

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3542
ANSWERED ON:14.12.2012
WORKS CONTRACT SERVICES
Vinay Kumar Alias Vinnu Shri

Will the Minister of FINANCE be pleased to state:

- (a) the existing procedure for determining valuation of works contract services for calculation of service tax;
- (b) whether the Government has received representations from All-India Tax Advocates Forum (AITAF) and other institutions seeking clarity on the definition of `works contract services` and simplification of procedure for determining its evaluation;
- (c) if so, the details thereof; and
- (d) the action taken/being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

Part (a): Sir, with effect from the 1st day of July, 2012, negative list based comprehensive approach to taxation of services has been introduced for the purpose of levy of service tax. Under the new approach, works contract has been newly defined in section 65B (54) of the Finance Act, 1994. Service tax is leviable on service portion in the execution of works contract, in terms of section 66E (h) read with section 66B. Method for determination of service portion in the execution of works contract is prescribed in Rule 2A of the Service Tax (Determination of Value) Rules, 2006.

Part (b): Yes.

Part (c): Underlying theme of various representations is as follows: (i) prescribed service portion for various works contracts should be allowed to be reconciled with State Governments; (ii) prescribed service portion involving works contract involving immovable property should be same as that of movable property; (iii) determination of service portion based on actual value of property in goods declared for purpose of state VAT or as prescribed based on types of works contract should be made optional.

Part (d): As a standard practice all suggestions received are examined as a part of the Budget exercise.