

Union Budget 2016



A crisp analysis of Service Tax provisions

29th March'2016

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Index



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1. Levy of “Krishi Kalyan Cess”

Title	Section/ Notification	Changes proposed	Effective from										
Increase in service tax rate through a new levy in the name of “Krishi Kalyan Cess”	Chapter VI of the Finance Bill, 2016	<ul style="list-style-type: none"> ▪ Krishi Kalyan Cess is proposed to be levied with effect from 1st June, 2016 on any or all the taxable services at the rate of 0.5% on the value of such taxable services to finance and promote initiatives to improve agriculture. ▪ Credit of Krishi Kalyan Cess paid on input services shall be allowed to be used for payment of the proposed Cess on the service provided by a service provider. ▪ After application of “Krishi Kalyan Cess”, Effective rate of Service Tax in accordance with amended Rule 5 of the Point of Taxation Rules, 2011, will be as follows: <table border="1" data-bbox="641 911 1673 1342"> <thead> <tr> <th data-bbox="641 911 1435 986">Circumstances</th> <th data-bbox="1435 911 1673 986">Effective rate of Service Tax</th> </tr> </thead> <tbody> <tr> <td data-bbox="641 986 1435 1093">Where the payment is made to the service provider on or before 01.06.2016, and invoice also raised on or before 01.06.2016</td> <td data-bbox="1435 986 1673 1093">14.5%</td> </tr> <tr> <td data-bbox="641 1093 1435 1183">Where the payment is made to the service provider on or before 01.06.2016 and invoice raised upto 14.06.2016</td> <td data-bbox="1435 1093 1673 1183">14.5%</td> </tr> <tr> <td data-bbox="641 1183 1435 1259">If services rendered before 01.06.2016, no levy of KK Cess.</td> <td data-bbox="1435 1183 1673 1259">14.5%</td> </tr> <tr> <td data-bbox="641 1259 1435 1342">In all other cases (Levy of KK Cess effective from 01.06.2016)</td> <td data-bbox="1435 1259 1673 1342">15%</td> </tr> </tbody> </table>	Circumstances	Effective rate of Service Tax	Where the payment is made to the service provider on or before 01.06.2016, and invoice also raised on or before 01.06.2016	14.5%	Where the payment is made to the service provider on or before 01.06.2016 and invoice raised upto 14.06.2016	14.5%	If services rendered before 01.06.2016, no levy of KK Cess.	14.5%	In all other cases (Levy of KK Cess effective from 01.06.2016)	15%	1 st June’2016
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2. Changes in Negative list

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Title	Section/ Notification	Changes proposed	Effective from
Specified Educational Services	Section 66D(I)	<ul style="list-style-type: none">Specified Educational Services which are currently covered in negative list are proposed to be omitted from negative list.However, the corresponding service tax exemption on them is being continued by the way of Notification No. 25/2012-ST.Now, it will be very easy for the Government to take away this exemption without making any amendment in the Finance Act.	The date of enactment of Finance Bill, 2016
Services of "transportation of passengers, with or without accompanied belongings, by a stage carriage" will be taxable.	Section 66D(O)(ii)	<ul style="list-style-type: none">Service of transportation of passengers by a stage carrier currently covered in negative list, shall be omitted as a consequence of which, the above services become taxable. However, such services by non-air-conditioned stage carrier will continue to be exempted by the Notification No. 25/2012-ST.The service of transportation of passengers by air-conditioned stage carriage is being taxed at the same level of abatement (60%) without credit of inputs, input services and capital goods, as applicable to the transportation of passengers by a contract carriage.	1 st June' 2016



3. Changes in Reverse Charge

Title	Section/ Notification	Changes proposed	Effective from
Service provided by a mutual fund agent/distributor to a mutual fund or asset management company	Notification No. 30/2012-ST Amended vide Notification No. 18/2016-ST	<ul style="list-style-type: none">The services provided by mutual fund agent/distributor to a mutual fund or asset management company, earlier put under reverse charge liability, are being made taxable under forward charge.This is expected to enable the small sub-agents down the distribution chain to avail small scale exemption having threshold turnover of Rs 10 lakhs per year, subject to fulfillment of other conditions prescribed.	1 st April' 2016
Service provided by Government or a local authority to business entities	Notification No. 30/2012-ST Amended vide Notification No. 18/2016-ST	<ul style="list-style-type: none">The liability to pay service tax on any service provided by Government or a local authority to business entities is being brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax.	1 st April' 2016



