

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Dear Professional Colleague,

## **Finance Bill, 2016 enacted: Significant changes in Service Tax effective from June 1, 2016**

The Hon'ble Finance Minister Shri. Arun Jaitley presented the Union Budget for 2016-17 on February 29, 2016 in the Lok Sabha. On May 5, 2016, the Lok Sabha passed the Finance Bill, 2016 and later on May 11, 2016, the Finance Bill, 2016 was passed by the Rajya Sabha. Now, the Hon'ble President has given assent to the Finance Bill, 2016 on May 14, 2016. Accordingly, the Finance Bill, 2016 now becomes the Finance Act, 2016 (28/2016).

With the enactment of the Finance Bill, 2016, there are many changes in Service tax that became effective from May 14, 2016 and June 1, 2016. However, it is to be noted here that new cess namely 'Krishi Kalyan Cess' ("KKC"), to be levied at 0.5% on the value of all taxable services will become effective only from June 1, 2016. Thereby, effective rate of Service tax is increased from 14.5% to 15% w.e.f. June 1, 2016.

### **CHANGES IN SERVICE TAX EFFECTIVE FROM JUNE 1, 2016**

We are summarizing herewith the changes in Service tax that are effective from the June 1, 2016 for easy digest:

#### **A: Krishi Kalyan Cess @ 0.5% on all taxable services**

Pursuing with an objective to finance and promote initiatives to improve agriculture and farmer welfare, the Government has announced a new cess namely 'Krishi Kalyan Cess' ("KKC"), to be levied at 0.5% on the value of all taxable services w.e.f June 1, 2016. In this regard, a new Chapter VI has been inserted in the Finance Bill, 2016, that contains the relevant provisions, which is applicable with an enactment of the Finance Bill, 2016. Thereby, effective rate of Service tax has been increased from 14.5% to 15%:

**Rate of Service tax eventually increased to 15% w.e.f. June 1, 2016:** After levy of KKC, Service tax rate has increased from 14.5% to 15%, effective from June 1, 2016. An illustration showing levy of Service tax and SB Cess & KKC is given below assuming Rs. 1,000/- as value of a taxable service:

Particulars	Tax/ Cess (Rs.)
Value of taxable service (a)	1,000/-
Add: Service tax @ 14% on (a)	140/-
Add: SB Cess @ 0.5% on (a)	5/-
Add: KKC @ 0.5% on (a)	5/-
<b>Total:</b>	<b>1,150/-</b>

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

*To understand applicability of KKC in detail with multiple practical example(s) as to what will be the scenario when new levy 'KKC' becomes applicable from June 1, 2016 @ 0.5% on value of all taxable service, please watch video presentation at:*

[https://www.youtube.com/watch?v=NU5\\_2iAMy3g](https://www.youtube.com/watch?v=NU5_2iAMy3g)

## **B: Changes in the Negative List of services**

- **Section 66D(o)(i) of the Finance Act: Deleted**

Hitherto, Section 66D(o)(i) of the Finance Act covers “service of transportation of passengers, with or without accompanied belongings, by a stage carriage”, which is deleted w.e.f June 1, 2016. Corresponding to this deletion, new Entry [No. 23(bb)] has been inserted in the Mega Exemption Notification to exempt services by a stage carrier other than air-conditioned stage carriage. [Read with Notification No. 9/2016-ST dated March 1, 2016 vide which changes have been made in the Mega Exemption Notification]

Further, Service tax would be levied on service of transportation of passengers by air conditioned stage carriage @ 40% after abatement of 60% (as applicable to transportation of passengers by contract carriage) without input tax credit, with effect from June 1, 2016 [Read with Notification No. 08/2016-ST dated March 1, 2016 vide which changes have been made in the Abatement Notification]

- **Section 66D(p)(ii) of the Finance Act: Deleted**

Hitherto, Section 66D(p)(ii) of the Finance Act covers “services by way of transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance”, which is deleted w.e.f June 1, 2016.

Corresponding to this deletion, new Entry [No. 53] has been inserted in the Mega Exemption Notification to such services by an aircraft. [Read with Notification No. 9/2016-ST dated March 1, 2016 vide which changes have been made in the Mega Exemption List of Services].

