



ABATEMENT IN SERVICE TAX LAW AS ON 01-04-2015

Abatement in Service tax law means levy of service tax on abated (Reduced) Value (specified % of amount mentioned on the invoice) & partial/full input credit cannot be availed as specified in the notification issued in this behalf.

These are provided due to following reasons-

- To compensate for the other taxes charged.
- To promote the new industries.
- To stabilize the prices of goods and services.
- To rationalize the burden of taxes on low margin products/services.

Abatement in Service Tax was First Introduced vide Principal **Notification No. 26/2012-Service Tax**, dated 20th June 2012 and

Subsequently been amended vide

- **Notification No. 02/2013 – Service Tax, Dated the 1st March, 2013,**
- **Notification No. 09/2013 – Service Tax, Dated the May 8, 2013**
- **Notification No. 08/2014 – Service Tax, Dated the 11th July, 2014 and**
- **Notification No. 08/2015 – Service Tax, Dated: March 01, 2015.**

Following amendments have been made to abatement provisions wef 01.04.2015 by union budget 2015 and notification No 8/2015-ST, dated: March 01, 2015-

Transport of goods/ passengers by rail – Hitherto, service tax was payable on 30% of the value of services of rail transport of goods and passengers (with or without accompanied belongings) without any condition. Now, the abatement shall be available subject to the condition that Cen vat credit on inputs, capital goods and input services, used for providing the taxable services has not been taken under CCR, 2004.

Goods Transport Agency- Abatement on “Transportation of goods by Goods transport agency” was 75% which has now been reduced to 70%.

Services provided in relation to chit- Abatement on “Services provided in relation to chit” has been withdrawn.

Transport of goods in a vessel– Abatement on “Transportation of goods in a vessel” was 60% which has now been increased to 70%.

Transport of passengers by Air– Hitherto, an abatement of 60% was provided on taxable services of transport of passengers by air (with or without accompanied belongings). The said abatement continues for economy class travel and in case of other than economy class the abatement has been reduced to 40%.

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Service Tax rate abatement chart as applicable from 01.04.2015 updated with changes made vide Budget 2015 and Notification No. 8/2015-ST, Dated: March 01, 2015.

Table

Sl.No.	Description of taxable service	Percentage of taxable value	Conditions
1	Services in relation to financial leasing including hire purchase (Refer Note-1)	10	Nil.
2	Transport of goods by rail	30	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken .
3	Transport of passengers, with or without accompanied belongings by rail	30	Same as above
4	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 (Refer Note-2)	70	(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.
5	Transport of passengers by air, with or without accompanied belongings in		CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken .
	(i) economy class	40	
	(ii) other than economy class	60	
6	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.	60	Same as above.
7	Services of goods transport agency in relation to transportation of goods.	30	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken by the service

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			provider.
8	Services provided in relation to chit	Omitted Vide Notification No. 8/2015-ST, Dated: March 01, 2015	
9	Renting of motor cab	40	CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken CENVAT credit on input service of renting of motor cab has been taken under the provisions of the CENVAT Credit Rules, 2004, in the following manner (a) Full CENVAT credit of such input service received from a person who is paying service tax on forty percent of the value; or (b) Up to forty percent CENVAT credit of such input service received from a person who is paying service tax on full value; CENVAT credit on input services other than those specified above, has not been taken .
9A	Transport of passengers, with or without accompanied belongings, by a contract carriage other than motor cab or radio taxi.	40	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken .
10	Transport of goods in a vessel	30	Same as above.
11	Services by a tour operator in relation to, -(i) a package tour (Refer Note-4)	25	CENVAT credit on inputs, capital goods and input services other than the input service of a tour operator, used for providing the taxable service, has not been taken. The bill issued for this purpose indicates that it is inclusive of charges for such a tour.
	(ii) a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour (Refer Note-5)	10	CENVAT credit on inputs, capital goods and input services other than the input service of a tour operator, used for providing the taxable service, has not been taken The invoice, bill or challan issued indicates that it is towards the charges for such accommodation

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			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.
	(iii) Any services other than specified at (i) and (ii) above.	40	CENVAT credit on inputs, capital goods and input services other than the input service of a tour operator, used for providing the taxable service, has not been taken. The bill issued indicates that the amount charged in the bill is the gross amount charged for such a tour.
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,-		CENVAT credit on inputs used for providing the taxable service has not been taken The value of land is included in the amount charged from the service receiver.
	(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 one crore;	25	
	(b) For other than the (a) above. (Refer Note-3)	30	

Note-1 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.

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Note-2 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.

Note-3 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.

Note-4 “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,

Note-5 “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.