

Subject: Applicability of Service Tax on Construction Services

With effect from 1.7.2010 Service Tax has been made applicable on construction services. As per advice taken by IRWO from its Chartered Accountant as well as Service tax experts, the new levy would also be applicable to houses constructed by IRWO.

Accordingly all the allottees are required to pay Service Tax at the rate of 2.575 % on the amount of instalments remitted by them on or after 1.7.2010. Since Service Tax is mainly applicable on the amount of instalments and not on other charges like, Maintenance Fund, Depreciation Reserve Fund, and Interest on Delayed payment etc. the allottees are requested henceforth to send separate Cheque//Demand Drafts, one towards the instalment and the second for other payments along with two separate challans. In order to facilitate the allottees, the instalment being paid by them will be treated inclusive of Service Tax. The Tax would be calculated on backward method. For instance, if instalment is of Rs.100000.00 (including Service Tax), Instalment amount will be Rs.97490.00 and Service Tax will be Rs.2510.00. As such only Rs.97490.00 shall be treated as the amount of instalment. The deficit so worked out in the amount of instalment will have to be paid along with the last instalment.