

INDIRECT TAXES UPDATE – 135

Changes Effective from 1st June 2015

Amendments in Service Tax

1. Change in Rate of Service Tax – Section 66B of Finance Act w.e.f 1st June 2015

Section 66B of the Finance Act which prescribes the rate of Service Tax has been amended w.e.f 1st June 2014. The **rate of Service Tax** is being **increased** from 12% to 14% (including cesses).

Further, Section 95 and Section 140 of the Finance Act which provide for levy of Education Cess and Secondary & Higher Education Cess, respectively, on taxable services, shall cease to have effect from 1st June, 2015. The Education Cess and Secondary & Higher Education Cess stand subsumed under the new rate.

[Notification No.14/2015-Service Tax, dated 19th May, 2015]

2. Amendments in Negative List of Services – Section 66D of Finance Act w.e.f 1st June 2015

Following amendments to Section 66D of Finance Act – Negative List will come into effect from **1st June 2015**:

- (i) Service Tax shall be levied on the service provided by way of access to amusement facility providing fun or recreation by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks and theme parks.
- (ii) Service tax shall be levied on service by way of admission to entertainment event of concerts, pageants, musical performances concerts, award functions and sporting events other than the recognized sporting event, if the amount charged is more than Rs. 500 per person for the right to admission to such an event.
- (iii) Service by way of admission to entertainment event, namely, exhibition of cinematographic film, circus, recognized sporting event, dance, theatrical performance including drama and ballet is exempted from Service Tax vide *Notification No. 25/12-ST (Mega exemption Notification)*.
- (iv) Service Tax shall be levied on contract manufacturing/job work for production of potable liquor for human consumption.
- (v) An explanation has been inserted in entry (i) covering betting, gambling or lottery to

provide that "betting, gambling or lottery" shall not include the activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organising, selling of lottery or facilitating in organising lottery of any kind, in any other manner. The objective of making these exclusions is to make it explicitly clear that while lottery per se is not subject to service tax, aforesaid services in relation to lottery will be taxable.

However, it is important to note that the due date of applicability of provisions related to taxability of all services provided by the Government or local authority to a business entity are yet to be notified.

[Notification No.14/2015-Service Tax, dated 19th May, 2015; Notification No.16/2015-Service Tax, dated 19th May, 2015]

3. Amendment in Service Tax Rules, 1994 w.e.f 1st June 2015

In respect of services relating to Air Travel Agent, Life Insurance service, Money changing service provided by banks or authorized dealers and Service provided by lottery distributor and selling agent the service provider has been allowed to pay service tax at an alternative rate subject to the conditions as prescribed under rule 6 (7), 6(7A), 6(7B) and 6(7C) of the Service Tax Rules, 1994. *With effect from 1st June 2015*, consequent to upward revision of service tax rate to 14%, the said alternative rates will also be revised proportionately. The revised rates are as follows:

S No.	Name of Service	Old Rate	New Rate
1.	Air Travel Agent(Domestic Bookings)	0.6%	0.7%
	Air Travel Agent(International Bookings)	1.2%	1.4%
2.	Life Insurance Business	3 % and 1.5 %	3.5 % and 1.75 % respectively.

3.	Money Changer Service	<p>(a) 0.12 per cent. of the gross amount of currency exchanged for an amount upto rupees 100,000, subject to the minimum amount of rupees 30; and</p> <p>(b) rupees 120 and 0.06 per cent. of the gross amount of currency exchanged for an amount of rupees exceeding rupees 100,000 and upto rupees 10,00,000; and</p> <p>(c) rupees 660 and 0.012 per cent. of the gross amount of currency exchanged for an amount of rupees exceeding 10,00,000, subject to maximum amount of rupees 5000</p>	<p>(a) 0.14 per cent. of the gross amount of currency exchanged for an amount upto rupees 100,000, subject to the minimum amount of rupees 35; and</p> <p>(b) rupees 140 and 0.07 per cent. respectively of the gross amount of currency exchanged for an amount of rupees exceeding rupees 100,000 and upto rupees 10,00,000; and</p> <p>(c) rupees 770 and 0.014 per cent. Respectively of the gross amount of currency exchanged for an amount of rupees exceeding 10,00,000, subject to maximum amount of rupees 5000</p>
4.	Lottery distributor and selling agent	Rs. 7,000/- & Rs. 10,000/-	Rs. 8,200/- & Rs. 12,800/- respectively.

