

INDIRECT TAXES UPDATE – 145

SERVICE TAX

Regarding Levy of Swachh Bharat Cess

CBEC on 6th November notified that Swachh Bharat Cess would be applicable @ 0.5% on value of all taxable services **with effect from 15th November 2015**.

Now, CBEC vide *Notification No. 23/2015-Service Tax Dated 12th November, 2015* has provided that in cases where service tax is payable on abated value as per *Notification No. 26/2012 - Service Tax, dated 20th June, 2012*, **Swachh Bharat Cess would also be levied on the abated value of taxable services** determined in accordance with the Service Tax (Determination of Value) Rules, 2006. For example if the abatement is 60% & value of taxable services is Rs. 1000 then service tax payable would be Rs. 56.00 (1000 * 40% * 14%) and SBC payable would be Rs. 2.00 (Rs. 1000* 40% * 0.5% or Rs. 400* 0.5%).

Further, CBEC vide *Notification No. 24/2015-Service Tax Dated 12th November, 2015* has provided that in cases where service tax is payable under Reverse Charge Method as per *Notification No. 30/2012 -Service Tax, dated 20th June, 2012*, **Swachh Bharat Cess would also be payable as per the Reverse Charge provisions**.

Swachh Bharat Cess would also be leviable on the persons liable for paying the service tax at alternate rates who provide services as an air travel agent, an insurer carrying on life insurance business, purchase or sale of foreign currency, lottery distributor or selling agent. In this regard, CBEC vide *Notification No. 25/2015-Service Tax Dated 12th November, 2015* has provided that such assessees, during any calendar month or quarter, shall have the option to discharge their liability towards Swachh Bharat Cess which can be determined as follows:

Alternate Tax Rate x 0.5

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The option under once exercised, shall apply uniformly in respect of such services and shall not be changed during a financial year under any circumstances. For example, an air travel agent is liable to pay service tax @ 1.4% of the basic fare in the case of international bookings. Here SBC payable would be @ 0.05 % [(1.4 * 0.5)/ 14]. Thus on Basic fare of Rs. 5000, SBC payable would be Rs. 2.5 (5000*0.05).

It is important to note that, with regards to point of taxation, no SBC liability would arise where payment has been received and invoice has been raised before 15th November 2015.

When payment is received before 15th November 2015 and invoice is raised within 14 days i.e. 29th November 2015, no SBC would be required to be paid. However, SBC would be applicable when services are provided on or after 15th November 2015 and payment for the same is received after that date and invoice is not raised within 14 days i.e. invoice is issued after 29th November 2015.

[Notification No. 23/2015-Service Tax, Notification No. 24/2015-Service Tax & Notification No. 24/2015-Service Tax all Dated 12th November, 2015]

Source: www.cbec.gov.in

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