

Service tax will be 15% from tomorrow

WHY YOU SHELL OUT MORE	
Let's take an example of a restaurant	
Your food bill	Rs. 500
Service Tax @5.60%	Rs. 28
Value Added Tax @ 2%	Rs. 10
Swachh Bharat Cess (SBC) @ 0.2%	Rs. 1
Krishi Kalyan Cess (KKC) @0.2%	Rs. 1
Taxes alone are an additional	Rs. 40
Mobile Charges	
	Rs. 1,000
Service Tax @15% (inclusive of SBC and KKC)	Rs. 150
Total bill	Rs. 1,150
<ul style="list-style-type: none"> Room rent, spa services, packaged tours, purchase of property attract KKC from June 1. 	



- From an individual billing standpoint, the amount might not seem much. But where a customer spends Rs. 5,000 every month on various services that include bill payments, he or she will dole out an additional Rs. 750 per month. For services where VAT is included, the amount is likely to go up further.

Come Wednesday, consumers will now have to dole out an additional 0.5 per cent cess for various services, taking the total service tax to 15 per cent.

In the last budget, the total service tax was raised to 14 per cent from 12.36 per cent.

With the addition of the Krishi Kalyan Cess of 0.5 per cent, Swachh Bharat Cess at 0.5 per cent, the total service tax will go up to 15 per cent from June 1. This is in addition to the VAT and service charges that are paid by customers.

Budget announcement

Henceforth, services like your internet and phone connection, restaurant bills, train and air travel, insurance, will attract the Krishi Kalyan Cess that was announced in the Union budget this year. KKC is aimed at improving agriculture in the country and for financing schemes in the sector.

For bills that are generated and paid before June 1, the KKC will not apply. For bills generated before June 1, but paid from June 1, the cess will be included. There are subtle variations in the levy of KKC and SBC, with the percentage fixed at 0.2 if one dines in a restaurant, and at 0.3 if it is for food services provided outside the restaurant, that is, home delivery. Similarly, variations exist across services.

“The government is finding new ways of taxing people. Already the cost of many essentials has gone up and from now there is an additional service tax for almost every service. Last week, my insurance company sent an SMS saying a KCC cess of 0.625 per cent will be levied on premium renewals from now on. Add to that phone bills, internet bills, etc... almost all bills are going to become more expensive,” Mrs. Girija, a retired government official said.

Bipin Sapra, Partner at Ernst & Young, said, “Service tax is an indirect tax and hence, supposed to be passed on to the consumers. This one per cent increase should have been increased as part of service tax. This cess is not even creditable for companies. The government is just increasing the cost of maintaining separate accounts, increasing transaction costs,” Mr. Sapra said.

(The Hindu)