Finance Act 2014

Amendments at a Glance

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SPELLBOUND CENTRE FOR

PROFESSIONAL STUDIES

DIRECT TAX

Rates of income tax:

1. Individual (Man or Woman), resident in India and **below the age of 60 years** at any time during the previous year and HUF / AOP/BOI & every artificial judicial person:

Income	Rate of Tax
Upto ₹ 2,50,000	Nil
₹ 2,50,001 To ₹ 5,00,000	10%
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

2. An individual (man or woman), resident of India who is of the age of **60 years or more but less than 80 years** at any time during the previous year. [Senior Citizen]

Income	Rate of Tax
Upto ₹ 3,00,000	Nil
₹ 3,00,001 To ₹ 5,00,000	10%
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

3. A Resident individual (man or woman), **who is of the age 80 years** or more at any time during the previous year [Super senior citizen]

Income	Rate of Tax
Upto ₹ 5,00,000	Nil
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Amendments relating to Definitions

1. SEC 2(14): CAPITAL ASSET:

Any security held by foreign institutional investor which has invested in such security in accordance with the regulations made under the SEBI Act, 1992 would be treated as capital asset and would be in the nature of capital gains.

2. ***SHORT TERM CAPITAL ASSET -SEC. 2(42A)***

An unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months. {Earlier – 12 months} **(Amendment by Finance Act 2014)**

Asset	Date of purchase	Date of transfer	Short term/ Long term	A.Y
Shares in X Ltd (unlisted)	June 26, 2013	June 28, 2014	Long- term	2015-16
Shares in X Ltd (unlisted)	June 26, 2013	July 28, 2014	Short term	2015-16
PNB Mutual fund unlisted units (equity oriented)	Aug 4, 2012	July 15, 2014	Long- term	2015-16
PNB mutual fund unlisted units (equity oriented)	Aug 4, 2012	July 10, 2014	Long- term	2015-16
TATA mutual fund unlisted units (debt oriented)	Aug 4, 2012	July 15, 2014	Short term	2015-16
TATA mutual fund unlisted units (debt oriented)	Aug 4, 2012	July 10, 2014	Long- term	2015-16

Amendments relating to Income Exempt from Tax

1. ***SEC 10(23C):***

Income of certain National funds, educational institutions and hospitals is exempt from tax. Section 10(23C) has been amended to provide that if the government grant to a university or other institution, during the relevant previous year exceeds a percentage (to be prescribed) of the total receipts (including any voluntary contributions), of such university or other educational institution, hospital or other institution, as the case maybe, then such university or other educational university, hospital or other institution shall be considered as being substantially financed by the government for that previous year.

Entities which have been approved or notified for claiming benefit of exemption under section 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 (except the exemption in respect of agricultural income). Consequently, these institutions will not be entitled to claim exemption pertaining to dividends, mutual fund interest, long term capital gain, etc.

Where any income is required to be applied (or accumulated or set apart for application), then, for such purposes the income shall be determined without any deduction or allowance by way of depreciation (or otherwise) in respect of agricultural income). Consequently, these institutions will not be entitled to claim exemption pertaining to dividends, mutual funds interest, long term capital gain, etc.

Where any income is required to be applied (or accumulated or set apart for application), the, for such purposes the income shall be determined without any deduction or allowance by way of depreciation (or otherwise) in respect of any asset, acquisition of which has been claimed as an application of income under section 10(23C) in the same or any other previous year.

2. *SECTION 10AA:*

If deduction is claimed in respect of a specified business (as referred to in section 35AD(8)(c)) under section 10AA, no deduction in respect of that business will be available under section 35AD.

3. *12AA: REGISTRATION PROCEDURE*

Any income derived from property held under trust in any assessment proceeding for earlier assessment year which is pending before the assessing officer as on the date of such registration the objects and activities of such trust or institution in the relevant earlier assessment are the same those on the basis of which such registration has been granted. Further no action for reopening of an assessment under section 147 shall be taken by the assessing officer in the case of such trust or institution Assessment year preceding the first assessment year for which the registration applies merely for the reason that such trust or institution has not obtained the registration under section 12AA for the said assessment year. However the above benefits would not be available in case of any trust or institution which at any time applied for registration and the same was refused under section 12 AA or a registration once granted was cancelled.

