Find below the relevant points with respect to levy of Krishi Kalyan Cess ("KKC"), as notified by the Government

1. Effective June 1, 2016, KKC to be levied @ 0.5% on all taxable services, other than services which are fully exempt from service tax and/or services which are otherwise not liable to service tax under Section 66B of the Finance Act, 1994

2. With levy of KKC, the peak rate of service tax would be 15% [14% service tax + 0.50% SBC and 0.50% KKC]

3. Cenvat credit of KKC would be admissible only in the hands of service provider. For the manufacturer, the same would become a cost

4. Cenvat credit of KKC shall be utilized only towards payment of KKC, as leviable in case of rendition of services

5. KKC can either be paid in cash or by utilizing credit of KKC. Cenvat credit of excise duty/service tax etc. cannot be used for payment of KKC

6. In case of services under reverse charge, the Company as a recipient of service has to discharge KKC. Such payment has to be made in cash

7. Cenvat register should separately reflect credit availed and utilized on account of KKC

8. KKC should be separately accounted for in the books of account

9. Invoices should separately reflect KKC

10. The basic principle with respect to abatement, exemption as applicable with respect to service tax, would also apply with KKC

Point of taxation in case of normal charge shall be governed by Rule 5 of Point of taxation rules. The same is discussed below with Example

S. No	Date of Invoice	Date of payment	Applicability of KYC
1	14/06/2016	20/05/2016	No
2	20/06/2016	20/05/2016	YES
3	20/05/2016	20/05/2016	No
4	05/06/2016	03/06/2016	YES
5	20/05/2016	03/06/2016	YES

Payment Codes of KKC

Krishi Kalyan Cess (Minor Head)	Tax Collection	Other Receipts (Interest)	Deduct Refunds	Penalties
0044-00-507	00441509	00441510	00441511	00441512

Rule 5 of Point of Taxation 2011:

Particuars	Service Is provided before 1st June 2016	Invoice Is raised before 1st June 2016	Payment is made before 1st June 2016	Applicability of KKC
Case 1	√	√	√	No
Case 2	√	×	√	No
Case 3	√	√	×	Yes
Case 4	√	×	×	Yes

However in case of reverse charge mechanism, Rule 7 is applicable.

Notification No 21/2016-ST dated 30 March 2016, amend the rule 7 to include the following proviso situation where there is change in liability of service tax to be paid under reverse charge mechanism.

- ✓ Service has been provided and invoice is issued before such change, but payment has not been made, then point of taxation will be date of issuance of invoice.
- ✓ Hence if service is provided and invoice is issued, but payment is not made then service receiver is not liable for Krishi Kalyan cess under rule 7, but in same situation service provider is liable for KKC under rule 5

RCM from 1st June 2016

Sl. No.	Service	Abatement if any	Effective ST Rate (including SWC & KKC)	% payable by service provider	% payable by service recipient	ST Rate for Service Recipient (including SWC & KKC)
1	Services provided or agreed to be provided by a goods transport agency in respect of transportation of goods by road	70%	4.5%	NIL	100%	4.5%
2	Services of goods transport agency in relation to transportation **of used household goods.**	60%	6.0%	6%	**Not covered in Reverse Charge**	**NIL**
3	Services provided or agreed to be provided by way of sponsorship	0	15%	NIL	100%	15%
4	Services provided or agreed to be provided by an arbitral tribunal	0	15%	NIL	100%	15%
5	Services provided or agreed to be provided by a firm of advocates or an individual advocate **other than a senior advocate** by way of legal services	0	15%	NIL	100%	15%
6	Services provided or agreed to be provided by Government or local authority excluding,- (1) renting of immovable property, and (2) services specified in sub-clauses (i), (ii) and (iii) of clause (a) of section 66D of the Finance Act,1994	0	15%	NIL	100%	15%