[Notification No.15/2015-Service Tax, dated 19th May, 2015]

4. Amendments in Mega Exemption Notification 25/2012 effective 1st June 2015

With effect from 1st June 2015, following changes in *Mega Exemption Notification No. 25/2012-ST dated June 20, 2012* are made effective:

- (i) Consequent to imposition of Service Tax levy on service by way of manufacture of alcoholic liquor for human consumption, an amendment is being made in the **entry at S. No. 30** of notification No. 25/12-ST to exclude carrying out of intermediate production process of alcoholic liquor for human consumption on job work from this entry.
- (ii) **Entry 47:** Exemption is given to services provided by way of right to admission to,-
- Ñ Exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet.
 - Ñ Recognized sporting events.
 - Ñ Concerts, pageants, award functions, musical performances or sporting events not covered by S. No. ii, where the consideration for such admission is upto Rs. 500 per

person.

[Notification No.16/2015-Service Tax, dated 19th May, 2015]

5. Amendment in Abatement Notification No. 26/2012 w.e.f. 1st June 2015

CBEC vide *Notification No. 13/2015-ST, Dated: May 19, 2015* has amended *Notification No. 26/2012-ST dated June 20, 2012*, thereby omitting the entry relating to definition of Chit (para 2 clause 'a'), on account of withdrawal of abatement in relation to Chit Fund vide *Notification No. 8/2015-ST dated March 1, 2015*

[Notification No. 13/2015-ST, Dated: May 19, 2015]

6. Exemption to Power System Development Fund Scheme

CBEC vide *Notification No. 17/2015-ST, Dated: May 19, 2015* has exempted taxable services provided under the Power System Development Fund Scheme of the Ministry of Power from the whole of the Service tax leviable thereon under Section 66B of the Finance Act till April 1, 2017 subject to the conditions specified therein.

[Notification No. 17/2015-ST, Dated: May 19, 2015]

7. Swachh Bharat Cess

Central Government has been empowered to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% or lower on the value of such taxable services. The date from which this amendment would come into effect is yet to be notified by the Government.

[Amendments in CENVAT Credit Rules, 2004](#)

8. Amendment in Rule 6(3) of CENVAT Credit Rules, 2006

CBEC vide *Notification No. 14/2015-Central Excise (N.T.), Dated: May 19, 2015* has amended Rule 6(3) of CENVAT Credit Rules, 2004 dealing with Reversal of CENVAT Credit on exempted goods and services to provide that the manufacturer of goods or the provider of output service, opting not to maintain separate accounts, shall pay an amount equal to **7% of the value of exempted services**. Prior to this amendment the rate was 6% of the value of exempted services which has been increased to 7%, with effect from 1st June 2015 on account of upward revision of Service Tax rate to 14%. However, the rate of reversal for exempted goods remains the same at 6%.

[Notification No. 14/2015-Central Excise (N.T.), Dated: May 19, 2015]

9. Amendment in Safeguards for refund of unutilised CENVAT Credit under Rule 5(b)

CBEC vide Notification No. 15/2015-Central Excise (N.T.), Dated: May 19, 2015 has amended Safeguards for refund of unutilised CENVAT Credit issued vide Notification No. 12/2014– Central Excise (N T), Dated: March 03, 2014 to provide that provisions of Notification No. 12/2014– Central Excise (N T) shall cease to apply to ‘*supply of manpower for any purpose or security services*’.

[Notification No. 15/2015-Central Excise (N.T.), Dated: May 19, 2015]

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