4. *TREATMENT OF ANONYMOUS DONATIONS [SEC 115BBC]*

The provisions have been amended with effect from the assessment year 2015-16. After the amendment, the regular rate or applicable rate will apply on total income (**after deducting that portion of anonymous donations which is subject to 30% tax rate**).

No exceptions from taxability: *Provisions sec. 11 & 12 will not operate to exclude anonymous donations from taxability. [Anonymous donations will be taxable at 30% irrespective of their application.]*

Amendments relating to Income from house property

1. SECTION 24(b)

Deduction limit on account of interest on loan in respect of self-occupied house property raised from ₹ 1.5 lakh to ₹ 2 lakh. (W.e.f 1 April 2015)

Amendments relating to Income from Business and Profession

1. 32AC (1A) Inserted by Finance Act 2014:

Under section 32AC(1A), investment allowance will be available if the aggregate amount of actual cost of new Plant & machinery acquired and installed by a manufacturing company during any previous year exceeds ₹ 25 Crores. The amount of investment allowance will be 15% of actual cost of new asset acquired or installed during the previous year. This deduction will be available for A.Y 2015-16 and 2017-18. However, no deduction will be available for A.Y 2015-16 u/s 32AC(1A) to a company which is eligible for deduction under section 32AC(1).

2. SEC 35AD: DEDUCTION OF CAPITAL EXPENDITURE OF SPECIFIED BUSINESS

100% of Deduction available to assessees carrying on specified business (two more business have been included) for the purposes of investment- linked deduction so as to promote investment in these sectors which are :

- **i. Laying and operating a slurry pipeline for the transportation of iron ore**
- ii. **Setting-up and operating a semi-conductors wafer fabrication manufacturing unit, if such unit is notified by the board in accordance with the prescribed guidelines**

In these two cases, deduction under section 35AD will be available only if operation commences on or after April 1, 2014.

3. SECTION 37(1)

A new explanation has been inserted in section 37(1) so as to clarify that for the purposes of section 37(1), any expenditure incurred by an assessee on the activities relating to corporate social responsibility reffered to in section 135 of the companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession from the assessment year 2015-16. However, deduction may be claimed under any other section (if otherwise possible).

4. SECTION 40(a)(i)

Section	Nature of expenditure	Amount Inadmissible / condition
40(a)(i)	Interest, royalty, fees for technical services or other similar sum payable outside India or in India to Non-resident not being a company or Foreign Company on which tax has not been paid or deducted at source or after deduction, tax has not been paid before the prescribed time u/s. 139 (1).	Disallowance provisions will not be applicable if TDS is deposited upto the due date of submission of return of income under section 139(1). if TDS is deposited after this date, expenditure will be deductible in the year in which TDS is deposited

5. SECTION 40(a)(ia)

Section	Nature of expenditure	Amount Inadmissible / condition
40(a)(ia)	**Any payments** to resident, on which Tax is deductible, but tax has not been deducted or after deduction, tax has not been paid before the prescribed time u/s. 139(1).	1. Will be allowed as a deduction in computing the income of the previous year in which such tax has been paid. 2. only 30% expenditure to be disallowed – In case of TDS default, 30% of expenditure (not 100%) will be disallowed.

6. SECTION 43(5)

It defines the term speculative transactions. the Finance Act, 2013 made a provision for levy of commodities transaction tax on commodity derivatives in respect of commodities other than agricultural commodities. As a result, eligible transaction in respect of trading in commodity derivatives carried out in a recognized association and chargeable to commodities transaction tax under shall not be considered to be a speculative transaction.

7. SECTION 44AE

Section 44AE provides for presumptive taxation in case of an assessee who is engaged in the business of plying, hiring or leasing goods carriages and not owning more than 10 goods carriages at any time during the previous year. Income from the said business is calculated presumptive basis

Amount of Presumptive income In case of Any vehicle (whether HGV or others) is ₹7500 for every month (or part of a month) which the goods carriage is owned by the taxpayer.