7	Services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers **on abated value*** to any person who is not engaged in the similar line of business **At present, there is abatement of 60% on the gross value of renting of motor-cab services, provided no Cenvat credit has been taken. It is being made clear by way of inserting an explanation that FMV of all the goods (including fuel) supplied by the service recipient in relation to serviceswhether or not supplied under the same contract ot any other contract, shall be added in the consideration charged.**	60%	6.00%	NIL	100%	6.00%
8	Services provided or agreed to be provided by way of renting of a motor vehicle designed to carry passengers **on non abated value**** to any person who is not engaged in the similar line of business	0	15%	50%	50%	7.5%
9	Transport of passengers, with or without accompanied belongings, **by- a) contract carriage and air conditioned stage carriage other than motorcab. b) a radio taxi**	60%	6.00%	6%	**Not covered in Reverse Charge**	**NIL**
10	Services provided or agreed to be provided by way of supply of manpower for any purpose or security services	0	15%	NIL	100%	15%

11	Services provided or agreed to be provided in service portion in execution of works contract- **ORIGINAL WORK**	60%	6%	50%	50%	3.0%
	Services provided or agreed to be provided in service portion in execution of works contract :- **OTHER WORKS** like Maintenance, repair, reconditioning, servicing of GOODS, maintenance, repair, completion, finishing services of an immovable property	30%	10.50%	50%	50%	5.25%
12	Any taxable services provided or agreed to be provided by any person who is located in a non taxable territory and received by any person located in the taxable territory	0	15%	NIL	100%	15%
13	Any service provided or agreed to be provided by a person involving an aggregator in any manner	0	15%	NIL	100%	15%
14	Payment to Independent Director	0	15%	NIL	100%	15%

* **If the service provider avails abatement**

** **If the service provider doesnot avails abatement**

Note In line with Rule 5 of Point of Taxation Rules 2011, KKC will not apply in the following cases:-

1. Where the invoice raised and payment payment made before KKC becomes applicable (i.e. 01.06.2016)
2. Where the payment received before applicabality of KKC (i.e. 01.06.2016) but Invoice is raised after 01.06.2016
3. Where the payment received before applicabality of KKC (i.e. 01.06.2016) but Invoice is raised on or before 14.06.2016 (i.e. within 14 days of applicabality of KKC)

For Service receiver (In case of Reverse Charge) in ine with Rule 7 Of POT Rules

1. If provision of service and issuance of invoice takes place before the change in ST Rate (i.e. 01.06.2016), point of taxation shall be the **Date of Invoice** even if the payment is made subsequent to change

Abatements form 1st June 2016

S.No	SERVICE DESCRIPTION	% ABATEMENT	% TAXABLE (TOTAL)	EFFECTIVE RATE (%)
1.	FINANCIAL LEASE INCLUDING HIRE PRUCHASE	90%	10%	1.5
2.	TRANSPORT OF GOODS BY RAIL	70%	30%	4.5
3.	TRANSPORT OF GOODS IN CONTAINER BY RAIL	60%	40%	6
4.	TRANSPORT OF PASSENGERS BY RAIL	70%	30%	4.5
5.	FOOD SERVICES WITH RENTING OF PREMISES	30%	70%	10.5
6.	AIR TRAVEL IN ECONOMY CLASS	60%	40%	6
7.	AIR TRAVEL IN OTHER THAN ECONOMY CLASS	40%	60%	9
8.	RENTING OF HOTELS, INNS, GUEST HOUSES ETC.	40%	60%	9
9.	TRANSPORT OF GOODS BY ROAD (GTA)	70%	30%	4.5
10.	TRANSPORT OF GOODS BY ROAD (HOUSE HOLD GOODS)	60%	40%	6
11.	SERVICE BY A FORMEAN OF CHIT FUND	30%	70%	10.5
12.	RENTING OF MOTOR CAB	60%	40%	6
13.	CONTACT CARRIAGE/RADIO TAXI	60%	40%	6
14.	TRANSPORT OF GOODS IN VESSEL	70%	30%	4.5
15.	TOUR OPERATOR (BOOKING ACCOMODATION ONLY)	90%	10%	1.5
16.	TOUR OPERATOR (OTHER THAN 14 ABOVE)	70%	30%	4.5
17.	CONSTRUCTION (COMPLEX, BUILDING, CIVIL STRUCTURE)	70%	30%	4.5