

BUDGET

2014

Analysis- **Service Tax** proposals

July 21st, 2014 [Budget presented on 10th July'2014]

Index



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1. Changes in Negative list

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Title	Section/ Notification	Changes proposed	Effective from
Advertisement through specific media now taxable	Section 66D(g) (Amended) & Section 65B(39a) (Inserted)	<ul style="list-style-type: none"> Sale of space or time for advertisement in online and mobile advertising, internet websites, out of home media, on film screen in theatres, bill boards, conveyances, buildings, cell phones, Automated Teller Machines, tickets, commercial publications, aerial advertising etc, will be taxable. 	The date of enactment of Finance Bill, 2014.
Services of "Radio Taxis or Radio Cabs" will be taxable	Section 66D(o)(vi) (Amended) & Section 65B(32) (Amended)	<ul style="list-style-type: none"> Service provided by radio-taxi or radio-cab (whether air-conditioned or not) brought under Service tax. The abatement of 60% presently available to rent-a-cab service would also be available to radio-taxi or radio-cab service. 	The date of enactment of Finance Bill, 2014.



2. Changes in Reverse Charge

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Section/ Notification	Service	Particulars	Effective from
<u>Notification No. 9/2014-Service Tax</u>	Service provided by a Director to a body corporate	<ul style="list-style-type: none">Service provided by a Director to a body corporate is being brought under the reverse charge mechanism; service receiver, who is a body corporate will be the person liable to pay service tax.	11.07.2014
<u>Notification No. 9/2014-Service Tax</u>	Services provided by Recovery Agents	<ul style="list-style-type: none">Services provided by Recovery Agents to Banks, Financial Institutions and NBFC is being brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax.	11.07.2014



3. Changes in Abatement

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Section/ Notification	Service	Particulars	Effective from
<u>Notification No. 8/2014-Service Tax</u>	Taxable portion in respect of transport of goods	<ul style="list-style-type: none">Taxable portion in respect of transport of goods by vessel has been reduced from 50% to 40 with effect from October 1, 2014.	01.10.2014
<u>Notification No. 10/2014-Service Tax</u>	Renting of motor vehicle	<ul style="list-style-type: none">In case of Renting of motor vehicle where the service provider does not take abatement, the portion of Service tax payable by the service provider and service receiver has been modified as 50%.Previously Service Receiver was liable to pay 40% whereas 60% of Service Tax was to be paid by Service Provider.	01.10.2014



4. CENVAT Credit Rules, 2004

[Notification No.21/2014-Central Excise (N.T.) Dated 11-7-2014]

Title	Rule/ Notification	Changes proposed	Effective from
Time limit for availment of credit	Rule 4(1)&4(7) (Amended)	<ul style="list-style-type: none">A manufacturer or a service provider shall take credit on inputs and input services within a period of six months from the date of issue of invoice, bill or challan.	01.09.2014
Re-credit of CENVAT credit	Rule 6(8) (Amended)	<ul style="list-style-type: none">The service provider shall be entitled to take the credit of the amount equivalent to CENVAT credit reversed earlier if payment is received after the specified or extended period allowed by the Reserve Bank of India but within one year from such period.Documentary evidence of the payment so received is necessary for such benefit.	11.07.2014
Abatement of GTA service	<u>Notification</u> <u>No. 8/2014-</u> <u>Service Tax</u>	<ul style="list-style-type: none">Service receiver is not required to obtain non-availment of CENVAT credit certificate from service provider to avail benefit of abatement.	11.07.2014



5. Penalties and Prosecution

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Title	Section/ Notification	Changes proposed	Effective from
Time limit for completion of adjudications	Section 73(4B) (Inserted)	<ul style="list-style-type: none">Time limit for completion of adjudication has been prescribed as far as possible<ul style="list-style-type: none">Within 6 months from the date of show cause notice in case of 18 months limitation.Within in a period of one year from the date of show cause notice in case of 5 year limitation.	The date of enactment of Finance Bill, 2014.
No fee for filing of stay application	Section 86(6A) (Amended)	<ul style="list-style-type: none">No fee is required to be paid for filing of stay application at the time of filing of appeal	The date of enactment of Finance Bill, 2014.

6. Statutory Provisions

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Title	Section/ Notification	Changes proposed	Effective from
Provisions of Central Excise Act inserted in Service Tax	Section 83 (Amended)	<ul style="list-style-type: none"> Subsection (2A) of section 5A, 15A and 15B of Central Excise Act inserted: Subsection (2A) of section 5A - Insertion of an explanation in notifications/orders within one year shall have the effect as if it had always been part of the notification. 15A – Central Government empowered to prescribe as authority or agency to whom the information return shall be filed by the specified persons such as Income Tax Authorities, State Electricity Boards etc. 15B – Imposition of penalty if the information return is not submitted. 	The date of enactment of Finance Bill, 2014.
Mandatory fixed Pre-deposit	Section 35F of the Central Excise Act (Amended)	<ul style="list-style-type: none"> It is required to prescribe a mandatory fixed pre-deposit of: <ol style="list-style-type: none"> 7.5% of the duty demanded or penalty imposed or both for filing of appeal before the Commissioner(Appeals) or the Tribunal at the first stage; and 10% of the duty demanded or penalty imposed or both for filing second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs 10 Crore 	The date of enactment of Finance Bill, 2014.