Amendments relating to Capital Gains

1. *TREATMENT OF ADVANCE RECEIVED AND FORFEITED*

Where any sum of money received as an advance or otherwise in the course of negotiation for transfer of a capital asset, has been included in the total income of the assessee for any previous year, in accordance with the provision of section 56(2)(ix), such amount shall not be deducted from the cost for which the asset was acquired or the WDV or the fair market value, as the case may be, in computing the cost of acquisition

2. *Section 45(5):*

In the case of compulsory acquisition of a capital asset, capital gain is chargeable to tax in the previous year in which initial compensation is first received. Likewise, any enhanced compensation is chargeable to tax in the year in which such enhanced compensation is received.

Section 45(5) has been amended to provide that the amount of compensation received in pursuance of an interim order of the court, tribunal, or other authority shall be deemed to be income chargeable under the head 'capital gains' in the previous year in which the final order of such court, Tribunal or other authority is made.

3. *Section 47*

Clause 47(vii b) : Any transfer of a capital asset, being a Government security carrying a periodic payment of interest, payment made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be considered as transfer for the purpose of charging capital gains.

Clause 47(xvii) : Any transfer of a capital asset, being share of a special purpose vehicle, to a trust in exchange of units allotted by that trust to the transfer shall not be regarded as transfer for the purpose of section 45.

4. *COST OF ACQUISITION IN CERTAIN CASES*

Where the capital asset, being a unit of a business trust, became the property of the assessee in consideration of a transfer referred to in section 47(xvii), The cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share referred to in the said section.

5. *Section 49*

It provides notional provisions for determining cost of acquisition with reference to certain modes of acquisition**.** Where the capital asset, being a unit of a business trust, became the property of the assesse in consideration of a transfer referred to in section 47(xvii), the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share referred to in the said section.

6. *Section 54*

a) Transfer should be of a residential house income of which is chargeable under the head 'Income from house property'.
b) It must be a long-term capital asset.
c) Purchase of another residential house should be within one year before transfer or 2 years after transfer, or construction should be within three years after the date of transfer
d) The assessee can purchase only **one residential house in India** to get the benefit of exemption. If a person purchase /constructs more than one residential house, investment in only one house would be considered for the purpose of exemption under section 54. Likewise, investment in a property outside India will not be considered for the purpose of section 54.

7. *Section 54EC*

The asset transferred should be a long-term capital asset, Within a period of 6 months after the date of transfer, the capital gain must be invested in the specified assets i.e. bonds redeemable after 3 years issued by NHAI or RECL.

The investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the **financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.**

8. *Section 54F*

The asset transferred should be a long-term capital asset, not being a residential house.

Within a period of I year before or 2 years after the date of transfer, a residential house should be purchased or constructed within a period of 3 years after the date of transfer.

Only one residential house can be purchased or constructed within the specified time limit and the residential house should be situated in india.

9. *Section 112:*

As per this Sec, long term capital gains will be subjected to tax at a flat rate of 20% + Surcharge.

If the assessee is having other incomes less than the basic exemption limit, then the deficit is deducted from the long term capital gains and the balance long term capital gains will be taxable at a flat rate of 20% + surcharge. {However, this option is available to resident individual and HUF}

Sec 112 has been amended w.e.f the AY 2013-14. After the amendment LTCG will be taxable @ 10% (+EC+SHEC) if the following conditions are satisfied:

a) Taxpayer is a non-resident (not being a company) or a foreign company.
b) LTCG arises on transfer of unlisted securities (i.e., unlisted shares, unlisted debenture, etc.)
c) LTCG is calculated without giving effect to the 1st proviso to Sec 48 (under this proviso capital gain is calculated in foreign currency if a few conditions are satisfied).
d) Capital gain is calculated without applying indexation provisions.

