

ANALYSIS OF INDIAN UNION BUDGET 2012-13

A. CHANGES UNDER SERVICE TAX RULES, 1994; -

Service Tax Rules, 1994 is being amended as follows:

1. The definition of partnership firm shall include 'Limited Liability Partnership'.
2. The time period provided in rule 4A for issuance of invoice is being increased to 30 days. For banks and financial institutions providing banking and other financial services, the period shall be 45 days;
3. Rule 6(4A) is being amended to allow unlimited amount of permissible adjustments.
4. At present, in the case of export and, individuals and firms rendering eight specified services, the point of taxation is the date of payment subject to certain conditions. This special dispensation is being shifted from the Point of Taxation Rules to the Service Tax Rules.
5. In case of exporters, the period extended by the Reserve Bank of India on specific requests is also being included in the period for which the tax liability is allowed to be deferred.
6. The option of deferred payment is being allowed for all service providers rather than for specific services. The facility will be available only to individuals and partnership firms (including limited liability partnership) upto a turnover of taxable services of RS. 50 Lacs subject to the condition that their turnover of taxable services in previous year was below Rs. 50 Lacs. For computing the above limits, the turnover of the whole entity is required to be summed up and not any single registration.
7. Specific rates mentioned under sub-rule 7A of Rule 6 have been revised.

B. CENVAT CREDIT RULES, 2004

Cenvat Credit Rules, 2004 is being amended:

1. Existing rule 5 to be replaced with a new rule to simplify the procedure for refund of unutilized credit on the account of exports;
2. Credit is being allowed on motor vehicles (except those of heading nos. 8702, 8703, 8704, 8711 and their chassis).
3. The credit of tax paid on the supply of such vehicles on rent, insurance and repair shall also be allowed;
4. Credit of insurance and service station service is being allowed to—
 - a. Insurance companies in respect of motor vehicles insured and re-insured by them; and
 - b. Manufacturers in respect of motor vehicles manufactured by them.
5. At present, credit on goods can be taken only after they are brought to the premises of the service provider. Rule 4(1) and 4(2) are being amended to allow a service provider to take credit of inputs or capital goods whenever the goods are delivered to him, subject to specified conditions.
6. Rule 7 for input service distributors is being amended to provide that credit of service tax attributable to service used wholly in a unit shall be distributed only to that unit and that the credit of service tax attributable to service used in more than one unit shall be distributed prorata on the basis of the turnover of the concerned unit to the sum total of the turnover of all the units to which the service relates.
7. Rule 9(1)(e) is being amended to allow availment of credit on the tax payment challan in case of payment of service tax by the service receiver on reverse charge basis.

C. CHANGES UNDER POINT OF TAXTION RULES, 2011

Point of Taxation Rules, 2011 is being amended to –

1. Change the definition of continuous supply of service to capture the entire dimension of the concept, namely, the recurrent nature of services and the obligation for payment periodically or from time-to-time;
2. Omit rule 6 in respect of continuous supply of service and merge it with rule 3. Rules 4 and 5, which deal with situations covering change in effective rate of tax and taxation of new services, shall now be applicable to continuous supply of services also;
3. Define the date of payment;
4. To give an option to determine the point of taxation in respect of advances upto Rupees one thousand received in excess of the amount indicated in the invoice, on the basis of invoice or completion of service rather than payment; and
5. Incorporate a new residual rule to ascertain point of taxation in cases where the same cannot be ascertained by the rules prescribed.

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