

How does a person become an Amway Business Owner?

A person must be sponsored into the Amway business by an active Amway Business Owner. The sponsoring Business Owner is responsible for teaching the new Business Owner about the Amway business.

What is the cost of joining Amway business?

There is no cost of joining the Amway business.

Are Amway Business Owners employees of the company?

No. Amway Business Owners are independent contractors and not employees of the company.

How many products does Amway offer?

Amway offers more than 85 high quality products carrying brand names including NUTRILITE™ Vitamins and Food Supplements, ARTISTRY™ Skin Care, SATINIQUE Advanced™ Hair Care System, Dynamite Male Grooming range, L.O.C.™ Multi purpose cleaner and SA8™ Laundry System. Visit the products section for more information on these and other brands.

How can I buy Amway products?

Amway™ products are sold by Amway Business Owners only. For more information, visit the How to Buy section.

Is Amway publicly or privately held?

Amway Corporation is part of the Alticor family of companies, privately held by the DeVos and Van Andel families.

When was Amway founded?

Amway was founded in 1959 by Rich DeVos and Jay Van Andel. For more information, visit the History section.

Does Amway have any influence over a Business Owner's business?

To become an Amway Business Owner, an individual must sign an agreement to abide by Amway's Rules of Conduct. Each year, they voluntarily renew that promise when they renew their Amway business.

Our Rules promote ethical direct selling principles and provide practical procedures for all Business Owners to observe in operating their Amway businesses. The Rules of Conduct, which are largely in accordance with local, legal requirements, mandate certain business practices to ensure compliance with all laws and regulations and to preserve harmony among Business Owners. Amway has the right to enforce these Rules through its contract with its Business Owners—up to and including terminating that contract.

Does Amway really give people more free time, or does it require a lot of time to succeed?

Like any small business, it takes hard work to succeed in the Amway business, and that requires time and commitment, especially in the beginning. Our research shows that most people understand this very well

But the Amway business does offer flexibility for our Business Owners in running their business. Unlike most conventional jobs, Amway Business Owners can work at home, when they want, at their own pace, on their own schedule, according to the goals they have set for themselves. For some, that means if they need an afternoon to attend their child's school play, play golf or see a friend, they can arrange their work schedule to allow this. The choice of when, where and how much time to devote to their Amway business is theirs alone. This flexibility is one important reason why the opportunity appeals to so many people around the world.

Is product pricing competitive?

Our products are price-competitive and good value for the money. We know this from our market surveys, Business Owner feedback and, ultimately, by the sales growth of all our product lines over the years.

Our data shows that while some of our products are more expensive than their counterparts, others are less expensive and most are competitively priced. Products that are more expensive usually have greater features and benefits over competitive goods.

Many Amway TM products are highly concentrated, meaning a single purchase lasts longer. On a cost-per-use basis, these products are priced very competitively.

It is also important to note that Amway Business Owners are selling more than just products—they're also selling an exceptional level of service. Amway products are delivered directly to the customer and are backed by the Amway Satisfaction Guarantee. Amway's extensive product line makes it possible for customers to do virtually all their shopping without leaving home or worrying about the hassles of returns. Their business owner does all the work for them. This convenience is very appealing to many of today's busy people, and for many it is worth a little bit more.

The consumer is the ultimate judge of price and value, and our sales success over the years speaks volumes about our product value and customer satisfaction.

Is it true that you don't have to sell—just buy the products for yourself and recruit others to do the same?

You can't make money in the Amway business unless Amway TM products are sold. To say otherwise misrepresents the Amway Sales and Marketing Plan—a violation of our rules.

How do Amway products rank in comparative tests?

Amway products are rated very favorably for performance in various tests around the world.

We are proud of our products and our commitment to research and development. Unlike other direct selling companies that use outside contractors to develop and manufacture most, if not all, of their products, we have our own extensive R&D and manufacturing facilities and make major investments each year in this area. We currently own more than 450 patents worldwide, and we currently employ more than 450 R&D professionals working in 65 labs around the world.

Consumers are the ultimate judges of product quality. They may buy a product once, but if its quality and value don't measure up, they probably won't buy it again. Amway's own consumer research and sustained global success show that consumers think our products are top rate.

What does Amway see as the role of women in the Amway business?

The Amway business opportunity is open to everyone, regardless of gender, race, age, religion, or political or other personal beliefs. The Amway business appeals to women, men, couples, and families from all backgrounds.

Amway has helped to empower millions of women around the world by offering them a low-cost, low-risk opportunity to achieve their goals by owning their own business. This fact is especially gratifying to us. There are countless examples of women who have achieved success in the Amway business.

Is Amway's business continuing to grow?

Yes. There remain many opportunities for Amway's business to grow.

Amway has opened its business opportunity in many new countries in the past decade—over 35 since 1990. Continued development in these countries will fuel long-term growth.