10.RATES OF CAPITAL GAINS TAX

Tax on STCG in case of equity shares and units of equity- oriented fund Sec 111 A

Any income arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of equity oriented fund or unit of a business trust (inserted by Finance Act 2014) and the following conditions are fulfilled—

a) the transaction of sale of such equity share or unit is entered into on or after 1-10-2004;
b) such transaction is chargeable to securities transaction tax;
c) such equity shares are transferred through a recognized stock exchange or such units are transferred through a recognized stock exchange or sold to the mutual fund the tax payable by the assessee @ 15 % on short-term capital gains.
d) No deduction under Chapter VI-A (Sections 80C to 80U) shall be allowed from such income. Shifting to claim full exemption of total income is allowed only in case of resident individual or HUF.
e) Provisions of Section 111A shall not apply in respect of any income arising from transfer of a business trust which were acquired by the assesse in consideration of a transfer referred to in section 47(xvii). (Amendment by Finance Act 2014)

Amendments relating to other sources

1. Section 56(2):

Section 56(2) has been amended by inserting new clause (ix) with effect from the assessment year 2015 -16 Under the new Clause , any sum of money received as an advance or otherwise in the course Course of negotiation for transfer of a capital asset will be taxable under the Head "Income from other sources" if the following two conditions are satisfied:

a) the negotiation do not result in transfer of capital asset ; and
b) advance money is forfeited .

Amendments relating to set off and carry forward of losses

1. Section 73 :

It provides that losses incurred in respect of a speculation business cannot be set off or carried forward and set off except against the profits of any other speculation business.

a) Can be carried forward for 4 years,
b) Can be set-off against profits from speculation business only.
c) Shall not be applicable to a company the principal business of which is the business of trading in shares.
d) continuity of that speculation business is not necessary
e) Loss return should be submitted in time.

Deductions

1. DEDUCTION IN RESPECT OF" LIFE INSURANCE PREMIA, DEFERRED ANNUITY, CONTRIBUTION TO PROVIDENT FUND ETC.-SEC.80C

- **Deduction**

The aggregate of the eligible contributions mentioned in section 80C shall be allowed as deduction to the extent of ₹ **1,50,000/-**

2. *DEDUCTION IN RESPECT OF CONTRIBUTION TO PENSION SCHEME OF CENTRAL GOVERNMENT - SEC.80CCD*

- **Eligible Assessee -** Any employee
- **Conditions**

i) Deduction is available in respect of contribution to pension scheme notified by the Central Government.

Condition of the date of joining the service on or after 1.1.2004 is not applicable to private sector employees for the purposes of deduction under the said section. (Amendment BY Finance Act 2014)

ii) Where an individual employed by the Central Government or any other employee has paid or deposited any amount in his account under a pension scheme notified by the Central Government, he shall be allowed a deduction in the computation of his total income the amount so paid or deposited subject to a limit of 10% of his salary for the relevant previous year. Any contribution made by the Employer to such an account shall also be allowed as deduction subject to the limit of 10% of salary. Individual is deriving other than salary-income - 10% of gross total income or ₹ 1,00,000 whichever is less. (Amendment by Finance Act 2014)

3. *Limit in deductions under sections 80C. 80CCC and 80CCD – (Sec.80CCE)*

Though individual limits for section 80C - Contribution to specified investments; sec.80CCC - contribution to Pension fund; and sec. 80CCD _ contribution to Pension scheme of Central Government are provided under the relevant sections, the aggregate of deduction under these sections is restricted to a maximum of ₹1,50,000 earlier was ₹ 1,00,000. However, for calculating the limit under section 80CCE, employer's contribution to the pension scheme under section 80CCD shall not be considered.

4. *Section 80-IA*

For the businesses engaged in infrastructure and development, a deduction of profits and gains is allowed to an undertaking has been amended to extend the terminal date for a further period of three years ie up to March 31, 2017

Other Amendments

Section 115JC: Alternate Minimum Tax

It provides that deduction claimed under section 35AD (as reduced by depreciation allowance under section 32) shall be also added to total income to arrive at adjusted total income.

Section 115- O: Distribution Tax

Currently, dividend tax is payable on amount distributed (without grossing up). After the amendment dividend tax under section 115-O will be payable on amount distributed (after grossing up).

Assessment Procedures

1. ***Section 139(4C):***

It provides that a mutual fund, securitization trust and venture capital company or venture capital fund will have to furnish the return of income under section 139 if total income in respect of which such fund, trust or company is assessable exceeds the maximum amount which is not chargeable to income tax.

