

**Taxation of Services based on Negative List and
consequent changes -applicable from 01/07/2012**

The Central Government vide Notification No. 19/2012-ST dated 05.06.2012 has announced Date of Introduction of new regime of most awaited Negative List approach in Service Tax, which will apply w.e.f. 01.07.2012 i.e. service tax would be applicable on all services except those mentioned either in the Negative List or in the Mega Exemption vide Notification No. 12/2012-ST dated 17.03.2012.

No Service Tax on Individual Advocates & GTA's

The Ministry of Finance had *vide* Notification No.15/2012-Service Tax dated 17.03.2012, specified that in respect of services provided by an individual advocate, Goods Transport Agency, Insurance Agent, services provided or agreed to be provided by way of sponsorship to any business entity, in respect of services provided or agreed to be provided by an Arbitral Tribunal etc, the service-tax payable shall be Nil and that the person receiving the service shall pay 100% of the tax. This Notification was to come into force from the date on which the newly inserted section 66B (inserted by clause 143 (F) of the Finance Bill 2012) of the Finance Act, 1994 was to come into effect. The Ministry of Finance has now vide Notification No. 19/2012 dated 5.6.2012, appointed **01.07.2012 as the date on which s. 143(F) of the Finance Act 2012 shall come into force.** The result is that Notification No. No.15/2012-Service Tax dated 17.3.2012 shall come into effect on 1.7.2012.

Negative List of Services Applicable from 01.07.2012

The Central Government has appointed July 1, 2012 (vide Notification No. 19/2012-ST dated 5.6.2012) as the effective date from which Negative List based service tax will come into operation. Henceforth, an assessee need not classify the services under any particular category for taxing purpose. Any activity carried out by one person for another for a consideration, unless covered by the Negative List or by some exemption Notification, will be liable to service tax. Many transactions/activities which were hitherto out of the scope of service tax may now be liable to service tax. Now more activities will be covered by Service Tax Law, so it becomes important to analyze existing and future transactions afresh to ascertain the applicability of service tax or otherwise.

Notified Date for Insertion of New Sections 65B, 66B, 66C, 66D, 66E, 66F

Following new sections have been inserted for governing the Service Tax Legislature w.e.f. 01/07/2012:

1. **Section 65B – Definitions**

2. **Section 66B – Charge of Service Tax :**

This is the new charging section of service tax. This section seeks to levy service tax at the rate of 12% on the value of all services, except services specified in the negative list (in section 66D). These services would be chargeable to tax if these are provided by any person to any person.

3. **Section 66C – Determination of Place of Provision of Service :**

This seeks to empower the Central Government to make rules which will contain principles on the basis of which taxing jurisdiction of a service can be determined. These rules would be known as Place of Provision of Services Rules, 2012. From 01.07.2012, these rules come into effect, existing 'Export of Services Rules, 2005' and 'Taxation of Services (Provided from outside India and received in India) Rules, 2006' will be rescinded

4. **Section 66D-Negative list of Services**

5. **Section 66E – Declared services:**

To charge service tax on service portion of 9 specified Deemed Sale

6. **Section 66F – Principles of interpretation of specified description of Services or bundled services**