Amway will also continue to explore new opportunities for growth in well established countries, including innovative products and new ways for people to become involved with Amway—as Business Owners, product retailers, or consumers.

Right now, Amway is investing in enhancing and expanding our manufacturing and distribution facilities to support the growth we expect in the coming decades. The prospects for growth remain strong.

Is the business plan today as valid as it was over 40 years ago?

Absolutely. The Amway Sales and Marketing Plan, with its roots in the basic elements of free enterprise, is a proven business concept. Originating almost half a century ago, this business plan has been continually refined and enhanced to meet the needs of entrepreneurs.

To carry out resale of Amway products, you may be required to register with the VAT authorities under the Value Added Tax (VAT) Act of the State in which you are carrying out this business. Under the VAT Act, there are certain threshold limits for registration. Please refer the table below:

STATE or U/T THRESHOLD LIMIT FOR REGISTRATION

SNo.	State	Registration Threshold (Rs.)
1	ANDAMAN NICOBAR	N.A
2	ANDHRA PRADESH	500,000
3	ARUNACHAL PRADESH	500,000
4	ASSAM	400,000
5	BIHAR	500,000
6	CHATTISGARH	500,000
7	CHANDIGARH	500,000
8	DELHI	1,000,000
9	GOA	500,000
10	GUJARAT	500,000
11	HARYANA	500,000
12	HIMACHAL PRADESH	600,000
13	JAMMU & KASHMIR	750,000
14	JHARKHAND	500,000
15	KARNATAKA	Every dealer who has reason to believe that his taxable turn over is likely to exceed Rs.5,00,000/-in a year, or whose taxable turnover exceeds Rs.40,000/- in a month.
16	KERALA	500,000
17	MAHARASHTRA	500,000
18	MADHYA PRADESH	500,000
19	MEGHALAYA	100,000
20	MIZORAM	300,000

SNo.	State	Registration Threshold (Rs.)
21	MANIPUR	300,000
22	NAGALAND	300,000
23	ORISSA	300,000
24	PONDICHERRY	5,00,000
25	PUNJAB	500,000
26	RAJASTHAN	10,00,000
27	TAMIL NADU	500,000
28	TRIPURA	300,000
29	SIKKIM	300,000
30	UTTAR PRADESH	500,000
31	UTTARANCHAL	500,000
32	WEST BENGAL	500,000

Notes:

1. Please note that under VAT Scenario, threshold limit for Importer (ie who purchases goods from another state) the limit will be NIL.
2. In case you expect inter state sales, then you are required to register with the VAT authorities of the State in which you are carrying out this business under the Central Sales Tax (CST) Act. There are no threshold limits for registration under the CST Act, and you are expected to register under the CST and VAT Act from the time you intend to carry out the first interstate sale. In case of resale of Amway products, you are expected to issue invoices to your customers, especially if you are registered for VAT purposes. Any amount collected by you VAT/CST on invoices raised by you must be deposited by you and a copy of the deposit challan submitted along with your VAT/CST return to the VAT authorities. However, If you are not registered, in this case, you are expected to issue a Customer Receipt (248390ID - Customer Receipt Pad.). However, before acting on the above information you are requested to consult your Sales Tax / VAT consultant in your respective states.
3. The figures mentioned above are for general business information only, and should not be construed as conclusive support for any act or omission on the part of ABOs.

OCTROI

Octroi is a Municipal entry tax charged at the entry point of a town or city. This tax is payable in cash by the transporter of goods entering the city or town for commercial purposes. Octroi is payable only if the entry address or point of delivery of the goods being sold fall within the Municipal (Octroi) limits of the town or city. In case you are selling Amway products in any town or city where Octroi is applicable, then you may be required to pay this tax. However, no prior registration is required for payment of Octroi. Currently, Octroi is applicable only in the State of Maharashtra.

Note: The views and the figures expressed here are for general information only, and should not be construed as conclusive support for any act of omission or commission on part of the Distributors. Contact for further details This is the information which is appropriate and relevant to ABOs as far as Sales Tax/VAT is concerned. For any other information required by them on Sales Tax/VAT, they can have their specific queries sent to the following IDs:

