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Dear Professional Colleague,

Effective Rate of Service Tax under Abatement, Reverse Charge and Valuation Rules after introduction of KKC

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 following provisions, which is applicable with an enactment of the Finance Bill, 2016. Thereby, effective rate of Service tax going to be increased from 14.5% to 15%:

- Provisions of Chapter VI shall come into force on the 1st day of June, 2016;
- KKC shall be levied and collected as Service tax on all the taxable services at the rate of 0.5% on the value of such services for the purposes of financing and promoting initiatives to improve agriculture or for any other purpose relating thereto;
- Levy of KKC shall be in addition to any cess or Service tax leviable on such taxable services under Chapter V of the Finance Act, 1994 ("**the Finance Act**"), or under any other law for the time being in force;
- The proceeds of KKC shall first be credited to the Consolidated Fund of India and the Central Government may, after due appropriation made by Parliament by law in this behalf, utilise such sums of money of the KKC for such purposes specified above, as it may consider necessary;
- The provisions of Chapter V of the Finance Act and the Rules made thereunder, including those relating to refunds and exemptions from tax, interest and imposition of penalty shall, as far as may be, apply in relation to the levy and collection of KKC on taxable services, as they apply in relation to the levy and collection of tax on such taxable services under the said Chapter or the Rules made thereunder, as the case may be.

'KKC' though said to be Cenvatable in the hands of Service Provider only, but appropriate amendments also required in the Cenvat Credit Rules, 2004:

Unlike Swachh Bharat Cess ("**SB Cess**") imposed w.e.f. November 15, 2015, which is not Cenvatable neither in the hands of service providers nor manufacturers, in terms of **TRU F. No. 334/8/2016-TRU dated February 29, 2016** [Para 3.1], it is provided that Cenvat credit of KKC paid on input services shall be allowed to be used for payment of the proposed Cess on

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the service provided by a service provider. However, corresponding changes are yet to be incorporated in Rule 3 of the Cenvat Credit Rules, 2004 to provide requisite legal backing for availment of Cenvat credit.

Rate of Service tax would eventually increases to 15% w.e.f. June 1, 2016:

After levy of KKC, Service tax rate would increase 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/-
Total:	1,150/-

Effective rates under the Abatement Notification No. 26/2012-ST dated June 20, 2012 as amended

We are summarizing herewith the effective rates of Service tax to be payable for services under Abatement Notification w.e.f June 1, 2016 after imposition of KKC, for easy digest:

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Sl. No.	Description of taxable service	Taxable per cent (%)	Effective rate of ST: 01.06.2015 to 14.11.2015 (%)	Effective rate of ST: 15.11.2015 (after Introduction of SB Cess @ 0.5%) to 31.05.2016 (%)	Effective rate of ST: 1.06.2016 (after Introduction of KKC @ 0.5%) (%)
1	Financial leasing including hire purchase	10	1.4 (14%*10%)	1.45 (14.5%*10%)	1.5 (15%*10%)
2	Transport of goods by rail (other than service specified at Sl. No. 2A below)	30	4.2 (14%*30%)	4.35 (14.5%*30%)	4.5 (15%*30%)
2A	Transport of goods in containers by rail by any person other than Indian Railways	40	NA	Entry inserted vide NN 8/2016-ST dated 01.03.2016 w.e.f 01.04.2016 Applicable rate of ST w.e.f 01.04.2016 to 31.05.2016: 5.8 (14.5%*40%)	6 (15%*40%)
3	Transport of passengers, with or without accompanied belongings by rail	30	4.2 (14%*30%)	4.35 (14.5%*30%)	4.5 (15%*30%)
4	Bundled services by way of supply of food or any other article of human consumption or any drink, in a premises together with renting of such premises	70	9.8 (14%*70%)	10.15 (14.5%*70%)	10.5 (15%*70%)
5	Transport of passengers by air, with or without accompanied belongings in -				

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	(i) economy class	40	5.6 (14%*40%)	5.8 (14.5%*40%)	6 (15%*40%)
	(ii) other than economy class	60	8.4 (14%*60%)	8.7 (14.5%*60%)	9 (15%*60%)
6	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.	60	8.4 (14%*60%)	8.7 (14.5%*60%)	9 (15%*60%)
7	Services of goods transport agency in relation to transportation of goods other than used household goods.	30	4.2 (14%*30%)	4.35 (14.5%*30%)	4.5 (15%*30%)
7A	Services of goods transport agency in relation to transportation of used household goods.	40	NA	Entry inserted vide NN 8/2016-ST dated 01.03.2016 w.e.f 01.04.2016 Applicable rate of ST w.e.f 01.04.2016 to 31.05.2016: 5.8 (14.5%*40%)	6 (15%*40%)
8	Services provided by a foreman of chit fund in relation to chit	70	Entry inserted vide NN 8/2016-ST dated 01.03.2016 w.e.f. 01.04.2016, earlier omitted vide NN 08/2015-ST dated 01.03.2015. Applicable rate of ST w.e.f 01.04.2016 to 31.05.2016: 10.15 (14.5%*70%)		10.5 (15%*70%)
9	Renting of motorcab	40	5.6 (14%*40%)	5.8 (14.5%*40%)	6 (15%*40%)
9A	Transport of passengers, with or without accompanied belongings, by-	40	5.6 (14%*40%)	5.8 (14.5%*40%)	6 (15%*40%)