2. ***AUTHORISED SIGNATORIES TO THE RETURN OF INCOME [SECTION 140]***

   This section specifies the persons who are authorized to sign and verify return of income under section 139 of the Act.

   Amendment by Finance Act 2014: With a view to enable the verification of returns either by a sign in manuscript or by an electronic mode, section 140 has been amended with effect from October 1, 2014. Amendment has been made in the scheme of section 140, so as to dispense with the condition of signing such return. With this amendment, only the condition of verifying of the income tax return will apply.

Tax Deduction at Source

1. ***SEC 194A: INTEREST OTHER THAN INTEREST ON SECURITIES***

   Sec 194A provides for deduction of tax from interest other than interest on securities where the amount of interest exceeds Rs.5,000 during any financial year.

   This section applies only to interest other than "interest on securities", credited or paid by assesses other than individuals or Hindu undivided families whose accounts are not subject to audit u/s. 44AB of the Act during the preceding financial year.

No deduction of tax shall be made in the following cases:
If the aggregate amount of interest paid or credited during the financial year does not exceed Rs.5,000.

A new clause (xi) has been inserted in 194A(3)with effect from October 1, 2014 So as to exempt from deduction of tax at source, the interest income payable by special purpose vehicle to a business trust as referred to in section 10(23FC). (Amendment by Finance Act 2014)

2. TAX DEDUCTION FROM PAYMENT OF LIFE INSURANCE POLICY (SEC 194DA).

Section 194DA has been inserted with effect from October 1, 2014. It provides that any person responsible for paying to a resident any sum under a life insurance policy (including bonus) shall deduct income-tax thereon at the rate of 2 per cent. The following points should be noted-

1. Tax is deductible at the time of payment. Lower TDS certificate provisions of section 197 or self-declaration under section 197A are not applicable. However, TDS is required if the amount payable during the financial year is **less than ₹ 1,00,000**.
2. If exemption is available to the recipient under 10(10D), then the above TDS provisions are not applicable. Consequently in the following cases TDS provisions of section 194DA are applicable
   a) any payment under a keyman insurance policy;
   b) any payment under section 80DD(3) or section 80DDA(3);
   c) any payment under insurance policy issued during April 1, 2003 to March 31, 2012 where annual insurance premium is more than 20 per cent of capital sum assured;
   d) any payment under insurance policy issued after March 31, 2012 where annual insurance premium is more than 10 per cent of capital sum assured; or
   e) any payment under insurance policy issued after March 31, 2013 to a person covered under section 80U or 80DDB where annual insurance premium is more than 15 per cent of capital sum assured.

3. In cases covered by (c), (d)or (e), tax is not deductible, if the payment is made on the death of a person.
4. A keyman insurance policy which has been assigned before maturity to keyman (or any other person) during its term, with or without consideration, shall continue to be treated as a keyman insurance policy and TDS provision under section 194 DA would be applicable.
5. Any payment under a policy (not being a keyman insurance policy or a policy covered under section 80DD(3) or section 80DDA(3)) prior to April 1, 2003, will not be subject to TDS provisions of section194DA.
6. TDS provisions of section 194DA will be applicable whether payment is made at the time of maturity or otherwise. Suppose an insurance company gives a loan of ₹ 1,00,000 (or more) to a policyholder against an insurance policy (which has been issued on or after April 1, 2003 and annual insurance premium is more than 20 percent of sum assured), TDS provision of section 194DA would be applicable at the time of release of loan amount to policyholder.

3. TAX DEDUCTION FROM INCOME FROM UNITS OF BUSINESS TRUST (SEC 194LBA):

a) Tax deduction is applicable if a business trust distribute any income referred to in section115UA (being of nature referred to in section 10(23FC)) to its unit holder. Tax is deductible at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or a draft or by any other mode, whichever is earlier.

b) **Rate of TDS**: if the recipient is a resident in India, tax is deductible at the rate of 10%. Conversely, if the recipient unit holder is a non-resident or a foreign company, tax is deductible at the reate of 5%, if the recipientdoes not have a PAN, tax is deductible at the rate of 20%.

c) **Lower TDS Certificate**: provisions of Section 197 or section 197A are not applicable.

