

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs
New Delhi**

Notification No. 29/2007-Service Tax

Dated 22nd May, 2007

G.S.R.(E). - In exercise of the powers conferred by clause (aa) of Sub-Section (2) of Section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Service Tax (Determination of Value) Rules, 2006, namely :-

1. (1) These rules may be called the Service Tax (Determination of Value) (Amendment) Rules, 2007.
(2) They shall come into force with effect from the 1st day of June, 2007.
2. In the Service Tax (Determination of Value) Rules, 2006, after rule 2, the following rule shall be inserted, namely:-
“2A. Determination of value of services involved in the execution of a works contract :
(1) Subject to the provisions of Section 67, the value of taxable service in relation to services involved in the execution of a works contract (hereinafter referred to as works contract service), referred to in sub-clause (zzzza) of clause (105) of Section 65 of the Act, shall be determined by the service provider in the following manner :-
(i) Value of works contract service determined shall be equivalent to the gross amount charged for the works contract less the value of transfer of property in goods involved in the execution of the said works contract.

Explanation.- For the purposes of this rule,-

- (a) gross amount charged for the works contract shall not include Value Added Tax (VAT) or sales tax, as the case may be, paid, if any, on transfer of property in goods involved in the execution of the said works contract;
- (b) value of works contract service shall include,-
 - (i) labour charges for execution of the works;
 - (ii) amount paid to a sub-contractor for labour and services;
 - (iii) charges for planning, designing and architect's fees;
 - (iv) charges for obtaining on hire or otherwise, machinery and tools used for the execution of the works contract;
 - (v) cost of consumables such as water, electricity, fuel, used in the execution of the works contract;
 - (vi) cost of establishment of the contractor relatable to supply of labour and services;
 - (vii) other similar expenses relatable to supply of labour and services; and
 - (viii) profit earned by the service provider relatable to supply of labour and services;



- (ii) Where Value Added Tax or Sales Tax, as the case may be, has been paid on the actual value of transfer of property in goods involved in the execution of the works contract, then such value adopted for the purposes of payment of Value Added Tax or Sales Tax, as the case may be, shall be taken as the value of transfer of property in goods involved in the execution of the said works contract for determining the value of works contract service under clause (i).

Sd/-

(G. G. PAI)

Under Secretary to the Government of India

[F. No. B1/7/2007-TRU]

Note : The principal rules were published in the Gazette of India, Extraordinary vide Notification No. 12/2006-Service Tax, dated the 19th April, 2006, vide number G.S.R. 228 (E), dated the 19th April, 2006, and were last amended vide Notification No. 24/2006-Service Tax, dated the 27th June, 2006, vide number G.S.R. 383(E), dated the 27th June, 2006.