4. Changes in Abatement rates

Title	Section/ Notification	Particulars	Effective from
Services by way of construction of residential complex, building, civil structure, or a part thereof;	Notification No. 26/2012-Service Tax amended vide Notification No. 8/2016-ST	<ul style="list-style-type: none">The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).	1 st April' 2016
Services by a Tour Operator	Notification No. 26/2012-Service Tax amended vide Notification No. 8/2016-ST	<ul style="list-style-type: none">Now, there will not be any separate abatement available for packaged tour services. Consequently, the definition of 'packaged tour' has also been omitted.All services by a tour operator (other than for arranging/booking accommodation) will be eligible for abatement at 70% of service value.	1 st April' 2016
Shifting of used household goods by a Goods Transport Agency (GTA)	Notification No. 26/2012-Service Tax amended vide Notification No. 8/2016-ST	<ul style="list-style-type: none">The abatement on shifting of used household goods by a Goods Transport Agency (GTA) is proposed to be provided at the rate of 60%, without availment of CENVAT credit on inputs, input services and capital goods. Earlier, there was no separate abatement for used household goods.The existing rate of abatement of 70% allowed on transport of other goods by GTA continues to remain unchanged.	1 st April' 2016



... contd. [Changes in Abatement rates]

Service	Section/ Notification	Particulars	Effective from
Calculation of gross value of renting of motor-cab services,	Notification No. 26/2012-Service Tax amended vide Notification No. 8/2016-ST	<ul style="list-style-type: none">At present, there is abatement of 60% on the gross value of renting of motor-cab services, provided no CENVAT credit has been taken.Now, it is being made clear by way of inserting an explanation in the notification No. 26/2012-ST that cost of fuel and other services should be included at FMV (Fair Market Value) in the consideration charged for providing renting of motor-cab services for availing the abatement.	1 st April' 2016
Transport of Goods & passengers by Rail	Notification No. 26/2012-Service Tax amended vide Notification No. 8/2016-ST	<ul style="list-style-type: none">Earlier, CENVAT on input services was not allowed while claiming the abatement @ 70%. Now, the same has been allowed on input service only along with abatement.Further, Transport of Goods in containers by Rail by any other person than Indian railways will get abatement of 60% with the benefit of CENVAT credit on input services.Similarly, , CENVAT on input services can be claimed on the services of Transport of passengers, with or without accompanies belongings, by rail.	1 st April' 2016



5. CENVAT Credit Rules, 2004

[Notification No.13/2016-Central Excise (N.T.) Dated 01-03-2016]

Title	Changes proposed	Effective from
Banks and other financial institutions to reverse credit	<ul style="list-style-type: none"><li data-bbox="614 439 1599 506">Banks and other financial institutions are being allowed to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.	1 st April' 2016



6. Penalties and Prosecution

Title	Section/ Notification	Changes proposed	Effective from
Indirect tax Dispute Resolution Scheme, 2016	Chapter XI of Finance Bill, 2016	<ul style="list-style-type: none">▪ In order to reduce the huge backlog of cases under litigation and to enable Government to realize its dues expeditiously, it is proposed to bring The Indirect Tax Resolution Scheme, 2016 in respect of cases pending before the Commissioner (Appeals) as on 01.03.2016 in relation to tax arrears and specified tax▪ This scheme will be applicable for the declaration filed up to 31st December'2016.▪ Assessee would be required to pay whole amount of tax, interest thereon and only 25% of the penalty imposed in the impugned order.▪ In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution.▪ However, this scheme will not apply in cases where prosecution has already been launched or there is involvement of narcotics & psychotropic substances and detention under COFEPOSA.	1 st June' 2016
Monetary limit for launching prosecution increased	Section 89	<ul style="list-style-type: none">▪ The monetary limit for launching prosecution has been increased from Rs. 50 lacs to Rs. 2 crore in case of Service Tax evasion, wrong availment and utilization of CENVAT credit, maintenance of false books of account and not depositing of service tax collected.	The date of enactment of Finance Bill, 2016



7. Mega exemptions withdrawn

[Notification No.9/2016-st Dated 01-03-2016]

Title	Changes in Mega Exemption	Effective from
Services provided by a senior advocate or arbitral tribunal	<ul style="list-style-type: none">Exemption on services provided by,-<ul style="list-style-type: none">i) a senior advocate to an advocate or partnership firm of advocates providing legal service; andii) a person represented on an arbitral tribunal to an arbitral tribunal,is being withdrawn and Service Tax shall be levied under forward charge.	1 st April' 2016
Construction, erection, commissioning or installation of original works pertaining to monorail or metro	<ul style="list-style-type: none">Exemption on construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016, is being withdrawn.	1 st March' 2016
Transport of passengers by ropeway, cable car or aerial tramway	<ul style="list-style-type: none">Exemption on the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn.	1 st March' 2016



