
CHANGE IN RATE OF SERVICE TAX DUE TO APPLICABILITY OF SWACHH BHARAT CESS W.E.F. 15.11.2015

Service Tax rates are being revised to 14.5% effective 15 November, 2015. This is with regard to an increase of tax by 0.5% as Swachh Bharat Cess.

Now the Government has come up with introduction of Swachh Bharat Cess through **Notification No. 22/2015 dated 6th Nov 2015**. Finance Act 2015 contained provision for Swachh Bharat Cess under section 119 of the Finance Act, 2015 at a rate not exceeding two percent on the value of services. The objective of behind introducing Swachh Bharat Cess was to fund for Government's flagship program of Swachh Bharat.



The above notification shall be effective from 15th November, 2015 i.e. the Swachh Bharat Cess will be introducing on all taxable services w.e.f. 15.11.2015.

Swachh Bharat Cess shall not be leviable on services which are exempt from service tax by a notification issued under sub-section(1) of section 93 of the Finance Act, 1994 or otherwise not leviable to service tax under section 66B of the Finance Act, 1994. Swachh Bharat Cess @ 0.5% will be levied on value of all taxable services except the following:

- ✚ Negative List of Services under Section 66D of the Finance Act, 1994;
- ✚ Services exempted by a notification issued under sub-section (1) of Section 93 of the Finance Act, 1994 i.e.Mega Exempted Services vide Notification No. 25/2012-ST dated June 20, 2012;
- ✚ Services exempted as specified to certain extent under the Abatement Notification No. 26/2012-ST dated June 20, 2012

There would be consequential impact on many other aspects under service tax laws, some of them are as follow;

1.Rate of Service Tax in case of few important services covered by abatement provision:

<u>Nature of Taxable Services</u>	<u>Present Rate of Service Tax</u>	<u>Service Tax w.e.f. 15.11.2015</u>	<u>Swachh Bharat Cess w.e.f. 15.11.2015</u>
Services of Goods Transport Agency in relation to transportation of goods	14% on 30% of Service value i.e. 4.20%	14% on 30% of Service value i.e. 4.20%	0.5% on 30% of Service value i.e. 0.15%
Works Contract Services-Original Contract	14% on 40% of Service value i.e. 5.60%	14% on 40% of Service value i.e. 5.60%	0.5% on 40% of Service value i.e. 0.20%
Works Contract Services-Repairs and others	14% on 70% of Service value i.e. 9.80%	14% on 70% of Service value i.e. 9.80%	0.5% on 70% of Service value i.e. 0.35%
Service Provided by Restaurants	14% on 40% of Service value i.e. 5.60%	14% on 40% of Service value i.e. 5.60%	0.5% on 40% of Service value i.e. 0.20%
Service Provided by Outdoor caterer	14% on 60% of Service value i.e. 8.40%	14% on 60% of Service value i.e. 8.40%	0.5% on 60% of Service value i.e. 0.30%
Renting of Motor Cab	14% on 40% of Service value i.e. 5.60%	14% on 40% of Service value i.e. 5.60%	0.5% on 40% of Service value i.e. 0.20%

2. In case of taxable services covered under reverse charge mechanism

Swachh Bharat Cess will be applicable on all taxable services, it includes services availed i.e. service covered under reverse charge mechanism.

3. Collection and payment manner of Swachh Bharat Cess

Swachh Bharat Cess would be levied, charged, collected and paid to Government independent of service tax. This need to be charged separately on the invoice need to be accounted separately in the books of account and needs to be paid separately.

4- Credit of Swachh Bharat Cess

As there is no amendment proposed in the CENVAT Credit Rules, 2004, hence whether CENVAT credit of SBC would be available or not requires an immediate clarification/amendment from the board.

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