

JUST TO REMIND YOU

- **Jul 5 - Payment of Service Tax for the month/quarter ended June**
- **Jul 7 - Payment of TDS deducted in June**
- **Jul 15 - TDS Return for quarter ended June**
- **Jul 21 - Payment of MVAT for the month/quarter ended June**
- **Jul 31 - Filing of I.T. Returns by Individuals, HUF (without Audit)**

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Shape up before heading to the cloud

Technology has always been front and centre in this age, and it changes so rapid, that it is difficult to keep pace with it. One such computing rage is "The Cloud Computing". It's become the phrase - *du jour*. As a metaphor for the Internet, "The Cloud" is a familiar cliché, but when combined with "computing," the meaning gets bigger and fuzzier.

So what exactly is Cloud Computing?

Cloud computing refers to a pay per-use model, where applications and software are accessed over Internet and not owned by users. A type of computing, comparable to grid computing that relies on sharing computing resources rather than having local servers or personal devices to handle applications.

The goal of cloud computing is to apply traditional supercomputing, or high performance computing power, normally used by military and research facilities, to perform tens of trillions of computations per second, in consumer-oriented applications.

Before we get too far ahead of ourselves, let's take a closer look at cloud computing, an advancement that is increasingly part of the lexicon but still

little understood. Being connected to the computing grid (via the Internet) and working in the cloud is the equivalent of



being connected to the electricity grid and turning on the lights. Cloud service providers, then, are the equivalent of utility companies that provide the service of electricity directly to your doorstep.

Cloud computing comes into focus only when you think about what I.T always needs: a way to increase capacity or add capabilities on the fly without investing in new infrastructure, training new personnel, or licensing new software. Cloud computing encompasses any subscription-based or pay-per-use service that, in real time over the Internet, extends I.T's existing capabilities.

Cloud computing is at an early stage, with a motley crew of providers large and small delivering a slew of cloud-based services, from full-blown applications to storage services to

spam filtering. Today, for the most part, IT must plug into cloud-based services individually, but cloud computing aggregators and integrators are already emerging.

Types of clouds

Hybrid cloud

A hybrid cloud is both off-site (third party) and on-site (company assets). It is the equivalent of a manufacturer supplementing electricity delivered by the local utility with an on-site generator. You pay the third-party provider a fee for the computing resources used plus the initial investment and maintenance costs for the on-site resources.

Private cloud

A private cloud is yours. You own the computing resources that are located on-site and can be accessed by remote users. This is simply a terminal services or virtual private network connection to your in-house wide area network (WAN). It is the equivalent of someone generating his or her own electricity on-site and avoiding the public grid.

Public cloud

A public cloud is owned by a third party and the computing resources are off-site. It is similar to electricity delivered by a



**“Benefit of Rajiv
Gandhi Equity
Saving Scheme is
available only
once in life time”**



public power utility. You pay the third-party provider a fee for use of the public computing resources.

It has **three parts**: software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS).

IaaS - IaaS means companies, instead of purchasing servers or data centre space, outsource these services from vendors.

SaaS - Software as a Service deliver software as a service over the internet, eliminating the need to install and run the application on the cus-

tomers own computers and simplifying maintenance and support.

PaaS - "Platform as a Service (PaaS)" deliver a computing platform and/or solution stack as a service, often consuming cloud infrastructure and sustaining cloud applications. It facilitates deployment of applications without the cost and complexity of buying and managing the underlying hardware and software layers.

For obvious reasons, cloud is bound to offer a multitude of

benefits for its users, which can be sensed by its ubiquitous demand. A paradigm shift to cloud computing will affect many different sub-categories in computer industry such as software companies, internet service providers (ISPs) and hardware manufacturers. While it is relatively easy to see how the main software and internet companies will be affected by such a shift in Ginger's chunky nuggets, it is more difficult to predict how companies in the internet and hardware sectors will be affected.

Rajiv Gandhi Equity Saving Scheme Sec 80CCG

Finance Act 2012 has inserted a new section 80 CCG, This will be applicable for the A.Y. 2013-14.

Following conditions must be fulfilled to claim this deduction:

- The gross total income of the assessee for the relevant Assessment Year should not exceed Rs. 10,00,000.
- The assessee must be an individual New retail investor, the details of which will be specified by the Government in due course when the detailed scheme is being framed.
- The investment is made by the individual only in such listed equity shares as will be specified by a detailed scheme to be announced at a later date.
- The investment in equity

shares is locked for three years from the date of acquisition.

- Any other conditions which may be prescribed by the Government in due course.

In present section benefit of this scheme is available only once in life time. Because this deduction is available only to new retail investor. So **if a person has already been taken benefit of this section once then next time he will not be new retail investor**. This section or Act doesn't define who "New Retail Investor" is. But if we took common meaning then we can say a person who opened his first demat account will be new retail investor for **first year**. Next year he will not be considered as New Retail investor. So he will not be able to get benefit of this

scheme. So we can say, to get benefit of this scheme a person need to open his/her first Demat account and get benefit of this scheme in same year.

