tax i.e. charging Section

Section 66C – Determination of place of Provisions of Service

Section 66D – Negative List of Services

Section 66E – Declared Services

(E) New Notification/exemptions- Notification no. 17/03/2012

- a. **Full Exemption** from whole of service tax has been provided vide Notification no. 12/2012 dated 17/03/2012 to almost 34 different types of services, some of them are mentioned hereunder:-
- i. Services to UN/International Organizations
 - ii. Health care services, veterinary services
 - iii. Service provided by Charitable Entity registered u/s 12AA of Income Tax Act.
 - iv. Services provided to any person other than business entity by Individual Advocates / Arbitral Tribunal

An Overview of Changes due to introduction of Negative List Approach

CA Amarpal M- 0971.710.5008

(F) **Partial Exemption - Notification no. 13/2012 dated 17/03/2012**

This notification provides partial exemption from service tax i.e. exemption to a extent of service tax leviable, to almost 11 different kind of services. Some of them are;

- Financial leasing services
- Transport of Passengers
- Renting of Hotels, inn guest house etc
- Goods Transport Agency
- Tour operator services

(G) **New Reverse Charge Mechanism**

Notification no. 15/2012 dated 17/03/2012 w.e.f. 01/07/2012, in suppression of earlier notification no. 36/2004 dated 31/12/2004, provides for the new Reverse Charge Mechanism for discharge of partial or full service tax liability.

An Overview of Changes due to introduction of Negative List Approach

CA Amarpal M- 0971.710.5008

- **Full Reverse Charge Mechanism**, the service receiver shall be liable to pay the whole of service tax liable on such received services.
- **Partial Reverse Charge Mechanism**, the total of service tax liable on provision of such services shall partially be paid by service provider and partial by service receivers. Almost 10 different type of services have been provided under this notification. Some of the them are as under:
 - o Insurance Agent Services
 - o GTA service by roads
 - o Sponsorship
 - o Individual Advocate Services
 - o Manpower Services and others

All the above changes/amendments will take effect from 01/07/2012 .

Note: - The above analysis/overview is based on the personal interpretation of the laws/notifications, which may differ from person to person