4. RESPONSIBILITIES ATTACHED TO DEDUCT TAX (SEC 200 and SEC 200A)

A deductor is allowed to file correction statement for rectification/ updation of the information furnished in the original TDS statement. Consequently, section 200A is also amended for enabling processing of correction statement filed.

5. CONSEQUENCES OF FAILURE TO DEDUCT OR PAY [Sec 201]

An assessee shall not be deemed to be in default, by virtue of Sec. 201(3), for failure to deduct whole or any part of the tax, at any time after the expiry of 7 years (earlier 6 years) from the end of the financial year in which payment is made or credit given.

6. SEC 206AA: HIGHER RATE OF TDS WHERE PAN IS NOT PROVIDED

Where the recipient does not furnish his PAN to the deductor, tax will be deducted at the normal rate or at the rate of 20%, whichever is higher.

However, sub-section (7) provides an exception from applicablility of section 206AA in respect of payment of interest on long-term infrastructure bonds eligible for benfit under section194LC. The scope of exception under sub-section (7) has been extended (with effect from October 1, 2014) to payment of interest on any long-term bond referred to in section 194LC.

INDIRECT TAX

Excise Duty

1. E-payment of excise duty mandatory for all assessees irrespective of the duty paid during previous year [Rule 8(1B)] [Effective from 01.10.2014]

Customs Duty

1. Relevant date for determination of rate of duty and tariff valuation for imports through a vehicle to be the date of arrival of vehicle where bill of entry is filed prior to the arrival of the vehicle [Section 15(1)] [Effective from 06.08.2014]

2. Articles imported by an EOU/SEZ unit and cleared as such into DTA or used in the manufacture of final products that are cleared into DTA liable to safeguard duty [Section 8B of Customs Tariff Act, 1975] [Effective from 11.07.2014]

3. Bill of entry to be filed prior to the delivery of import report if the vehicle in which the goods have been imported is expected to arrive within 30 days [Section 46(3)] [Effective from 06.08.2014]

Service Tax

1. Service tax to be levied on sale of space or time for advertisements in all media except print media [Section 66D] [Effective from 01.10.2014]

2. Rate of exchange under section 67A to be determined as per GAAP [Section 67A]

3. ***Radio* taxis/radio cabs liable to service tax [Section 66D (o)]**
   Earlier service of transportation of passengers, with or without accompanied belongings, by inter alia metered cabs, radio taxis or auto rickshaws was covered in the negative list of services under clause (o) of section 66D of Finance Act, 1994.

   The said clause has been amended by Finance (No.) Act, 2014 so as to omit the reference of radio taxis therefrom. Thus, travel by radio taxis or radio

cabs, whether or not air-conditioned, would now be liable to service tax.
[Effective from 01.10.2014]

4. ***"Agricultural produce" includes rice and benefits available in respect of rice under mega exemption notification***
section 65(5) of the Finance Act, 1994 covers 'paddy'; but excludes 'rice'. It implies that benefits available to agricultural produce in the negative list [Section 66D(d)] are not available to rice.

However, many such benefits have been extended to rice by way of appropriate entries in the mega exemption notification as follows:-

Services by way of transportation of food stuff by rail/vessel/goods transport agency is exempt from service tax. Food stuff includes rice.

Services by way of loading, unloading, packing, storage or warehousing of rice are exempt from service tax.

Carrying out an intermediate production process as job work in relation to agriculture is exempt from service tax. It is clarified that paddy milled into rice, on job work basis is also exempt from service tax since such milling of paddy is an intermediate production process in relation to agriculture.