For this deduction individual will invest in specified listed shares. Moreover he must keep these shares in his/her name for 3 years from the date of acquisition. If the assessee, sell his shares before 3 years then the allowed deduction will be deemed income of the year in which default is made.

The amount of deduction is 50% of amount invested in equity shares. However this deduction can't be more than 25,000/-. So if a person invest more than 50,000/- in this scheme then also he can claim only 25,000/- max. One more point in that if a person invest only 20,000/- this year and

20,000/- in next year then he will get benefit of only Rs. 10,000/- in this year. Because as clarify above he will be new retail investor only for first year. So he will not get any benefit of next 20,000/- which he invested next year in this scheme.

This deduction will not be included in 1 lakh limit of 80 C, 80CCC and 80 CCD.

Section 80CCG doesn't restrict

any individual to take benefit of this scheme. So a salaried person also can get benefit of this scheme.

If the assessee, sell his shares before 3 years then the allowed deduction will be deemed income of the year in which default is made.



14 New Services Exempt from Service Tax

The service Tax Department has extended the Exempted services List and issued a new Amended list of Negative services vide notification 25/2012 dated 20.06.2012 in super session to old exemption list notified earlier vide notification 12/2012. New 14 services has been added in the exempted category.

- Service provided by advocates to other advocates and business entities upto a turnover of Rs. 10 lakh in the preceding financial year.
- Exemption to firm of advocates on the same lines as individual advocates.
- Auxiliary educational services and renting of immovable property provided by educational institutions in respect of education exempt from service tax.
- Exemption to services provided to Government and local authorities also extended to governmental authorities, government authority defined as any entity established by a special law
- Services relating to works contract to a scheme under JNNURM or Rajiv Awaas Yojna.
- Construction of monorail or metro projects.
- Transportation of passengers in a ropeway, cable car or air-tram way.
- Services provided to Government, local authorities or a governmental authority for the repairs and maintenance of an aircraft.
- Services by sub-contractors by way of works contract to another main contractor providing works contract services which are exempt.
- Service providing in a taxable territory where both service provider and service receiver are located in a non-taxable territory.

- Services of public libraries by way of leading of books, publications or any other knowledge enhancing content or material.
- Services by Employees State Insurance Corporation (ESIC) to persons governed under Employees Insurance Act.
- Services by way of transfer of a going concern as a whole or an independent part thereof.
- Services by way of public conveniences such as provision of facilities of bathroom, washroom, lavatory urinals or toilets.

With the new additions, the number of exemptions in the 'mega exemption' notification, popularly referred as 'exempt list' has gone up to 38.

"The number of Mega Exemption notification, popularly referred as Exempt List has gone up to 38"



Service Tax under Reverse Charge Mechanism & SSI

Exemption



Service tax is an indirect tax based on the ultimate consumption of the service and the liability is generally discharged by the Service Provider by collecting it from the Receiver of the service. The taxability is attracted –in general- when the services are provided and consumed within the taxable territory. Taxable Territory does not include the state of J&K and therefore services provided within the State of J & K will not be liable to tax. The Place of Supply Rules, 2012 will determine whether a service is being provided in J&K. Moreover wherever the service provider is located in J&K but the service is being provided in taxable territory the tax will be collected from the service receiver. (Reverse Charge)

The government had the bad experience of noting that a number of registrants collect the tax but do not pay the same to the Department. This is a serious loss of the revenue even though the compliant section at the recipient end is often not benefitted. To ensure proper collection, while not inconveniencing small business, Service tax on Reverse Charge basis has been introduced. To give effect to this new reverse charge mechanism, some

changes have been made in section 68(2). It has been provided that both the service provider and service receiver will be considered as persons liable to pay the tax on notified taxable services and to the extent specified against each one of them.

The salient features of the Reverse Charge Mechanism are as under:

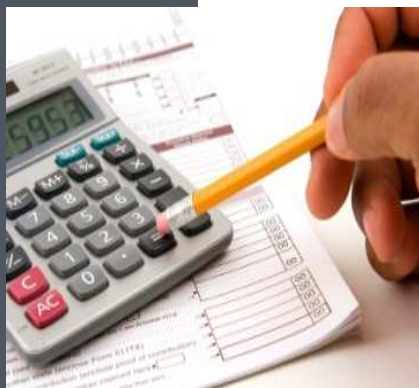
1. With effect from 01-07-2012 section 66B of Chapter V of Finance Act, 1994 shall govern the charge of service tax. Accordingly there shall be levied a service at the rate of 12% on the value of all services, other than those services specified in the negative list, provided or agreed to be provided in the taxable territory by one person to another and collected in such manner as may be prescribed.
2. Section 68 of Chapter V of Finance Act, 1994 governs the mechanism of Payment of service tax. It is provided as under:
 - Direct Charge: Every person providing taxable service to any person shall pay service tax at the rate specified in section 66 in such manner and within such period as may be prescribed.
 - Reverse Charge: Notwithstanding anything contained in sub-section (1), in respect of such taxable services as may be
3. In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 the Government of India has issued a Notification No.15/2012-Service Tax w.e.f. 01-07-2012 which has notified the following taxable services and the extent of service tax payable thereon by the person liable to pay service tax for the purposes of this sub-section, (i.e. sub-section (2) of section 68) namely:—