8. Mega Exemption introduced

[Notification No.9/2016-st Dated 01-03-2016]

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Title	Changes in Mega Exemption	Effective from
Services by way of construction of affordable houses etc.	<ul style="list-style-type: none">Service tax is proposed to be exempted on construction of low cost affordable houses built under recognized government schemes, which is measuring up to 60 sq metres.	1 st March' 2016
Services provided by Employees' Provident Fund Organisation (EPFO) to employees	<ul style="list-style-type: none">Services provided by Employees' Provident Fund Organisation (EPFO) to persons governed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are being exempted from Service Tax.	1 st April' 2016
Services provided by Insurance Regulatory and Development Authority (IRDA)	<ul style="list-style-type: none">Services provided by Insurance Regulatory and Development Authority (IRDA) of India are being exempted from Service Tax.	1 st April' 2016
Services provided by Securities and Exchange Board of India (SEBI)	<ul style="list-style-type: none">The regulatory services provided by Securities and Exchange Board of India (SEBI) are being exempted from Service Tax.	1 st April' 2016
Rate of Service Tax on single premium annuity (insurance) policies reduced	<ul style="list-style-type: none">The rate of Service Tax on single premium annuity (insurance) policies is being reduced from 3.5% to 1.4% of the premium, in cases where the amount allocated for investment, or savings on behalf of policy holder is not intimated to the policy holder at the time of providing of service.	1 st April' 2016



9. Other important changes

Title	Section/ Notification	Changes proposed	Effective from
The right to use the radio-frequency spectrum and subsequent transfers thereof to be declared as a service	66E (Amended)	<ul style="list-style-type: none">Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is proposed to be declared as a service under section 66E of the Finance Act, 1994.It has been made clear that the assignment by Government of the right to use the spectrum as well as subsequent transfers of assignment of such right to use is a service leviable to service tax and not sale of intangible goods.	The date of enactment of Finance Bill, 2016
Rate of Simple Interest for delay payment of Service Tax	Notification No 13/2016-ST and 14/2016-ST	<ul style="list-style-type: none">Interest rates on delayed payment of Service tax will be charged at a uniform rate of 15%, except in case of Service Tax collected but not deposited to the exchequer, in that case the rate of interest will be 24% from the date on which the Service Tax payment became due.In case of assesseees, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of Service Tax will be 12%.	The date of enactment of Finance Bill, 2016
Period for issuing demand notices	73 (Amended)	<ul style="list-style-type: none">The limitation period has been increased from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of Service Tax.	The date of enactment of Finance Bill, 2016.



....contd. [Other important changes]

Title	Section / Notification	Changes proposed	Effective from
Refund of services used beyond the factory etc. for the export	Notification No 41/2012-ST amended vide Notification No 01/2016-ST	<ul style="list-style-type: none">This amendment shall allow refund of service tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for export.The application for such refund shall be filed within one month from the date of enactment of Finance Bill, 2016.	With retrospective effect w.e.f. 1st July' 2012
Annual Return of Service Tax by assessee above a certain threshold limit	Rule 7, 7B & 7C of Service Tax Rules, 1994	<ul style="list-style-type: none">In addition to 2 half yearly returns, all Service tax assessee, except the assessee notified by way of notification (to be notified) will also submit an annual return for the financial year,Due date for filing annual return will be 30th November of the succeeding financial year.The annual return can be revised within one month from the date of submission.Penalty for delay in filing of annual return will be Rs. 100 per day but subject to a maximum of Rs. 20,000.	The date of enactment of Finance Bill' 2016
Quarterly payment of Service Tax and payment of Service Tax on receipt basis is being extended	Notification No 19/2016-ST	<ul style="list-style-type: none">The benefit of quarterly payment of Service Tax on receipt basis is being extended to 'One Person Company' (OPC) and HUF.	1 st April' 2016