abraham_ninan@amway.com, dinesh_gora@amway.com

OR specifically

For South

manohar_shah@amway.com

For East

tanmay_ray@amway.com

For West

harsh_khatri@amway.com

Applicable Income tax rates

The applicable INCOME tax rates in case of individuals

Financial Year : 2011-2012

Assessment Year: 2012-2013

Income	Male of age less than 60 years
Income equal to or less than Rs.1,80,000	Nil
Income more than Rs. 1,80,000 but less than or equal to 5,00,000.	10% of (Taxable income- Rs 1,80,000)
Income more than Rs. 5,00,000 but less than or equal to 8,00,000.	Rs 32000 +20% of (Taxable income- Rs 5,00,000)
Income more than Rs. 8,00,000.	Rs. 92000 + 30% of (Taxable income- Rs 8,00,000)
Income	Resident female of age less than 60 years.
Income equal to or less than Rs.1,90,000	Nil
Income more than Rs. 1,90,000 but less than or equal to 5,00,000.	10% of (Taxable income- Rs 1,90,000)
Income more than Rs. 5,00,000 but less than or equal to 8,00,000.	Rs 31000 +20% of (Taxable income- Rs 5,00,000)
Income more than Rs. 8,00,000.	Rs. 91000 + 30% of (Taxable income- Rs 8,00,000)
Income	Resident senior citizen i.e individual having age 60 years or more but less than 80 years till last date of previous year.
Income equal to or less than Rs.2,50,000	Nil
Income more than Rs. 2,50,000 but less than or equal to 5,00,000.	10% of (Taxable income- Rs 2,50,000)
Income more than Rs. 5,00,000 but less than or equal to 8,00,000.	Rs 25000 +20% of (Taxable income- Rs 5,00,000)
Income more than Rs. 8,00,000.	Rs. 85000 + 30% of (Taxable income- Rs 8,00,000)
Income	Resident super senior citizen i.e individual having age 80 years or more any time in the previous year.
Income equal to or less than Rs.5,00,000	Nil
Income more than Rs. 5,00,000 but less than or equal to 8,00,000.	20% of (Taxable income- Rs 5,00,000)
Income more than Rs. 8,00,000.	Rs. 60000 + 30% of (Taxable income- Rs 8,00,000)

Notes

- Further, education cess @2% of the [tax plus surcharge (if any)] and secondary and higher education cess @ 1% of [tax plus surcharge (if any)] shall be levied irrespective of the level of the income.
- Deduction from income is available for investments made up to Rs. 100,000/- in specified instruments i.e LIC premium, PPF, PF, NSCs, Repayment of housing loan etc. Further deduction up to 20,000/*- is available for Long term Infra Bond

Note: The views and the figures expressed here are for general information only, and should not be construed as conclusive support for any act of omission or commission on part of the Distributors.

Amway Returns Policy

Amway Corporation is the world's largest direct selling organisation. The superior value and high quality of Amway products and services have earned us the trust of our ABOs and their customers. This trust is a precious and unique relationship. Everyone must share in the Amway commitment to excellence. Everyone has a responsibility to ensure the superior value and high quality of Amway products and services – quality and value that we guarantee!

Amway's Customer Product Refund Policy

“We stand behind the quality of Amway™ products.

All Amway Products are covered by Amway's Customer Product Refund Policy. If the Customer is not completely satisfied, he/she is entitled to return the products within 30 days from the date of delivery for a full refund. The refund policy is applicable only for products in marketable condition, and partially used products (30%) accompanied with an invoice. This policy does not apply to products that have been intentionally damaged or misused. It is incumbent upon Amway Business Owners to follow the Customer Product Refund Policy in letter and spirit.

Amway Returns Policy for ABO

ABO may return the products within 30 days of purchase as follows:

Amway Returns Policy for ABO

ABO may return the products within 30 days of purchase as follows:

Condition	Time Period	Invoice	Payment
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Marketable*	Within 30 days of purchase	Yes	DAP
	Within 30 days of purchase	No	DAP less VAT
Unmarketable**	Within 30 days of purchase	Yes	DAP less VAT
	Within 30 days of purchase	No	DAP less VAT
Excess Stock***	Within 60 days of purchase	Yes	DAP less 10% handling charges
	Within 60 days of purchase	No	DAP less VAT and 10% handling charges

VAT (Value Added Tax)

*Marketable refers to products that are unopened and sealed.

**Unmarketable are products which have been partially used (30%).

***Excess stock refers to products greater than or equal to six in number.

Reference Notes:

- The ABO must return the product(s) to Amway Pick up Centres.
- Period of return for products is calculated as the number of days from the Invoice Date, to the date of receipt at the Amway Office.
- Condition refers to the condition in which the stock is received back from the ABO as a return. The product can be 'marketable' or 'unmarketable' depending on the condition of the returned stock as assessed by the Returns executive at the Amway office.
- PV/ BV adjustment of Products returned up till 25th of each month shall be processed in the same month. Total PV/BV of the returned products will be deducted from the returning ABO's account.
- If unsold products return is greater than or equal than 6 in number on a single invoice, 10% handling charges will be deducted.
- The Product Return Policy does not apply to open packs of literature and videos or other sales aids.
- Total returns cannot exceed the quantity appearing on the Invoice.

- If products are return by customers directly to Amway, PV/BV adjustment shall be done from the ABO's account & any excess amount paid shall be recoverable from ABO.

General

1.1. What is Service Tax?

It is a tax levied on the transaction of certain specified services by the Central Government under the Finance Act, 1994. It is an indirect tax, which means that normally the service provider pays the tax and recovers the amount from the recipient of taxable service.