notified by the Central Government in the Official Gazette, the service tax thereon shall be paid by such person and in such manner as may be prescribed at the rate specified in section 66 and all the provisions of this Chapter shall apply to such person as if he is the person liable for paying the service tax in relation to such service. Provided that the Central Government may notify the service and the extent of service tax which shall be payable by such person and the provisions of this Chapter shall apply to such person to the extent so specified and the remaining part of the service tax shall be paid by the service provider.

3. In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 the Government of India has issued a Notification No.15/2012-Service Tax w.e.f. 01-07-2012 which has notified the following taxable services and the extent of service tax payable thereon by the person liable to pay service tax for the purposes of this sub-section, (i.e. sub-section (2) of section 68) namely:—

Taxable Services : Local Territory Jurisdiction

- In relation to any taxable



service provided or agreed to be provided by an insurance agent to any person carrying



on the insurance business: - 100% service tax payable by the person receiving the service.

- In relation to any taxable service provided or agreed to be provided by a goods transport agency in respect of transportation of goods by road: - 100% service tax payable by the person receiving the service.
 - In relation to any taxable service provided or agreed to be provided by way of sponsorship, to anybody corporate or partnership firm located in the taxable territory: - 100% service tax payable by the person receiving the service.
4. In relation to any taxable service provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory: - 100% service tax payable by the person receiving the service.
 5. In relation to any taxable service provided or agreed to be provided by an individual advocate to any business entity located in the taxable territory: - 100% service tax payable by the person receiving the service.
 6. In relation to the support service provided or agreed to be provided by Government

or local authority, to any business entity located in the taxable territory: - 100% service tax payable by the person receiving the service.

7. In relation to any taxable Services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger on abated value: - 100% service tax payable by the person receiving the service. In relation to any taxable Services provided or agreed to be provided by way of renting or hiring any motor vehicle designed to carry passenger on non abated value:- 40% service tax payable by the person receiving the service and the balance 60% of service tax payable by the person providing services.
8. In relation to any taxable Services provided or agreed to be provided by supply of manpower for any purpose:- 75% service tax payable by the person receiving the service and the balance 25% of service tax payable by the person providing services.
9. In relation to any taxable Services provided or agreed to be provided by way works contract:- 50% service tax payable by the person receiving the service and the balance 50% of service tax payable by the person providing services.

In respect of services mentioned at Sr. No. 7, 8 and 9 the following conditions must be satisfied:

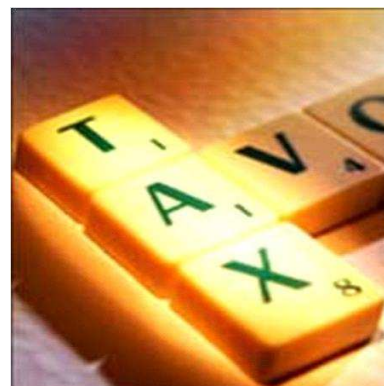
- *The service provider must be individual, Hindu Undivided Family or proprietary firm or partnership firm, whether registered or not, including association of persons;*

- *The service provider must be located in the taxable territory*
- *The service Receiver must be any company formed or registered under the Companies Act, 1956 or a business entity registered as body corporate located in the taxable territory;*

Taxable Services : Intra Territory Jurisdiction

In relation to any taxable service provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory; 100% of service tax is payable by the person receiving the service

Simultaneously Rule 9(1)(e) has been amended to allow availment of credit on the tax payment challan in case of payment of service tax by all service receivers on reverse charge. The department has clarified that the liability of the two persons is for respective amounts and is not influenced by compliance or the lack of it by the other side. Service provider is allowed Cenvat credit of tax paid by him on inputs and input services. The respective portions have been attempted such that the credits available will be well below the amount required to be paid by such persons. In extreme situations the small service provider is also being allowed the refund of unutilized Cenvat credit if any, available with him.





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Extension of time in filing Annual Return by LLP

In continuation of this Ministry's Circular No 13/2012, dated 6-6-2012 on the subject cited above, it is stated that the time for filing the Annual Return by Limited Liability Partnerships (LLPs) (i.e. Form 11) has been extended up to 31st July, 2012.

In order to have better under-

standing of the circular, it is clarified that the time limit of 60 days shall be read as 122 days for filing of Form 11 by LLPs in respect of the Financial Year ending on 31-3-2012. This circular shall be effective from 30-6-2012.



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