However, the services provided by vessels would be taxable and the domestic shipping lines registered in India will pay Service tax under forward charge while the services availed from foreign shipping line by a business entity located in India will get taxed under Reverse Charge at the hands of the business entity. The Service tax so paid will be available as credit with the Indian manufacturer or service provider availing such

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

services (subject to fulfillment of the other existing conditions). It is clarified that Service tax levied on such services shall not be part of value for custom duty purposes.

In addition, Cenvat credit of eligible inputs, capital goods and input services is being allowed for providing the service by way of transportation of goods by a vessel from the customs station of clearance in India to a place outside India as export of services. Consequential amendments have been made in the Cenvat Credit Rules, 2004.

## **C: Indirect Tax Dispute Resolution Scheme, 2016 ("the IDT DRS Scheme, 2016")**

- The IDT DRS Scheme, 2016 comes into force on June 1, 2016 (operative till December 31, 2016) and it will be applicable for all the disputes pertaining to Customs, Central Excise and Service Tax matter, which are pending before the Commissioner (Appeals) as on March 1, 2016;
- To avail the benefit of the Scheme, the Declarant will have to pay duty/tax liability along with interest and penalty equivalent to 25% of Penalty, as imposed in the Impugned Order i.e. Order-In-Original within 15 days of the receipt of the acknowledgement from the Designated Authority and intimate the Designated Authority within 7 days of such payment.

*Hope the information will assist you in your Professional endeavors. In case of any query/information, please do not hesitate to write back to us.*

Thanks & Best Regards

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

**Author of a book on Goods and Services Tax, titled, "GOODS AND SERVICES TAX – INTRODUCTION AND WAY FORWARD" (1<sup>st</sup> Edition)**

**A2Z TAXCORP LLP**

**Tax and Law Practitioners**

**Delhi:**

Flat No. 34B, Ground Floor,  
Pocket – 1, MayurVihar Phase-1  
Delhi – 110091 (India)

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Tel: +91 11 22757595/ 42427056

## Allahabad:

B2-3/4-31 Sarojani Apartments  
Sarojani Naidu Marg  
Allahabad - 211001

## Chandigarh:

H. No. 908, Sector 12-A,  
Panchkula, Haryana - 134115

Email: [bimaljain@hotmail.com](mailto:bimaljain@hotmail.com)

Web: [www.a2ztaxcorp.com](http://www.a2ztaxcorp.com)

LinkedIn: <https://in.linkedin.com/pub/bimal-jain/14/601/4b4>

Face book: [facebook.com/bimal.jain.90](https://facebook.com/bimal.jain.90)

Twitter: <https://twitter.com/JainTax>

YouTube: <https://www.youtube.com/channel/UCp0tT5ShjB4KHJRSIPc3t5w>

**We can now also be contacted at below mentioned address:**

<b>Bengaluru Office:</b> Adarsh Residency, Block F, 4th Floor, (F404) 47th Cross, Jayngar 8 <sup>th</sup> Block, Bengaluru, Karnataka-560070 Email: <a href="mailto:bengaluru@a2ztaxcorp.com">bengaluru@a2ztaxcorp.com</a>	<b>Kolkata Office</b> 10 Bow Street, 2 <sup>nd</sup> Floor, Near Central Metro Station, Besides Calcutta Motor Dealers Association, Kolkata, West Bengal-700012 Email: <a href="mailto:kolkata@a2ztaxcorp.com">kolkata@a2ztaxcorp.com</a>	<b>Dhanbad Office:</b> 2 <sup>nd</sup> Floor, Shree Laxmi Complex, Dhanbad, Jharkhand- 826001 Email: <a href="mailto:dhanbad@a2ztaxcorp.com">dhanbad@a2ztaxcorp.com</a>
--	---	---

**Disclaimer:** The contents of this document are solely for informational purpose. It does not constitute professional advice or recommendation of firm. Neither the authors nor firm and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any information in this document nor for any actions taken in reliance thereon.

Mobile: +91 98106 04563; E-mail: [bimaljain@hotmail.com](mailto:bimaljain@hotmail.com)

# Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

*Readers are advised to consult the professional for understanding applicability of this newsletter in the respective scenarios. While due care has been taken in preparing this document, the existence of mistakes and omissions herein is not ruled out. No part of this document should be distributed or copied (except for personal, non-commercial use) without our written permission.*

Mobile: +91 98106 04563; E-mail: [bimaljain@hotmail.com](mailto:bimaljain@hotmail.com)