1.2. What is the meaning of Service?

Service has not been defined any where in the Act or in the rules, whereas the dictionary meaning of service is an act of help or human intervention, voluntary in nature which may be tangible or intangible. Service is an act of helpful activity, act of doing something useful, intangible, commodity in the form of human effort and it excludes sale of goods, commodities or properties. In this there exist service provider and service receiver.

1.3. Which government department is administering the Service Tax?

Service Tax is an indirect tax and is administered by CBEC i.e. Central Board of Excise and Customs through its Commissionerates and Office of Director General of Service Tax. Service Tax cells setup by Central Excise and Customs are there throughout the country to administer the service tax.

1.4. How to decide whether Service Tax is payable by a person?

A. As a Service provider, you should check that:

- (i) Whether the service rendered by you is falling under the scope of any of the taxable services listed in the Service Tax Law.
- (ii) Whether there is a general or specific exemption available for the category of service provided under any notification.
- (iii) Whether you are entitled to the value based exemption available for small service providers as explained in **Q.No.5.1** of this Booklet.

- (iv) Whether the service charges were received for the services provided or to be provided.

In case the service provided by a person falls within the scope of the taxable services and if such service is not fully exempted, the service tax is payable on the value of the taxable service received subject to the eligible abatements, if any (please also refer **Q. No. 1.6**)

If you have any doubts, please contact your nearest Help Centre or Central Excise Commissionerate/ Service Tax Commissionerate visit www.cbec.gov.in to find the addresses and telephone numbers for further clarification.

1.5. What is the rate of Service Tax?

At present, the rate of Service Tax is **10%**, payable on the ;gross value of taxable service;. In addition to this, Education Cess is payable at the rate of **3%** on the Service Tax amount.

(Total: 10.30% on the value of the taxable service). Refer section 66 of the Finance Act, 1994 (12% Service Tax), Section 85 of the Finance Act, 2004 (2% Education Cess) and Section 126 of the Finance Act, 2007(1% Secondary and Higher Education Cess).

Sl. No.	Period	Rate of Service Tax	Rate of Education Cess
1.	1994 to 13.05.2003	5%	Nil
2.	14.05.2003 to 09.09.2004	8%	Nil
3.	10.09.2004 to 17.04.2006	10%	2% of the S.T.
4.	18.04.2006 to 10.05.2007	12%	2% of the S.T.
5.	11.05.2007 to 22.02.2009	12%	2% of S.T. + 1% (Secondary & Higher

The rate of tax may change during Annual Budget by a Finance Act.

History of Rates

1.6. What is the basis of calculating the value of taxable service?

Normally, the value of taxable service means, the *gross amount* received by the service provider for the taxable service provided or to be provided by him. Further for certain services, a specified percentage of abatement is allowed from the gross amount collected for rendering the services, subject to certain conditions.

1.7. Who is liable to pay Service Tax?

Generally, the person who provides the taxable service on receipt of service charges is responsible for paying the Service Tax to the Government. Although in some cases service recipient are also liable to pay Service Tax.

(For further reference, please refer Sec.68(2) of the Act read with Rule 2(d) of the Service Tax Rules, 1994).

1.8. Does Service Tax provisions are applicable to whole of India?

Yes, the Statutory provisions of the Finance Act, 1994 (Chapter V and VA) extends to whole of India except the State of Jammu & Kashmir.

1.9. When and how service tax is charged and what is a taxable event?

The taxable event is rendering of service and receipt of amount on which service tax is levied. If the service has been provided before it became a taxable service and payment is received after it becomes taxable services, there will be no levy of service tax.

1.10. Whether all services are subject to service tax?

No, the services which are covered under section 65(105) as taxable services are subject to levy service tax. Therefore, only selected services are there on which service tax is levied.

Registration

2.1. What is meant by registration? Who should apply for registration under Service Tax law?

- ❖.... Every person providing a taxable service of value exceeding **Rs. 9 lakhs**, (from 01.04.2008)* is required to register with the central excise or service tax office having jurisdiction over the office of such service provider.
- ❖.... In case a recipient is liable to pay service tax, registration is required by him.
- ❖.... There is also provision for centralized registration **Refer Q.No. 2.8.**
- ❖.... The Input Service Distributors also require registering themselves.

** Rs 3 lakhs (upto 31.03.2007) or Rs 7 lakhs (from 01.04.2007 to 31.03.2008)*

The CBEC has recently issued a circular on procedural issues in service tax Circular No.97/8/2007, dated 23.8.2007.

2.2. Is Registration necessary under Service Tax?

Registration is identification of an assessee. Identification is necessary to deposit service tax, file returns and undertake various processes ordained by law relating to service tax.

2.3. What is meant by the term assessee under Service Tax?

Assessee means a person liable to pay Service Tax and includes his agent.

