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## Indirect Tax Alert

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Reverse Charge Mechanism-  
change in point of taxation  
provisions

**Volume: IDTX/4/2016**

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Amendment in Rule 7 of Point of  
Taxation, 2011

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## Determination of point of taxation for services covered under Reverse Charge Mechanism

Proviso has been inserted in Rule 7 of Point of Taxation Rules, 2011 to determine point of taxation (POT) of a person liable to pay Service Tax under reverse charge mechanism where there is change in the liability or extent of liability. The proviso states that in case where service has been provided and the invoice is issued before date of such change and payment has not been made as on such date, the POT shall be the date of issuance of invoice.

### **Deloitte Comments:**

This amendment provides a relief to a person liable to pay Service Tax under reverse charge from Krishi Kalyan Cess (KKC) when service has been provided and invoice issued in respect of such service before the change in liability which may be brought about by new levy on service or where a service is taxed for the first time.

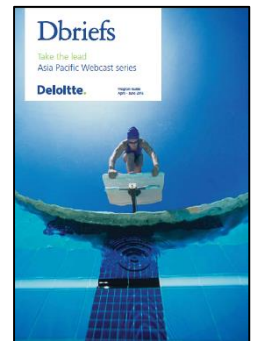
For example, KKC is proposed to be levied with effect from 1 June 2016. In light of this amendment, if provision of service is completed and the invoice is issued, prior to 1 June 2016, KKC will not be applicable under reverse charge mechanism for such invoice when payment is made after June 1, 2016.

**Source:** Notification 21/2016-ST dated 30 March 2016

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