



THE ODISHA STATE POLICE HOUSING & WELFARE CORPN. LTD.

(A Government of Odisha Undertaking)

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Letter No.

Dt. 28.05.2016

To

6038

All Divisional Joint Managers / Accounts-in-Charge

OPHWC

Sub : GUIDELINE FOR SERVICE TAX APPLICABLE TO OPHWC

Service tax dues are statutory liabilities which are to be strictly complied otherwise non-compliance of it will attract huge interest and penalty on the defaulted amount and in some cases the concerned head of the Division will be liable for prosecution also.

A guideline on applicability of service tax in our Corporation and the required provisions under Service Tax Rule is enclosed herewith for your information and necessary action. For better clarification of rules under service tax, some examples have been given in the enclosed guideline. All the concerned staff are directed to strictly follow these rules and any violation of the rule by any of the Officer / staff will be dealt strictly.

Any further doubt in this regard will be clarified by our Chartered Accountant on 10.06.16 conference.


Chairman-cum-Managing Director

Memo No. 6039 /OPHWC

Dt. 28.05.2016

Copy to the Chief Engineer, for information.


Chairman-cum-Managing Director

Memo No. 6040 /OPHWC

Dt. 28.05.2016

Copy to the SE / FA / CA / Jt. GM(F) / DGM (Engg.) / DGM(D&D) / Jt. Manager (Monitoring) / Accountant (H.O.) for information and necessary action.


Chairman-cum-Managing Director

GUIDELINE FOR SERVICE TAX APPLICABLE TO OPHWC

OPHWC is liable to pay service tax, under reverse charge mechanism, on projects having Work Order issued on or after 01.03.2015. We are liable to pay service tax on availing following services at Division level :

1. Works Contract (F-2)
2. Labour Contract (K-2)
3. Hiring of Vehicle

Liability of Service Tax

1. Works Contract(F-2)

- Under Composition scheme, 40% of the total contract value should be treated as labour component and service tax liability @15% thereon i.e., 6%, should be calculated as service liability.
- Under reverse charge mechanism, 50% of the service tax liability should be deducted from the bill of contractor and paid to the Service Tax Department within 5th day of following month but for the month of March it should be paid by 31st March.

Example : If a F-2 contractor raises bill of Rs.100/- (inclusive of all taxes), our service tax liability shall be Rs.3/- as calculated below:

Contractor's Bill Value	Rs.100.00
Service Component of the Bill (i.e.,40%)	Rs. 40.00
Service Tax Liability @ 15% on service Component	Rs. 6.00
50% of service tax liability should be deducted from the bill of Contractor and paid to Govt. by OPHWC.	Rs. 3.00
Amount payable to Contractor (before other deductions like IT, VAT, Cess & security deposit)	Rs. 97.00

Note :

- a. If the contractor bill is exclusive of service tax, the service tax amount of Rs.3.00 shall be paid by the Corporation from its own funds without deduction from contractor.
 - b. If the contractor is a Private or Public Limited Company, no deduction shall be made from the bill of contractor towards service tax and we do not have any liability towards service tax.
- #### 2. Labour Contract (K-2)
- 100% of the total contract value should be treated as labour component and service tax liability @15% thereon i.e., 15% should be calculated as service tax liability. 50% of the service tax liability should be deducted from the bill of contractor and paid to the Service Tax Department within 5th day of following month but for the month of March it should be paid by 31st March.

Example : If a K-2 contractor raises bill of Rs.100/-(inclusive of all taxes), our service tax liability shall be Rs.7.50 as calculated below:

Contractor's Bill Value	Rs.100.00
Service Component of the Bill (i.e.,100%)	Rs. 100.00
Service Tax Liability @ 15% on service Component	Rs. 15.00
50% of service tax liability should be deducted from the bill of Contractor and paid to Govt. by OPHWC	Rs. 7.50
Amount payable to Contractor (before other deductions like IT, VAT, Cess & security deposit)	Rs. 92.50

Note :

- If the contractor bill is exclusive of service tax, the service tax amount of Rs.7.50 shall paid by the Corporation from its own funds without deduction from contractor.
- If the contractor is a Private or Public Limited Company, no deduction shall be made from the bill of contractor towards service tax and we do not have any liability towards service tax.

3. Hiring of Vehicle

➤ Under Composition scheme, 40% of the total contract value should be treated as service component and service tax liability @15% thereon i.e., 6%, should be calculated as service liability.

- If the contract value includes service tax,

50% of the service tax liability should be deducted from the bill of transporter and paid to the Service Tax Department within 5th day of following month but for the month of March it should be paid on 31st March.

- If the contract value does not include service tax,

50% of the service tax liability should be paid by the Corporation from own sources to the Service Tax Department within 5th day of following month without deducting from the bill of transporter but for the month of March it should be paid on 31st March.

Example : If a Transporter raises bill of Rs.100/-, our service tax liability shall be as calculated below:

Particulars	Contract Value includes Service Tax	Contract Value does not includes Service Tax
Transporter's Bill Value	Rs.100.00	Rs.100.00
Service Component of the Bill (i.e.,40%)	Rs. 40.00	Rs. 40.00
Service Tax Liability @ 15% on service Component	Rs. 6.00	Rs. 6.00
50% of service tax liability should be deducted from the bill of Transporter and paid to Govt. by OPHWC.	Rs. 3.00	-----
50% of service tax liability should be paid by OPHWC from own fund without deduction from transporter.	-----	Rs. 3.00
Amount payable to Transporter (before other deduction like IT etc.)	Rs. 97.00	Rs.100.00

Note:

- a. If the transporter is a Private or Public Limited Company, no deduction shall be made from the bill of transporter towards service tax and we do not have any liability towards service tax.

4. FILING OF SERVICE TAX RETURN

- Service Tax returns should be filled half yearly on or before 25th October for the half year ended 30th September and on or before 25th of April for the half year ended 31st March.

5. SERVICE TAX TO BE INCLUDED IN OUR ESTIMATES SUBMITTED TO USER DEPARTMENTS.

- Service tax @6% (i.e., 15% on 40% of contract value) on the total contract value (inclusive of Supervision Charges, Cess, Contingencies etc.) should be included in our estimates submitted to User Dept. (for F.Y. 2016-17).

6. CLAIMING OF REFUND OF SERVICE TAX PAID

- Projects having work order date prior to 01.03.15 are exempted from service tax. Therefore, service taxes paid against these projects will be refunded to us by the service tax department. For claiming refund from service tax department we have to file relevant returns with service tax department before 14.11.2016 otherwise we will not get any refund.

If any service tax has been refunded to any contractors in respect of projects having work order date prior to 01.03.15, the said amount should be recovered either from the subsequent bill of contractor or from deposit of contractor lying with us, because said amount will be refunded to him by the service tax department.


Chartered Accountant