7. Mega exemptions withdrawn

[Notification No.6/2014-st Dated 11-7-2014]

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Title	Changes in Mega Exemption	Effective from
Exemption to Clinical Research Organizations withdrawn	<ul style="list-style-type: none">Exemption withdrawn to services by way of technical testing or analysis of newly developed drugs, including vaccines and herbal remedies on human participants by a clinical research organization approved to conduct clinical trials by the Drug Controller General of India.	11.07.2014
Services received by Educational Institution amended	<ul style="list-style-type: none">Concept of 'auxiliary educational services' has been omitted and the following services received by eligible educational institutions are exempted from service tax:<ul style="list-style-type: none">1) transportation of students, faculty and staff of the eligible educational institution;2) catering service including any mid-day meals scheme sponsored by the Government;3) security or cleaning or house-keeping services in such educational institution;4) services relating to admission to such institution or conduct of examination.	11.07.2014



....contd. (Mega exemptions withdrawn)

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Title	Changes in Mega Exemption	Effective from
Renting of a hotel, inn, guest house, club or camp-site or other commercial places	<ul style="list-style-type: none">Exemption not available if declared tariff > Rs. 1,000/- Per day irrespective of fact whether for commercial purpose or not. Hence, this exemption, upto the specified threshold level, is available to any entity providing service by way of accommodation, including dharmashalas or ashram or such other entities.	11.07.2014
Contact carriage	<ul style="list-style-type: none">Any service provided for transport of passenger by air-conditioned contract carriage including which are used for point to point travel, will attract service tax. Service tax will be charged at an abated value of 40% of the amount charged from service receiver; therefore, effective tax will be 4.944%.	11.07.2014



8. Mega Exemption introduced

[Notification No.6/2014-st Dated 11-7-2014]

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Title	Changes in Mega Exemption	Effective from
Services received by RBI	<ul style="list-style-type: none">Specialized financial services received by RBI from outside India, in the course of management of foreign exchange reserves, e.g. external asset management, custodial services, securities lending services, are being exempted.	11.07.2014
Operators of the Common Bio-medical Waste Treatment Facility	<ul style="list-style-type: none">Services provided by operators of the Common Bio-medical Waste Treatment Facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto are being exempted.	11.07.2014
Transport of organic manure	<ul style="list-style-type: none">Transport of organic manure by vessel, rail or road (by GTA) is being exempted by amending entries at Sl.No. 20 and 21. Therefore, organic manure will be on par with fertilizer which is already exempted.	11.07.2014



9. Other important changes

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Title	Section/ Notification	Changes proposed		Effective from
Commission agent or consignment agent chargeable	Rule 9(c) Service Rule, 2012 (Amended)	<ul style="list-style-type: none"> Commission agent or consignment agent covered in rule 9(c) thereby chargeable to service tax. 		01.10.2014
Rate of Simple Interest for delay payment of Service Tax	Notification No 12/2014-Service Tax	<ul style="list-style-type: none"> Simple interest rates per annum is to vary on the basis of extent delay in payment 		01.10.2014
		Extent of delay	Simple interest rate per annum	
		Up to six months	18%	
		From six months and upto one year	24%	
		More than one year	30%	



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10. About us

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- Blue Consulting or 'BC' provides value added and high quality **Finance & Accounts Outsourcing Services** to **Domestic Companies in India**.
- BC, has its roots in a well established, **four decade old chartered accountants firm**.
- We invest great deal of time and efforts in understanding our client's business which ensures that we **provide customized solutions** to their specific needs and requirements.
- We are a strong and stable of team of **70 people**.
- Key associates at BC have **rich experience in the area of Finance, Taxation, Accounts, Management and Information Technology**.
- We take **complete ownership and responsibility of the F&A processes** outsourced to us and render services strictly within agreed timelines.



11. Contact us

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Blue Consulting provides value added and high quality Finance & Accounts Outsourcing Services through its contemporary onsite and offsite service delivery model. Our goal is to be a trusted partner in your business by bringing value and serving as an integral part of your set up.

Blue Consulting, or BC, has its roots in a well established, four decade old chartered accountants firm. Utilizing forty years of industry experience and functional expertise, BC looks innovatively beyond standard solutions to develop new insights, drive tangible results, and empower clients to achieve greater results.

For further detail, please log on to:

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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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