

Amendments in Point of Taxation Rules

Introduction

The Point of taxation rules were introduced in 2011 and since then, the govt. has made numerous amendments to it.

Recent Changes

1. In case of individuals and firms, where the taxable services provided in a year do not exceed Rs. 50 lakhs, they have the option to pay service tax on receipt basis.
2. In case service provider receives up to Rs. 1000 in excess of the invoice amount; there is no need to raise fresh invoice for such excess amount if POT rules are followed.
3. Exporter of service is not required to pay tax if payment is received within the period specified by RBI.
4. Date of payment has been specifically defined under Rule 2A
 - In normal case - Prior to entry into books of accounts or actual credit
 - In case of change of rate or new levy between the said two dates - Date when the amount is actually credited in the bank, if it is credited more than 4 days after date of such change.
5. Continuous supply of services
 - a) Continuous services:
 - Telecommunication Services
 - Commercial or Industrial construction
 - Construction of residential complex
 - Internet telecommunication and works contract
 - Any other services if provided continuously or on recurrent basis under a contract for a period exceeding three months
 - b) Point of taxation for above shall be as follows:
 - Date of issue of invoice or receipt of payment, if the invoice is issued within the prescribed period of 30 days from the date of completion of the provision of service.
 - Date of completion of the provision of service or receipt of payment, if the invoice is not issued within the prescribed time as above
 - c) Separate rules for continuous services have been omitted.
 - d) Provision of rules for new levy and changes of rates will also be applicable to continuous supply.

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6. The following are the specified services where in Point of taxation is on receipt basis:

- Architect
- Interior Decorator
- Chartered Accountants
- Company secretary
- Scientific and technical consultancy
- Legal consultancy

However Credit is available to the service recipient on receipt of invoice though no amount has been paid.

7. And lastly the small scale exemption has been amended recognizing that the first clearances up to Rs. 10 Lakhs will be in terms of invoices and not mere payment received.