10. About us



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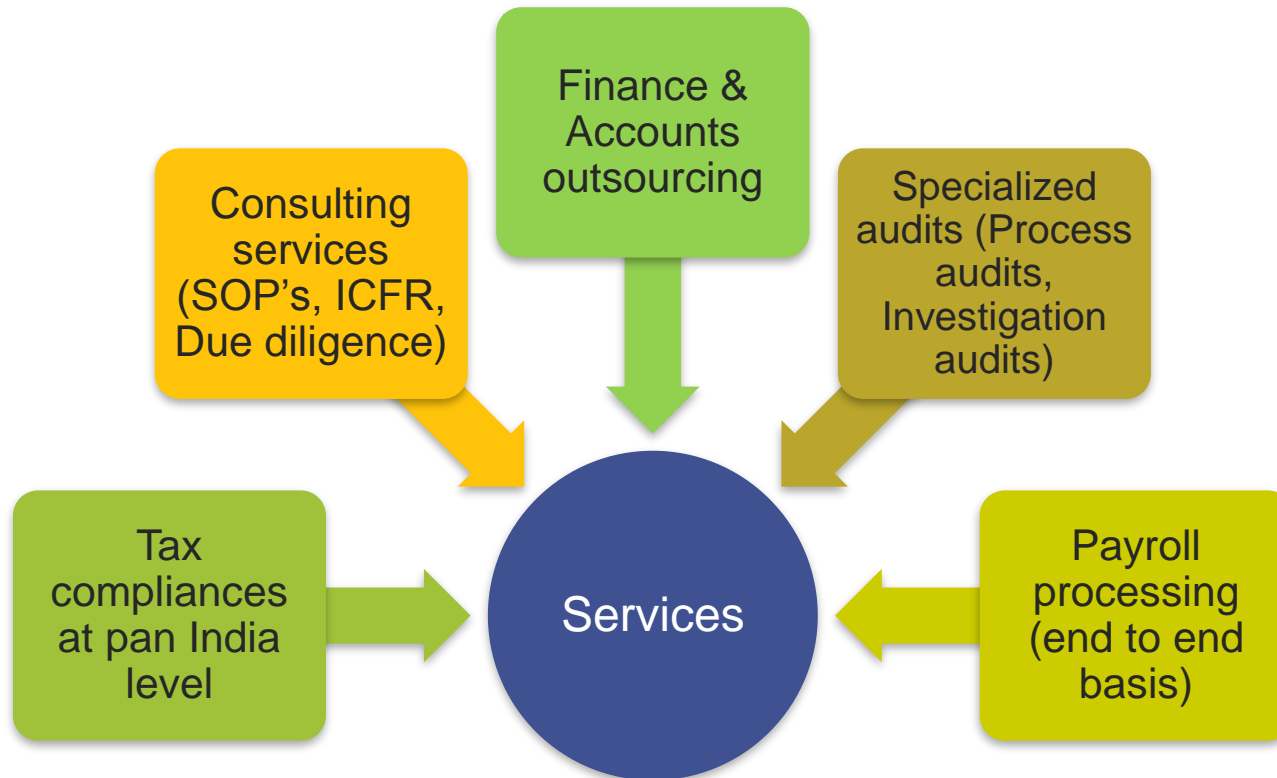
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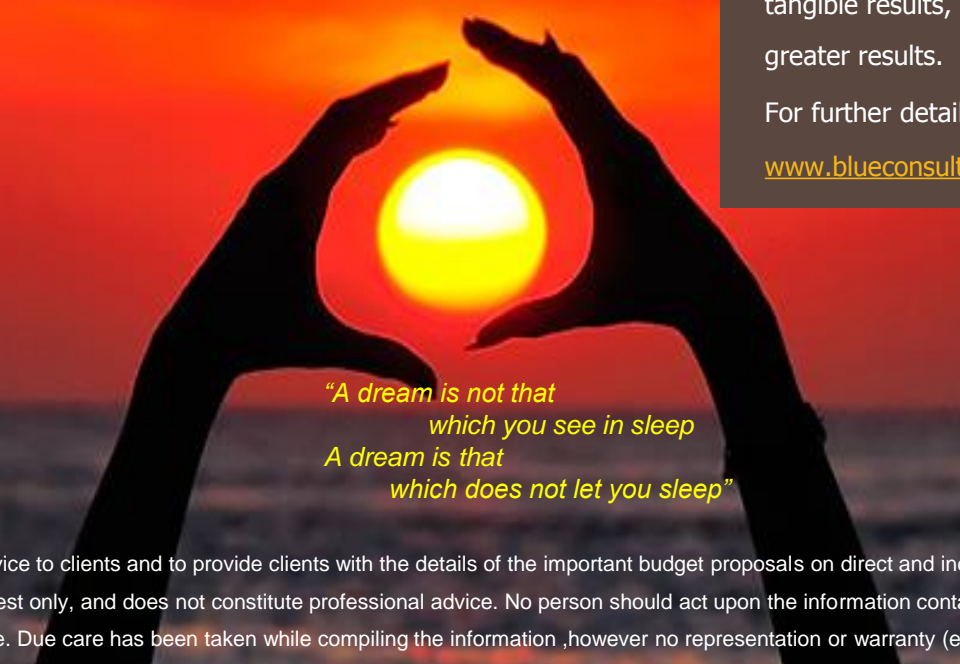
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*"A dream is not that
which you see in sleep
A dream is that
which does not let you sleep"*

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