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	a) a contract carriage other than motorcab b) a radio taxi				
	Service tax is proposed to be levied on service of transportation of passengers by air conditioned stage carriage @ 40% after abatement of 60% without input tax credit, with effect from 01.06.2016 [Deletion of Section 66D(o)(i) of the Finance Act and insertion of Entry No. 23(bb) of the Mega Exemption Notification w.e.f 01.06.2016]				
10	Transport of goods in a vessel	30	4.2 (14%*30%)	4.35 (14.5%*30%)	4.5 (15%*30%)
11	Services by a tour operator in relation to-				
	(i) a tour, only for the purpose of arranging or booking accommodation for any person	10	1.4 (14%*10%)	1.45 (14.5%*10%)	1.5 (15%*10%)
	(ii) tours other than (i) above	40/30	5.6 (14%*40%)	15.11.2015 to 31.03.2016: 5.8 (14.5%*40%) 01.04.2016 to 31.05.2016: 4.35 (14.5%*30%)	4.5 (15%*30%)
	NN 8/2016-ST dated 01.03.2016 w.e.f. 01.04.2016: Abatement rates in respect of services by a tour operator in relation to a tour other than (i) has been rationalised from 75% (package tour) and 60% (others) to 70%. Consequently, the category of "package tour" stands deleted w.e.f. 01.04.2016				
12	Construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly except where entire consideration is received after issuance of completion certificate by the competent authority:	30	4.2 (14%*30%)	4.35 (14.5%*30%)	4.5 (15%*30%)
	Effective from 01.04.2016, a uniform abatement at the rate of 70% is prescribed for services of construction of complex, building, civil structure, or a part thereof, subject to fulfillment of the existing conditions. For the scenario till 31.03.2016:				

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(a) for a residential unit satisfying both the following conditions, namely:- (i) the carpet area of the unit is less than 2000 square feet; and (ii) the amount charged for the unit is less than Rupees 1crore;	25	3.5 (14%*25%)	15.11.2015 to 31.03.2016: 3.625 (14.5%*25%)
for other than the (a) above.	30	4.2 (14%*30%)	15.11.2015 to 31.03.2016: 4.35 (14.5%*30%)

Effective rates under the Reverse Charge Notification No. 30/2012-ST dated June 20, 2012 as amended

We are also summarizing herewith the effective rates of Service tax to be payable by Service Receiver ("SR") under full Reverse Charge and by Service Provider ("SP") & SR under the Partial/ Joint Reverse Charge, w.e.f June 1, 2016 after imposition of KKC, for easy digest:

Sl. No	Description of a service	Rate of ST payable by the SP & SR: 01.06.2015 to 14.11.2015 (%)	Effective rate of ST payable by the SP & SR: 15.11.2015 (after Introduction of SB Cess @ 0.5%) to 31.05.2016 (%)	Effective rate of ST payable by the SP & SR: 01.06.2016 (after Introduction of KKC @ 0.5%) (%)
1	Services provided or agreed to be provided by an insurance agent to any person carrying on insurance business	<u>SP</u> : Nil <u>SR</u> : 14 (100%)	<u>SP</u> : Nil <u>SR</u> : 14.5	<u>SP</u> : Nil <u>SR</u> : 15
1A	Services provided or agreed to be provided by a recovery agent to a banking company or a financial institution or a	<u>SP</u> : Nil <u>SR</u> : 14 (100%)	<u>SP</u> : Nil <u>SR</u> : 14.5	<u>SP</u> : Nil <u>SR</u> : 15

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	non-banking financial company			
1B	Services provided or agreed to be provided by a mutual fund agent or distributor, to a mutual fund or asset management company	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	Omitted vide NN 18/2016-ST dated 01.03.2016 (w.e.f 01.04.2016 From 15.11.2015 to 31.03.2016: <u>SP:</u> Nil <u>SR:</u> 14.5 (100%)	NA
1C	Services provided or agreed to be provided by a selling or marketing agent of lottery tickets to a lottery distributor or selling agent of the State Government	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
2	Services of goods transport agency in relation to transportation of goods other than used household goods.	After availment of 70% abatement: <u>SP:</u> Nil <u>SR:</u> 30% of 14% = 4.2 (i.e. 100%)	After availment of 70% abatement: <u>SP:</u> Nil <u>SR:</u> 4.35 (i.e. 14.5%*30%)	After availment of 70% abatement: <u>SP:</u> Nil <u>SR:</u> 4.5 (i.e. 15%*30%)
3	Services provided or agreed to be provided by way of sponsorship to any body corporate or partnership firm located in the taxable territory	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
4	Services provided or agreed to be provided by an arbitral tribunal	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
5	Entry amended vide NN 18/2016-ST dated 01.03.2016, w.e.f 01.04.2016 to bring legal services provided by a senior advocate under forward charge			
	Prior to 01.04.2016: Services provided or agreed to be provided by individual	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15