2.4. When is assessee required to obtain registration?

- i) When a person commences business of providing an existing taxable service, he is required to register himself within 30 days of the date when his service income exceeds Rs 9 Lakhs
- ii) In case a new taxable service is introduced, an existing service provider must register himself, unless he is eligible for exemption under any notification, within a period of 30 days from the date of new levy.

2.5. What is meant by the term person appearing in the definition of taxable service?

The word Person; shall include any company or association or body of individuals, whether incorporated or not. Thus this expression includes any individual, HUF, proprietary firm or partnership firm, company, trust, institution, society etc.

2.6. What is the procedure for Registration? Who should be approached for Service Tax Registration?

An application in Form ST-1 (in duplicate) has to be filed before the jurisdictional Central Excise/Service Tax officer. Certain documents to verify the correctness of declaration in the said form as may be required by the registering authority, such as copy of PAN card, proof of address of business premise(s), constitution of the business [proprietorship, firm, company, trust, institute etc.] etc. The copies may be self-certified by the applicant. In case of doubts in select cases, original documents may have to be presented for across the counter verification and return.

2.7. In how many days the Registration Certificate is to be issued?

The Registration certificate (Form ST-2) would be issued within a period of **seven days** from the date of submission of application ST-1 along with all relevant details/documents.

In case the registration certificate is not issued within seven days, the registration applied for is deemed to have been granted. (Rule 4(5) of the STR, 1994)

2.8. Is there any provision for centralized registration?

Service providers having centralized accounting or centralized billing system, at their option, can have Centralized registration at one or more places.

Commissioner of Central Excise/Service Tax in whose jurisdiction centralized account or billing office of the assessee exists, is empowered to grant centralized registration.

2.9. Does one require registration certificates for each service separately?

Only one Registration certificate is to be taken even if the person provides more than one service from the same premises for which registration is sought. The assessee must get all the services rendered by him endorsed on the registration certificate

If there is centralized registration, only one registration certificate is required for services provided from different premises, declared in the application for centralized registration.

2.10. Is PAN allotted by the Income Tax Department a required for obtaining Service Tax Registration?

Having PAN is essential because the Service Tax Registration number is generated based on the PAN issued by the Income Tax Department which is termed as STC Code No. However, in the absence of PAN, a temporary Service Tax registration number would be issued for assesseees who are not having PAN at the time of filing the application (ST-1) for Service Tax registration till such time they obtain PAN. Once the PAN is obtained, the Service Tax assessee should obtain the PAN - based Service Tax Registration number.

2.11. What is meant by Service Tax Code (STC) and is it based on PAN?

The department has decided to introduce allotment of 15 digits alphanumeric Service Tax code(STC) number to all service tax assesseees which is based on the PAN issued by the Income Tax department PAN based. The main objective of allocating a number is to identify the concerned person where he is located and registered. The first ten digits shall be PAN allotted to the assessee, the next two digits will comprise of a fixed two character service alpha code followed by three digit numeric code for the premises.

2.12. What is to be done in case the assessee discontinues the business of providing taxable service?

The Service Tax Registration certificate (ST-2) should be surrendered to the concerned Central Excise / Service Tax authorities.

2.13. What is to be done in case the business is transferred from one person to another person?

In the event of transfer of the business, the transferee should obtain a fresh certificate of Service Tax registration. The transferee will have his own PAN.

2.14. Whether a service provider can make payment of Service Tax and file returns before the grant of registration by the proper officer?

No. However, service provider should apply well in advance to obtain registration, which is normally granted within 7 days of filing of application. Since service tax is payable once in a month or quarter, an assessee gets sufficient time for registration.

2.15. What is to be done if a registration certificate issued by the Department is lost, can duplicate be issued? What is the procedure in this regard?

The assessee is required to make written request for duplicate registration certificate. The same will be issued by the Department after suitable entry in the registers/records of the Office.

2.16. If the assessee changes the entity from Proprietorship to Partnership or vice versa, whether the same Registration Certificate can be amended?

No, in case of changes the constitution of firm from Sole Proprietorship to Partnership or vice versa, the same Registration Certificate can not be amended. The assessee has to get fresh registration certificate and has to surrender the earlier one.

2.17. For calculating rupee nine lakhs value of taxable service for registration of small service providers, whether all taxable services provided by assessee will be considered?

Where a provider of taxable service provides one or more taxable services from one or more premises, the aggregate value of all such taxable services and from all such premises and not separately for each services or each premises shall be taken into account for computation of aggregate value of taxable service.

Payment of Service Tax

3.1. How to pay Service Tax?

You may pay service tax by G.A.R.7 (previously known as TR6 Challan) in the specified branches of the **designated banks**. The details of such Banks and branches may be obtained from the nearest Central Excise Office/Service Tax Office.

Service Tax can also be paid electronically, called e-payment facility.

3.2. What are the due dates of payment of Service Tax?

*For individual or a proprietary or partnership firm **Quarterly***- by the **5th day** of the month following each quarter and by the **6th day** of the month following each quarter if the duty is deposited electronically through internet banking. For example, Service Tax for the quarter ending 30th of June is to be paid by 5th or 6th of July as the case may be.