5. ***Point of Taxation Rules, 2011***
   a) **Amendment in Point of Taxation when services subject to Reverse Charge Mechanism.**
   In first proviso of rule 7, presently, the date of payment of invoice is the point of taxation. However, w.e.f. 01.10.2014 the point of taxation in respect of reverse charge will be the payment date of invoice or the first day that occurs immediately after a period of three months from the date of invoice, whichever is earlier. {Effective from 01.10.2014}

   In the case where invoice has been issued before 01.10.2014 and payment has not been made up to 30.09.2014, the point of taxation will be in below manner:- (inserted rule 10 for this purpose)

Situation	Point of Taxation
When payment is made within six month of the date of invoice	The date of payment
When payment is not made within six month of the date of invoice	The date of invoice

6. ***Retrospective exemption for services provided by ESIC [New section 100]***

Services provided by Employees State Insurance Corporation (ESIC) to persons governed under the Employees Insurance Act, 1948 have been exempted from service tax from 01.7.2012 vide Sl. No. 36 of *Mega Exemption Notification No. 25/2012 ST dated 20.06.2012* when negative list provisions were introduced.

Retrospective exemption from service tax has now been granted to services provided by ESIC for the period prior to 01.07.2012. ***[Effective from 06.08.2014]***

7. ***Mega Exemption Notification amended***

a) Services provided by common bio-medical waste treatment facility operators to clinical establishments exempted
b) Transport of organic manure by vessel, rail or road (by GTA) exempted
c) IRDA approved life micro-insurance schemes with sum assured not exceeding ₹50,000 exempted.
d) Loading, unloading, packing, storage or warehousing, transport by vessel, rail or road (GTA), of cotton - ginned or baled - exempted

e) Services received by RBI from outside India in relation to management of foreign exchange reserves exempted
f) Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India exempted
g) Limited exemptions in respect of services provided to Government or local authority or governmental authority
h) Concept of auxiliary education services done away with and exemption restricted to only few specific services
i) Services provided by radio-taxis whether or not air-conditioned have been brought under service tax. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par.
j) Clinical research on human participants chargeable to service tax.
k) Services provided by NSDC or by an approved SSC/assessment agency/training partner exempted
l) Services provided by cord blood banks by way of preservation of stem cells exempted
m) Loading/unloading/packing/storage/warehousing of rice exempted

8. Only service providers need to satisfy the condition of non- availment of credit for availing abatement in case of GTA service

9. Abatement Notification amended

a) Only service providers need to satisfy the condition of non- availment of credit for availing abatement in case of GTA service
b) Credit allowed on input service received by a person providing services of renting of motorcab from a sub-contractor engaged in the similar line of business
c) 60% abatement prescribed for transport of passengers by a contract carriage (other than motorcab) and a radio taxi
d) Abatement in respect of transport of goods in a vessel increased from 50% to 60%

10. Service tax to be payable by the recipient of service in case of services provided by recovery agents to banks, financial institutions and NBFC [Rule 2(1)(d)(i)(AA)]

11. Service tax to be payable by the recipient of service in case of service provided by a director to a body corporate [Rule 2(1)(d)(i)(EE)]

12. E-payment of service tax mandatory for all assessees irrespective of the tax paid during previous year [Rule 6(2)]

13. Slab rate of interest introduced for delayed payment of service tax (Section 75)

CENVAT CREDIT

1. Place of removal defined in the rules [Rule 2(qa)]

A new clause (qa) has been inserted in rule 2 to define the term 'place of removal' as under: "Place of removal" means-

(i) a factory or any other place or premises of production or manufacture of the excisable goods;

(ii) a warehouse or any other place or premises wherein the excisable goods have been permitted to be deposited without payment of duty;

(iii) a depot, premises of a consignment agent or any other place or premises from where the excisable goods are to be sold after their clearance from the factory, from where such goods are removed.

The said definition is same as the one provided in section 4(3)(c) of Central Excise Act, 1944. ***[Effective from 11.07.2014]***

2. Credit on inputs and input services to be availed within 6 months of the date of invoice [Rule 4(1) and 4(7)] [Effective from 01.09.2014]

3. Payment of value of input service to service provider no more a pre-requisite for availing credit in case of service tax paid under full reverse charge [Rule 4(7)]

Where service tax is to be paid under full reverse charge, payment of service tax will ensure availability of credit of input services even if the value of input service is not paid to the service provider. However, there is no change in respect of partial reverse charge. A second proviso has been inserted in sub-rule (7) to provide the same. Therefore, in case of partial reverse charge, credit of input service will be allowed only after payment has been made of both, value of input service tax paid or payable as indicated in invoice/ bill/ challan.