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	Post 01.04.2016: Services provided or agreed to be provided by a firm of advocates or an individual advocate <u>other than a senior advocate</u> by way of legal services	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
5A	Services provided or agreed to be provided by a director of a company or a body corporate to the said company or the body corporate	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
6	Any Services (w.e.f. 01.04.2016)/ Support services (till 31.03.2016) provided or agreed to be provided by Government or local authority excluding,- (1) renting of immovable property, and (2) services specified in sub-clauses (i), (ii) and (iii) of clause (a) of Section 66D of the Finance Act	<u>SP:</u> Nil <u>SR:</u> 14 (100%)	<u>SP:</u> Nil <u>SR:</u> 14.5	<u>SP:</u> Nil <u>SR:</u> 15
7	(a) Services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers on <u>abated value</u> to any person who is not engaged in the similar line of business	After availment of 60% abatement: <u>SP:</u> Nil <u>SR:</u> 14%*40% = 5.6 (100%)	After availment of 60% abatement: <u>SP:</u> Nil <u>SR:</u> 5.8 (14.5%*40%)	After availment of 60% abatement: <u>SP:</u> Nil <u>SR:</u> 6 (15%*40%)

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	(b) Services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers on <u>non-abated value</u> to any person who is not engaged in the similar line of business	Without availment of 60% abatement: SP: 7 (14%*50%) SR: 7 (14%*50%)	Without availment of 60% abatement: SP: 7.25(14.5%*50%) SR: 7.25(14.5%*50%)	Without availment of 60% abatement: SP: 7.5(15%*50%) SR: 7.5(15%*50%)
<p>SP: Any individual, Hindu Undivided Family or partnership firm, whether registered or not, including association of persons, located in the taxable territory</p> <p>SR: Business entity registered as body corporate, located in the taxable territory</p>				
8	Services provided or agreed to be provided by way of supply of manpower for any purpose or security services	SP: Nil SR: 14 (100%)	SP: Nil SR: 14.5	SP: Nil SR: 15
<p>SP: Any individual, Hindu Undivided Family or partnership firm, whether registered or not, including association of persons, located in the taxable territory</p> <p>SR: Business entity registered as body corporate, located in the taxable territory</p>				
9	Services provided or agreed to be provided in service portion in execution of works contract:			
	→In case of Original work	SP: 2.8 {50% of (14%*40%)} SR: 2.8 {50% of (14%*40%)}	SP: 2.9 {50% of (14.5%*40%)} SR: 2.9 {50% of (14.5%*40%)}	SP: 3 {50% of (15%*40%)} SR: 3 {50% of (15%*40%)}
	→In all other cases	SP: 4.9 {50% of (14%*70%)} SR: 4.9 {50% of (14%*70%)}	SP: 5.075 {50% of (14.5%*70%)} SR: 5.075 {50% of (14.5%*70%)}	SP: 5.25 {50% of (15%*70%)} SR: 5.25 {50% of (15%*70%)}

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	SP: Any individual, Hindu Undivided Family or partnership firm, whether registered or not, including association of persons, located in the taxable territory			
	SR: Business entity registered as body corporate, located in the taxable territory			
10	Any taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory	SP: Nil SR: 14 (100%)	SP: Nil SR: 14.5	SP: Nil SR: 15
11	Any service provided or agreed to be provided by a person involving an aggregator in any manner	SP: Nil SR: 14 (100%)	SP: Nil SR: 14.5	SP: Nil SR: 15

Effective rates under the Service Tax (Determination of Value) Rules, 2006 ["the Service Tax Valuation Rules"]

We are also summarizing herewith the effective rates of Service tax to be payable under Rule 2A and Rule 2C of the Service Tax Valuation Rules, for easy digest:

Relevant Rule(s) of the Service Tax Valuation Rules	Taxable per cent (%)	Effective rate of ST: 01.06.2015 to 14.11.2015 (%)	Effective rate of ST: 15.11.2015 (after Introduction of SB Cess @ 0.5% to 31.05.2016 (%)	Effective rate of ST: 1.06.2016 (after Introduction of KKC @ 0.5%) (%)
Rule 2A - Determination of value of services involved in the execution of a Works contract				
In case of Works contracts entered into for execution of original works	40	5.6 (14%*40%)	5.8 (14.5%*40%)	6 (15%*40%)
In all other cases	70	9.8 (14%*70%)	10.15 (14.5%*70%)	10.5 (15%*70%)
Rule 2C: Determination of value of service portion involved in supply of food or any other				

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<u>article of human consumption or any drink in a restaurant or as outdoor catering</u>				
Service portion in an activity wherein goods, being food or any other article of human consumption or any drink (whether or not intoxicating) is supplied in any manner as a part of the activity, <u>at a Restaurant</u>	40	5.6 (14%*40%)	5.8 (14.5%*40%)	6 (15%*40%)
Service portion in outdoor catering wherein goods, being food or any other article of human consumption or any drink (whether or not intoxicating) is supplied in any manner as a <u>part of such outdoor catering</u>	60	8.4 (14%*60%)	8.7 (14.5%*60%)	9 (15%*60%)

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

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