ABSTRACT

Government’s primary sources of revenue in India are direct taxes and indirect taxes. Taxes paid directly to the Government by the persons on whom the tax is imposed/levied are referred to as Direct Taxes. These includes income tax, wealth tax etc. Indirect taxes attach themselves to the cost of supply of goods/services and are, in this sense, transaction specific rather than person specific. The major indirect taxes/ duties levied under acts of parliament are listed below;

a) **Central Excise Duty**: Duty is levied on manufacture or production of goods in India.

b) **Customs duty**: Duty is levied on import of goods into India and on exports of certain goods out of India.

c) **Taxes on Services**: service tax is levied on services provided within the taxable territory.

Central excise duty on goods manufactured/ produced in India and custom duties on imported goods constitute the two major sources of indirect taxes in India. However, revenue receipts from custom & excise have been constantly declining due to World Trade Commitments and rationalization of commodity duties.
On the other hand service sector has been growing phenomenally and thereby on services also tax has been started to levy from 1994 onwards. Before this there is no tax on services and now services sector has been pushing back the contribution of traditional contribution by traditional contributors like agriculture and manufacturing sectors to GDP.

As from last few decades, construction activities in India has increased substantially, service tax on service portion involved in these contracts is now contributing a major share of total service tax revenue. There are various reasons for this, they may be because of increase in living standard, desire to have an own house, easy housing finance and government policies to encourage the constructional activities for development of infrastructural facilities in India such as construction of Dam, Roads, Bridges, Hospitals, Metro or Railway projects or many more.

Service tax has assumed significance in recent years as one of the major contributors to the Government exchequer. The law has expanded its reach to cover most transactions of services and now pervades all sectors of the economy.

Under taxation of services the subject of works contracts is one of the most litigated and confusing one. The constitution (Forty Sixth Amendment) Act, 1982 granted powers to State Government to enact laws for providing the levy of tax on the transfer of property involved in the execution of
works contracts (whether as in goods or in some other form). The levy of tax on works contract involving local/interstate purchases or imports is currently one of the most debated issues, causing uncertainty, confusion and litigation.

Due to involvement of high investments in constructional contracts and services of various sections of society, govt has found it an emerging field to tax. Hence construction agreements having involvement of services are trapped by the government from 01.06.2007.

An attempt is made in this paper to understand the controversies and come to some conclusions. The intent of this thesis is to explore the knowledge on works contract services, taxation of services in different contracts and practical problems faced by the assessee during the valuation of works contracts. Through the analysis of various case laws and statutes, quantitative statistics, books of learned authors, this thesis evaluates the valuation of works contract services and what would the works contract means.

By exploring to various practical issues or problems faced during taxation of works contract services, this thesis contributes to solving the problems faced in taxation of Works Contract Services.

Shambhu Dayal Gupta