4. Condition of reversal of credit on failing to pay value of input service and service tax within 3 months of the date of invoice not to apply in case of full reverse charge [Rule 4(7)]

5. Credit reversed on account of non-receipt of export proceeds within the specified or extended period can be re-availed if export proceeds are received within one year from the specified or extended period [Rule 6(8)]

6. Manner of distribution of common input service credit under rule 7(d) of the CENVAT Credit Rules, 2004 clarified

Rule 7 of CCR provides for the mechanism of distribution of common input service credit by the Input Service Distributor to its manufacturing units or to units providing output services.

Rule 7(d) provides that credit of service tax attributable to service used by more than one unit shall be distributed *pro rata* on the basis of the turnover of such units during the relevant period to the total turnover of all its units, which are operational in the current year, during the said relevant period.

On account of the words **'such unit'** used in rule 7(d), it is possible to interpret that the distribution of the credit would be restricted to only those units where the services are used. Thus, the credit available for distribution would get reduced by the proportion of the turnover of those units where the services are not used.

However, it has been clarified vide ***Circular No. 178/4/2014 dated 11.07.2014*** that the amended rule 7(d) seeks to allow distribution of input service credit to all units in the ratio of their turnover of the previous year.

7. ***Duty leviable on transaction value to be paid on removal of capital goods as waste and scrap***

With effect from 27.09.2013, if the capital goods are cleared as waste and scrap, the manufacturer shall pay an amount equal to the duty leviable on transaction value.

Thus, a manufacturer removing capital goods as waste and scrap will no longer be required to compare the amount equivalent to the duty leviable on transaction value with the amount equivalent to CENVAT credit taken on the said capital goods reduced by the specified percentage points. However, when capital goods will be removed, after being used, otherwise than as waste and scrap, the higher of the above-mentioned two amounts will be required to be paid. [Notification No. 12/2013 CE (NT) dated 27.09.2013]

8. ***CENVAT credit taken on input services to be reversed if duty paid on final product remitted***

Earlier, where on any goods manufactured or produced by an assessee, the payment of duty was ordered to be remitted under rule 21 of the Central Excise Rules, 2002, the CENVAT credit taken on the inputs used in the manufacture or production of said goods was required to be reversed. Thus, earlier, reversal was only required in respect of inputs and not for input services.

Rule 3(5C) of CCR has been amended to provide that CENVAT credit taken on input services used in or in relation to the manufacture or production of said goods is also required to be reversed. ***[Notification No. 1/2014 CE (NT) dated 08.01.2014]***

9. ***Amount payable under sub-rules (5), (5A), (5B) and (5C) of rule 3 to be paid on or before the 5th day of the following month by utilizing CENVAT credit or otherwise***

As per explanation 1 inserted after rule 3(5C) of CCR, the amount payable under following sub-rules of rule 3 shall be paid by the manufacturer of goods or the provider of output service

(i)	**Rule 3(5)**	Reversal of credit in case of removal of inputs or capital goods as such from the factory/premises of the output service provider
(ii)	**Rule 3(5A)**	Reversal of credit in case of removal of capital goods after being used, whether as capital goods or as scrap or waste
(iii)	**Rule 3(5B)**	Reversal of credit in case of full or partial writing off of the value of input or capital goods before being put to use
(iv)	**Rule 3(5C)**	Reversal of credit in case of remission of duty on final product

- by debiting the CENVAT credit or otherwise
- on or before the 5th day of the following month except for the month of March, where such payment shall be made on or before the 31st day of the month of March. ***[Notification No. 1/2014 CE (NT) dated 08.01.2014]***

10. ***Importer required to file quarterly return***

Earlier, rule 9(8) of the CCR required a first stage dealer and a second stage dealer to submit a return (electronically) within 15 days from the close of each quarter of a year to the Superintendent of Central Excise.

With effect from 01.04.2014, said rule has been amended. Thus, now a registered importer is also required to submit such quarterly return.

Consequently, the return form prescribed for the same has also been accordingly amended. ***[Notification Nos. 9 and 11/2014 CE (NT) dated 28.02.2014]***