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## Urgent doubt

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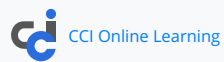
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jitendra parida (articles students) 26 February 2016

I have doubt in Services Tax relating to Works Contract.

if comany is provides services relating to Erection,Commissioning and Installation of electrical construction work. wheat her company take abatement 60% of Erection Invoice Value.

please confirm it little urgent



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••• [Amit Kanunga](#) (Article Assistant and Post Graduate) [🕒 26 February 2016](#)

S. No.	Nature of contract	Taxable Value
1.	Execution of Original Works	40%
2.	Execution of contract for maintenance, repair, reconditioning or servicing of any goods.	70%
3.	Other works contracts not covered by 1 & 2 above (including completion and finishing services such as glazing, plastering, installation of electrical fittings of an immovable property)	60%



••• [Sameer Sutradhar](#) (Chartered Accountant) [🕒 26 February 2016](#)

w.e.f 1.10.2014 even the contracts covered under point 3, the service portion is equal to 70% of the total amount charged for the works contract.

In your case, the company is right in claiming 60% abatement, as 40% value is service portion in case of original contracts.

Please refer Rule 2A(ii) of Service Tax(Determination of Value) Rules, 2006 for details.



••• [jitendra parida](#) (articles students) [🕒 26 February 2016](#)

What About 60% abatement. Will That 60% will be covered by Any other Taxation or left off.



••• [CA Prakash N](#) (Head - Indirect Tax (GST & FTP)) [🕒 27 February 2016](#)

Dear Mr. Jitendra,

At first, ensure that you are providing "Original Works" to claim 60% abatement.

Service tax and VAT both will be levied on Works contract as this is deemed service.

on 40% of value - ST

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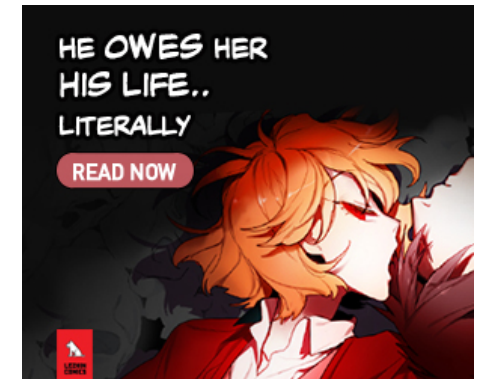
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On 70% of value - VAT

So, you will be ending up paying tax on 110% of the value.



• • • [jitendra parida](#) (articles students) [🕒 27 February 2016](#)

Our company giving Erection, Commissioning and Installation of electrical construction work.

We received invoice separately supply invoice which included VAT and erection services invoice which included ST @ 14.5%. So how will I compute ST liability? VAT already paid. Take example total contract value 100 and 70% supply invoice and 30% services invoice, VAT already paid for 70% on supply invoice. I have doubt ST calculated **30% of value \* 40% (abatement) \* 14.5%. Is it correct**



• • • [CA Prakash N](#) (Head - Indirect Tax (GST & FTP)) [🕒 27 February 2016](#)

Dear Mr. Jitendra,

There are separate valuation methods given for works contract.

1. When there is actual separate bifurcation of Goods and Service (unless it is artificial bifurcation based on certain percentage) you are required to VAT on goods and ST on Service
2. When you are unable to bifurcate goods and service then above said valuation comes into picture i.e. 40%, 70%.

Based on your facts, it is confirmed that there is separate bifurcation of goods and service and they are charging separately.

Is it correct???

But somewhere your question is not complete, who is giving bills to you...?? Are you giving sub contract??

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Kindly explain full facts and your question. It will help us to give right answer



••• [jitendra parida](#) (articles students) 🕒 27 February 2016

Thanks Sir so much.

end of answare .i got

I have to Calculat St -> Total Output ST - Input =ST Liability. **No Abatement benefits**



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