UNION BUDGET 2015 SERVICE TAX

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Key Highlights

1) Clauses 105 to 116 of the Bill cover the amendments made to Chapter V of the Finance Act, 1994 i.e. relating to ST.

2) Service Tax Rules, 1994 and Cenvat credit Rules, 2004 also amended.

3) Other changes are being given effect to by inserting new entries, and amending/omitting existing entries in notification Nos. 25/2012-ST, 26/2012-ST, 30/2012-ST and 31/2012-ST.

Effective date

1) W.e.f. from 1st March, 2015 **(01.03.2015)**

2) W.e.f. from 1st April, 2015 **(01.04.2015)**

3) On enactment of Finance Bill, 2015 **(DOEFB- 2015)**

4) From date to be notified by Government after enactment of Finance Bill, 2015. **(Date after DOEFB-2015)**

Major changes

1) Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses Service Tax. **(Date after DOEFB- 2015)**

2) Swachh Bharat Cess on all or any of the taxable services at a rate of 2% on the value of such taxable services **(Date after DOEFB- 2015)**

3) Service Tax to be levied on the service provided by way of access to amusement facility (eg -rides, gaming devices or bowling alleys, water parks, theme parks or such other places **(Date after DOEFB- 2015)**

Proposed Effective Rate				
Nature of Service provider	**Effective Current rate**	**W.e.f from 01.04.2015**	**W.e.f from Notified date without Swachh Bharat cess**	**W.e.f from Notified date with Swachh Bharat cess**
Domestic Air Travel Agent	0.618%	0.618%	0.7%	0.8%
International Air Travel Agent	0.124%	0.124%	0.14%	0.16%
Insurer carrying Life Insurance business	3.09% in first year and 1.545% for subsequent year	3.09% in first year and 1.545% for subsequent year	3.5% in first year and 1.75% for subsequent year	4% in first year and 2% for subsequent year

Proposed Effective Rate				
Nature of Service provider	**Effective Current rate**	**W.e.f from 01.04.2015**	**W.e.f from Notified date without Swachh Bharat cess**	**W.e.f from Notified date with Swachh Bharat cess**
Financial Leasing including hire purchase	1.236%	1.236%	1.40%	1.60%
Transport of goods and passenger by rail	3.708%	3.708%	4.20%	4.80%
Bundled services by way of supply of food along with renting of premises	8.652%	8.652%	9.80%	11.20%

Proposed Effective Rate				
Nature of Service provider	**Effective Current rate**	**W.e.f from 01.04.2015**	**W.e.f from Notified date without Swachh Bharat cess**	**W.e.f from Notified date with Swachh Bharat cess**
Air travel				
Economy Class	4.944%	4.944%	5.60%	6.40%
Other than Economy Class	4.944%	7.416%	8.40%	9.60%
Accomodation Services in Hotels, etc	7.416%	7.416%	8.40%	9.60%
GTA services by road	3.090%	3.708%	4.20%	4.80%
Renting of Motorcab	4.944%	4.944%	5.60%	6.40%

Proposed Effective Rate				
Nature of Service provider	**Effective Current rate**	**W.e.f from 01.04.2015**	**W.e.f from Notified date without Swachh Bharat cess**	**W.e.f from Notified date with Swachh Bharat cess**
Transport of goods by vessel	4.944%	3.708%	4.20%	4.80%
Tour operator Services				
Package tour	3.090%	3.090%	3.50%	4.00%
Booking Accomodation	1.236%	1.236%	1.40%	1.60%

Proposed Effective Rate				
Nature of Service provider	**Effective Current rate**	**W.e.f from 01.04.2015**	**W.e.f from Notified date without Swachh Bharat cess**	**W.e.f from Notified date with Swachh Bharat cess**
Construction of a complex, building, civil structure				
carpet area of the unit is less than 2000 square feet and less than 1 crore	3.090%	3.090%	3.50%	4.00%
Others	3.708%	3.708%	4.20%	4.80%
Other Services	12.360%	12.360%	14.00%	16.00%

Major changes

4) Service Tax to be levied on service by way of admission to entertainment event of concerts, non-recognized sporting events, pageants, music concerts, award functions, if the amount > Rs 500. **(Date after DOEFB- 2015)**

5) Service Tax shall be levied on contract manufacturing / job work for production of potable liquor for a consideration **(Date after DOEFB- 2015)**

6) All services provided by the Government or local authority to a business entity, except the services that are specifically exempted or covered by the Negative List, shall be liable to service tax . **(Date after DOEFB- 2015)**

Major changes

7) Service Tax on the services provided by:

(a) chit fund foremen by way of conducting a chit.

(b) distributor or selling agents of lottery, as appointed or authorized by the organizing state for promoting, marketing, distributing, selling, or assisting the state in any other way for organizing and conducting a lottery.