*For all other categories (Company, Society, Trust etc.) -**Monthly*** -by the **5th day** of the succeeding month and by the **6th day** of the succeeding month if the duty is deposited electronically through internet banking;

Exception:

For the **month of March or quarter ending March**, all assesseees have to pay by **31st of March** of the Calendar year (Rule 6(1) of the STR, 1994).

3.3. Can excess payment be adjusted while paying tax for the next month or quarter?

Yes.

3.4. What is the head of account into which the Service Tax amount is to be paid in respect of various services?

Separate Head of account has been specified for each taxable service. This must be mentioned on G.A.R. 7 (previously known as TR-6) challans for proper accounting.

3.5. What is TR-6 or GAR-7 challan? Where is it available?

GAR-7 or TR-6 challan is the document for payment of service tax.

GAR-7 or TR-6 challan is also available in any stationary shop selling government forms. The format is also given on web-site www.cbec.gov.in

3.6. Can the Service Tax be deposited in Non-designated banks?

No. For payment of Service Tax, specific bank has been nominated for every Central Excise/Service Tax Commissionerate. If Service Tax is deposited in a Branch /Bank other than the nominated Bank / Branch, it amounts to non-payment of Service Tax (Rule 6(2) of the STR, 1994). In any case, a non-designated bank will not accept service tax challans.

3.7. On what basis the payment of Service Tax is to be made i.e. whether for the billed amount or for the value received?

The Service Tax for a particular period is payable on the amount/value of taxable service received during that period and not on the gross amount billed to the client. The service tax due date depends on the criteria mentioned in the Point of Taxation Rules.

If the charges for the taxable service have been received in advance prior to rendering of the services, the Service Tax is payable even if the services are yet to be provided by them.

3.8. Can service tax be paid by cheque?

Yes, you can pay service tax be paid by cheque.

3.9. When paid by cheque, which date will be treated as date of payment?

The date of deposit of cheque is the date of payment of Service Tax. If the cheque is dishonoured, it would mean as if the Service Tax has not been paid and the relevant penal consequences would follow. (Rule 6(2) of the STR, 1994).

3.10. What is the interest rate applicable on delayed payment of Service Tax?

Every person, liable to pay the service tax in accordance with the provisions of section 68 or rules made there under, who fails to credit the tax or any part thereof to the account of the Central Government within the period prescribed, shall pay simple interest. Currently the interest rate is @ **15% per annum (18% in case the service income exceed Rs. 60 Lakhs)**. Interest is payable for the period from the first day after the due date till the date of payment of any defaulted service Tax amount.

For further details please refer to Section 75 of the Finance Act, 1994.

3.11. Can interest be waived, and by whom?

Interest payments are mandatory in nature and cannot be waived in ordinary jurisdiction.

3.12. Whether Service Tax is payable after providing the service or after the receipt of the service charges?

Service Tax is payable on the amount accrued/ received which ever is earlier i.e. the time when invoice for the service provided is issued or payment is received prior to issuance of invoice.

3.13. What is e-Payment of Service Tax?

e-Payment is a payment mode through which a Taxpayer can remit his tax dues to CBEC using Internet Banking Service. It is an additional facility being offered by the banks besides conventional procedure.

3.14. Whether e-Payment has been made mandatory?

Yes, the e-Payment of service tax has been mandatory with effect from 01.10.2006, for all assesseees who has paid Rs 50 lakh or more in the preceding financial year or in the current financial year.

3.15. Are there any charges for availing e-Payment facility?

No, there are no charges for these services by any Bank.

3.16. Up to what time in a day the e-Payments can be made?

e-Payment can be made 24 hours a day using Internet banking service of Bank. Payment made up to 8 pm will be accounted on the same day. However payments effected after 8 pm will only be included in next working day's scroll by the Focal point Branch.

3.17. Does the Internet banking service give any receipt/confirmation for the e-Payment?

Yes, on successful payment the Internet banking user gets a Cyber Receipt for the Tax payment, which he can save or print for his record.

3.18. How does the taxpayer get the regular Challan stamped and receipted by Bank?

The concerned Focal Point Bank on the next working day will send the Challan copies duly receipted and stamped to the taxpayer by courier at the mailing address provided by the taxpayer.

Filing of Returns

4.1. What are the Returns a service tax assessee has to file?

ST-3 Return For all the registered assessee, including **Input Service Distributors**,

4.2. When to file returns?

ST-3 Return is required to be filed twice in a financial year **half yearly**. Return for half year ending **30th September** and **31st March** are required to be filed by **25th October** and **25th April**, respectively.

