

ABATEMENTS

1. *When and why Government introduced the concept of Abatements?*

The main purpose of introduction of abatement was to exempt the material portion from levy of service tax as same is subject to VAT.

Government vide Notification No. 34/2012-ST rescinded the earlier abatement Notification No. 01/2006-ST with effect from 1st July 2012.

2. *What are the effective Abatements from 1st July 2012*

The Effective Abatements from 1st July 2012 are in a Tabular presentation are below:

Table

<i>Sl. No.</i>	<i>Description of taxable service</i>	<i>Percent age</i>	<i>Conditions</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
<i>1</i>	<i>Services in relation to financial leasing including hire purchase</i>	<i>10</i>	<i>Nil*</i>
<i>2</i>	<i>Transport of goods by rail</i>	<i>30</i>	<i>Nil*</i>

(1)	(2)	(3)	(4)
3	<i>Transport of passengers, with or without accompanied belongings by rail</i>	30	Nil*
4	<i>Bundled service by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention center, club, pandal, shamiana or any other place, specially arranged for organizing a function) together with renting of such premises</i>	70	<i>(i) CENVAT credit on any goods classifiable under Chapters 1 to 22 of the Central Excise Tariff Act, 1985 (5 of 1986) used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i>
5	<i>Transport of passengers by air, with or without accompanied belongings</i>	40	<i>CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i>
6	<i>Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.</i>	60	<i>Same as above.</i>
7	<i>Services of goods transport agency in relation to transportation of goods.</i>	25	<i>CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i>
8	<i>Services provided in relation to chit</i>	70	<i>Same as above.</i>
9	<i>Renting of any motor vehicle designed to carry passengers</i>	40	<i>Same as above.</i>
10	<i>Transport of goods in a vessel</i>	50	<i>Same as above.</i>
11	<i>Services by a tour operator in relation to,—</i> <i>(i) a package tour</i>	25	<i>(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i>

			<i>(ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour.</i>
	<i>(ii) a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour</i>	10	<i>(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i> <i>(ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation.</i> <i>(iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation.</i>
	<i>(iii) any services other than specified at (i) and (ii) above.</i>	40	<i>(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</i> <i>(ii) The bill issued indicates that the amount charged in the bill is the gross amount charged for such a tour.</i>

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	25	(i) CENVAT credit on inputs used for providing the taxable service has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii) The value of land is included in the amount charged from the service receiver.
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**Nil – Means whole of the credit is allowed.*

Explanation —

A. For the purposes of exemption at Serial number 1—

- (i) The amount charged shall be an amount, forming or representing as interest, i.e. the difference between the installments paid towards repayment of the lease amount and the principal amount contained in such installments;
- (ii) the exemption shall not apply to an amount, other than an amount forming or representing as interest, charged by the service provider such as lease management fee, processing fee, documentation charges and administrative fee, which shall be added to the amount calculated in terms of (i) above.

B. For the purposes of exemption at Serial number 4—

The amount charged shall be the sum total of the gross amount charged and the fair market value of all goods and services supplied in or in relation to the supply of food or any other article of human consumption or any drink (whether or not intoxicating) and whether or not supplied under the same contract or any other contract, after deducting-

- (i) the amount charged for such goods or services supplied to the service provider, if any; and
- (ii) the value added tax or sales tax, if any, levied thereon:

Provided that the fair market value of goods and services so supplied may be determined in accordance with the generally accepted accounting principles.

C. For the purposes of exemption at Serial number 12—

The amount charged shall be the sum total of the amount charged for the service including the fair market value of all goods and services supplied by the recipient(s) in or in relation to the service, whether or not supplied under the same contract or any other contract, after deducting-

- (i) the amount charged for such goods or services supplied to the service provider, if any; and
- (ii) the value added tax or sales tax, if any, levied thereon:

Provided that the fair market value of goods and services so supplied may be determined in accordance with the generally accepted accounting principles.

For the purposes of this notification, unless the context otherwise requires,—

- (a) *“chit” means a transaction whether called chit, chit fund, chitty, kuri, or by whatever name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to a prize amount,*
- (b) *“package tour” means a tour wherein transportation, accommodation for stay, food, tourist guide, entry to monuments and other similar services in relation to tour are provided by the tour operator as part of the package tour to the person undertaking the tour,*
- (c) *“tour operator” means any person engaged in the business of planning, scheduling, organizing, arranging tours (which may include arrangements for accommodation, sightseeing or other similar services) by any mode of transport, and includes any person engaged in the business of operating tours.*