(DOEFB- 2015)

8) Consideration for a taxable service shall include all reimbursable expenditure or cost incurred and charged by the service provider . – **(DOEFB- 2015)**

9) Penalty provisions have been amended as per section 76 and 78. Waiver of penalty withdrawn. **(DOEFB- 2015)**

Major changes

10) Exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port is being withdrawn – **01.04.2015**

11) Exemption to services provided by a performing artist in folk or classical art form of (i) music, or (ii) dance, or (iii) theatre, will be limited only to such cases where amount charged is upto Rs 1,00,000 for a performance – **01.04.2015**

12) Exemption to transportation of food stuff by rail, or vessels or road will be limited to food grains including rice and pulses, flour, milk and salt. (eg – tea, coffee, sugar, edible oil now taxable) – **01.04.2015**

Major changes

13) Exemption available on specified services of construction, repair, maintenance, renovation or alteration service provided to the Government, a local authority, or a governmental authority shall be limited only to,-

(a) a historical monument, archaeological site or remains of national importance, archeological excavation or antiquity;

(b) canal, dam or other irrigation work; and

(c) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal. – **01.04.2015**

Major changes

So, Exemption as granted under this Entry is withdrawn for following:

(a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;

(b) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;

(c) a residential complex predominantly meant for self-use or the use of their employees.

Major changes

14) Exemptions withdrawn on the following services:

(a) services provided by a mutual fund agent to a mutual fund or assets management company,

(b) distributor to a mutual fund or AMC,

(c) selling / marketing agent of lottery ticket to a distributor.

– **01.04.2015**

15) Exemption withdrawn on the following service,-

(a) Departmentally run public telephone;

(b) Guaranteed public telephone operating only local calls;

(c) Service by way of making telephone calls from free telephone at airport and hospital where no bill is issued.

– **01.04.2015**

Major changes

16) Following services have been exempted :- (**01.04.2015**)

(a) Transportation of a patient to and from a clinical establishment by a clinical establishment.

(b) Life insurance service provided by way of Varishtha Pension Bima Yojna.

(c) Pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables.

(d) Admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve

Major changes

(e) Exhibition of movie by the exhibitor (theatre owner) to the distributor or an AOP consisting of such exhibitor as one of it's members

(f) Transport of export goods by road from the place of removal to a land customs station.

(g) Service by a Common Effluent Treatment Plant operator

Major changes

- 17) Uniform abatement for transport by rail, road and vessel and Service Tax shall be payable on 30% of the value of such service subject to a uniform condition of non-availment of Cenvat Credit on inputs, capital goods and input services. – **01.04.2015**

18) Abatement reduced from 60% to 40% in case of classes other than economy classes. – **01.04.2015**

19) Abatement (30%) is being withdrawn from services provided in relation to chit. – **01.04.2015**

20) Credit of ST paid under partial reverse charge by the service receiver allowed on payment of Service tax **(01.04.2015)**

Major changes

21) Manpower and security supply services (25/75) brought under full reverse charge. – **01.04.2015**

22) Service Tax in respect of mutual fund agent and mutual fund distributor services shall be paid by the assets management company (reverse charge) – **01.04.2015**

23) The period for taking Cenvat Credit is being extended from six months from the date of invoice to one year from the date of invoice. - **01.03.2015**

24) Credit of input and CG(50%) available upon delivery/ receipt directly at the job worker's premises on direction of the manufacturer / output service provider – **01.03.2015**

Major changes

25) Cenvat credit of inputs allowable even on transfer to subsequent job worker from the premises of the principal job worker for undertaking specified activities, provided the same are received back within 180 days. - **01.03.2015**

26) Increase in time limit for return of capital goods sent to job worker for carrying out specific activities from 180 days to 2 years - **01.03.2015**

27) Power of recovery of Cenvat credit extended even to cases where Cenvat credit has been wrongly taken but not utilised. - **01.03.2015**

Major changes

28) Cenvat credit utilised shall for a month shall be in following order

First – Opening Balance of the month

Second – Admissible credit taken during the month

Last – Inadmissible credit taken during the month

- 01.03.2015

29) Registration for single premises shall be granted within two days of filing the application – **01.03.2015**

Major changes

30) Liability of payment of service tax on aggregator of a service where service is provided under the brand name of the aggregator- **01.03.2015**

31) Issue of digitally signed invoices is being added along with the option of maintaining of records in electronic form – **01.03.2015**

32) Advance Ruling has been extended to all resident firms (earlier allowed only to company) – **01.03.2015**

33) Rule 6(6A) is omitted relating to self assessed recovery of service tax consequent to amendment of Section 73 – **(DOEFB- 2015)**

Thank You

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