4.3. How to file Service Tax Returns?

The details in respect of each month of the period for which the return is filed, should be furnished in the Form ST-3, separately. The instructions for filing return are mentioned in the Form itself. *It should be accompanied by copies of all the GAR-7 (TR-6) Challans for payment of Service Tax during the relevant period.*

4.4 What is e-filing of Service Tax Return?

e-return is a mode through which a assessee files its returns electronically. It is filed through www.aces.gov.in. Please refer our leadership dated 29th Sep 2011.

4.4 Whether e-filing has been made mandatory?

Yes, the e-filing has been made mandatory with effect from 01.10.2011, for all assessees irrespective of the Service Tax liability in the preceding Financial Year.

4.5. Is filing of return compulsory even if no taxable service provided or received or no payments received during a period (a particular half year)?

Filing of return is compulsory, even if it may be a **NIL** return, within the prescribed time limit, failing which penal action is attracted.

4.6. Whether a single Return is sufficient when an assessee provides more than one service?

A single return is sufficient because the ST-3 Return is designed to capture details of each service.

4.7. Can we revise the Service Tax return?

Rule 7B of the rules prescribes that an assessee can submit a revised return with in 90 days(earlier 60 days) of filing of original return to rectify any mistake or omission.

Exemptions

5.1. What are the exemptions available for small service providers?

Service Tax is fully exempted in respect of the taxable services of aggregate value not exceeding Ten lakh Rupees (w.e.f. 1st April 2008) in any financial year i.e. 2008-09

The above mentioned exemption based on the turnover is not available to the persons who are liable to pay Service Tax but are not the service providers.

For example:

(1) The recipient of services from an overseas service provider who has no registered office in India

(2) A company incurring the Transportation charges for availing the services from Goods Transport Agencies, for transportation of goods by Road.

This exemption was introduced with effect from 01.04.2005. (Notifn.No.6/2005-ST dated 01.03.2005).

5.2. What is meant by the term aggregate value not exceeding Ten lakh rupees?

Aggregate value not exceeding Ten lakhs rupees means the sum total of first consecutive payments received during a financial year towards the gross amount, as prescribed under section 67 of the said Finance Act, charged by the service provider towards taxable services till the aggregate amount of such payments is equal to ten lakhs rupees but does not include payments received towards such gross amount which are exempt from whole of service tax leviable thereon under section 66 of the said Finance Act under any other notification.

5.3. What are the conditions for availment of the exemption from Service Tax by the small scale service providers?

Some of the important conditions for availment of the exemption are as follows:

- If the aggregate value of taxable services rendered by the service provider from one or more premises exceeds rupees ten lakhs in the preceding financial year, the service provider is not eligible for the exemption for the current year.
- The exemption shall apply to the aggregate value of all taxable services and from all premises and not separately for each premise or each service.
- The benefit of the exemption shall not apply to taxable services rendered by a person under a brand name or trade name whether registered or not, of another person.

- The exemption shall not apply to persons who are other than the service providers, but liable to pay Service Tax under Sec.68 (2) of the Act.
- The provider of the taxable service shall avail the CENVAT credit only on such inputs or input services received, on or after the date on which the service provider starts paying Service Tax, and used for the provision of taxable services for which Service Tax is payable.
- CENVAT Credit of Service Tax paid on any input services, under Rule (3) or Rule (13) of the CENVAT Credit Rules 2004, used for providing the services under the above exemption, is not admissible for persons availing the above exemption.
- CENVAT Credit under Rule (3) of the said Rules, is not admissible on the capital goods which are received in the premises of the service provider during the exemption period.
- An amount equivalent to the CENVAT Credit taken, if any, in respect of the inputs lying in stock or in process as on the date on which the provider of taxable service starts availing the exemption should be paid; the balance credit amount, if any, shall lapse.

5.4. Is the exemption for small scale service providers compulsory?

Service Tax assesseees have the option not to avail the above exemption and pay Service Tax on the taxable services. However, such option once exercised in a financial year shall not be withdrawn during the remaining part of such financial year.

5.5. What are the other General exemptions available for Service Providers under Service Tax?

The following general exemptions from payment of whole of the amount of Service Tax are available for the Service Providers:

- Services provided to the **United Nations or International Organizations** (Notification No.16/2002-ST dated 02.08.2002).
- Services provided to a developer of **Special Economic Zone** or a unit of Special Economic Zone (Notification No. No.04/2004-ST dated 31.03.2004).
- The **value of the goods and materials sold** by the service provider to the recipient of the service is exempted from payment of the Service Tax, if there is a documentary proof specifically indicating the value of the goods and materials and ,
- No credit of duty paid on such goods and material sold, has been taken under the provisions of CENVAT Credit rules, OR
- Where such credit has been taken by the service provider on such goods and materials, but such service provider has paid the amount equal to such credit

availed before the sale of such good and materials. (Notification No.12/2003-ST dated 20.06.2003).

- Exemptions to **Diplomatic Missions** for official use of taxable services and also to the officers and their families of a Diplomatic Mission for personal use of taxable services-Refer Notification Nos. 33/2007-ST and 34/2007-ST, both dated 23.5.2007-See Question No. 1.13, 1.14 and 1.15, *ante*.
- Specified taxable services, namely, port service, other port service, goods transport service and containerized transport service, received by an exporter and used for export of goods (Notification No.40/2007-ST dated 17.9.2007). Under this notification, the service tax paid by an exporter on these services is refunded to the exporter on compliance of conditions mentioned in the notification.

5.6. Whether the Service Tax should be charged or not, if the value of taxable service is up to Rs 10 Lakh?

Yes, the assessee should not charge the Service Tax if he/she is claiming the benefit of exemption. If by mistake such collections has been made the same should be refunded back to service receiver.

5.7. How the limit can be calculated in case of new Assessee or new services?

The basic exemption will also be available to new assessee as their previous years value of taxable services would be nil. Such assessee will have to foresee their turnover on the basis of experience and decide about opting for the exemptions by filing a declaration to the Central Excise Department.

5.8. Where a service provider provides different taxable services, whether the exemption limit of Rs. 10 lakh is computed for each service separately?

No, exemption limit of Rs.10 lakh shall apply to the aggregate value of all taxable services provided by the service provider.

5.9. Whether the aggregate value of taxable services will also include exempted services?

No, the exempted services provided by the service provider shall not be considered for counting value of taxable services. Only taxable services shall be considered after allowing for abatements/exemptions.

Penal Provisions

6.1. What are the penalties levied for failure to pay Service Tax under the Service Tax provisions?

Any person who is liable to pay service tax and fails to pay such tax, shall pay, in addition to such tax and the interest on that tax a penalty which shall not be less than one hundred rupees for every day during which such failure continues or at the rate of one per cent of such tax, per month, whichever is higher, starting with the first day after the due date till the date of actual payment of the outstanding amount of service tax.

Provided that the total amount of the penalty payable in terms of this section shall not exceed fifty percent of the service tax payable.

For example:

X, an assessee, fails to pay service tax of Rs. 10 lakhs payable by 5th March. X pays the amount on 15th March. The default has continued for 10 days. The penalty payable by X is computed as follows:—

1% of the amount of default for 10 days = $1 \times 10,00,000 \times 10/31 = \text{Rs. } 3,225.81$

Penalty calculated @ Rs. 100 per day for 10 days = Rs. 1,000

Penalty liable to be paid is Rs. 3,226.00.

6.2. What are the penal provisions for various contraventions of the Service Tax Law??

The Penal provisions for various contraventions of the Service Tax Law are as follows:

- a) **Non registration or delayed registration:** An amount Rs. 10000/- or two hundred rupees for every day during which such failure continues, whichever is higher, starting with the first day after the due date, till the date of actual compliance.
- b) **Suppression of the value of taxable services:** Penalty to an extent ranging from 100% to 200% of the Service Tax which was not levied or paid or erroneously refunded, can be imposed on any person, if such short levy or short payment or erroneous refund is by reason of fraud collusion, willful mis-statement, suppression of facts; or contravention of the Act or the rules made there under with an intent to evade payment of Service Tax. Such liability towards penalty would be in addition to the Service Tax amount evaded or erroneously refunded and the interest thereon (Section 78 of the Act).
- c) who fails to keep, maintain or retain books of account and other documents as required in accordance with the provisions of this Chapter or the rules made there under, shall be liable to a penalty which may extend to ten thousand rupees.

- d) who is required to pay tax electronically, through internet banking, fails to pay the tax electronically, shall be liable to a penalty which may extend to ten thousand rupees.
- e) who issues invoice in accordance with the provisions of the Act or rules made there under, with incorrect or incomplete details or fails to account for an invoice in his books of account, shall be liable to a penalty which may extend to ten thousand rupees
- f) Contravention of any of the provisions of the Act or the Rules made there under for which no provisions for penalty is available: An amount not exceeding Rs.10000/- is liable to be imposed as penalty under Sec.77 of the Act.

6.3. Why show cause notices are issued by the Service Tax Department?

When any amount is demanded as service tax or other dues from any person under the Finance Act, 1994 and rules made there under and/or any person is liable to penalty under the said Act/Rules, notices are issued in the interest of natural justice to enable such person to understand the charges and defend his case before an adjudicating officer.

6.4. Can show cause notice be waived?

Where any service tax has not been levied or paid or has been short-levied or short-paid or erroneously refunded, the person chargeable with the service tax, or the person to whom such tax refund has erroneously been made, may pay the amount of such service tax on the basis of his own ascertainment thereof, or on the basis of tax ascertained by a Central Excise Officer before service of notice on him and inform the Central Excise

Relevant Forms

Click Here to download the following forms

For Registration under Service Tax

[Form ST 1](#)

For Service Tax Returns

[Form ST 3](#)

For Payment of Service Tax

[Service tax TR 6](#)