

# INDIRECT TAXES UPDATE – 149

## SERVICE TAX

*Any Services provided by Government to Business Entity will be liable to Service Tax from 01.04.2016 onwards*

Finance Act (No. 20), 2015 had substituted the words 'support services' provided by Government or a local authority to a business entity by the words 'any services' under Negative List. Now all services provided by the Government or local authority to a business entity, except the services that are specifically exempted, or covered by any another entry in the Negative List, shall be liable to service tax w.e.f. 01.04.2016.

*[Notification No. 06/2016-Service Tax, dated February 18, 2016]*

*Comment: The Indirect Tax Committee has sought clarity in the pre-budget memorandum on what is "Government" as all services provided by them would be liable under reverse charge.*

### *Insertion of New Entry under Notification No.25/2012-Service Tax (Mega Exemption)*

After entry No. 47, a new entry has been inserted (No. 48) under Notification No.25/2012-Service Tax, dated 20th June, 2012 (Mega Exemption) providing that services provided by Government or a local authority to a business entity with a turnover up to Rs. 10 lacs in the preceding financial year will be out of the purview of service tax from 01.04.2016 onwards.

*[Notification No. 07/2016-Service Tax, Dated: February 18, 2016]*

*Comment: Small user of Government support services spared from RCM. { reverse charge mechanism} Now services provided by Government to the Business Entity liable to be taxed under Reverse Charge\* in cases where turnover of the business entity exceeding Rs.10 Lacs in the preceding financial year. [\*Date yet to be notified]*

## VALUE ADDED TAX

### *Budget Highlights for the State of Gujarat*

#### **1. E-Commerce Transactions to be covered under purview of Entry Tax**

It has been proposed to impose Entry tax on the goods coming in the State through e-commerce as the trade of State dealers is affected adversely & also the State suffers loss of tax revenue due to sale of goods in the State from outside the State under e-commerce transactions.

#### **2. Pay 100% provisional refund within 30 days to small dealers**

In order to promote trade friendly measures in case of small dealers, it has been proposed to pay 100% provisional refund within 30 days from the date of submission of all documents where refund due is upto Rs. 1 lakh. This will be subject to the following conditions:

- The dealers whose annual refund upto Rs. 1 lakh has been paid in the previous year will get this benefit in the subsequent year.
- The dealer should be holding Registration Certificate for more than 2 years.

### **3. Amnesty Scheme for recovery of tax dues**

The recovery of tax dues under the Sales Tax Act and the VAT Act has been pending due to issues of interpretation, non-availability of statutory forms and pending before Appellate Authority etc. Thus tax amount actually due to the State remains outstanding. To address this Amnesty Scheme has been proposed as follows:

- Dues outstanding upto 31.12.2015 in the Sales Tax Act, VAT Act, Motor Spirit Act and CST Act will be covered under the scheme.
- Interest and penalty will be remitted on full payment of outstanding principal tax amount. However in case of tax evasion, full amount of principal tax, interest and 25% of penalty amount will have to be paid.
- The scheme will extend to the cases in appeal also where the appeal has been withdrawn.

### **4. Products proposed to be fully exempted or taxed at a lower rate**

It has been proposed to fully exempt the following products for giving a boost to the economy.

- Bamboo and bamboo-articles (except furniture)
- Pedal Rickshaw & cycle rickshaw
- Mosquito net
- Sanitary napkins & adult diapers
- Frozen semen

Ceramic products are proposed to be charged at a lower tax rate.

Further, rate of electricity duty charged from hotels/ restaurants & private hospitals is proposed to be reduced.

### **5. Products proposed to be taxed at higher rate as compared to present tax rate**

It has been proposed to charge a higher rate of tax on following products:

- Vehicles purchased by institutions (institutional purchases)
- Luxury car/ SUV & luxury two wheeler
- Pan Masala

It has also been proposed to levy tax (including additional tax) on industrial salt used in

manufacture of goods.

Source: [www.cbec.gov.in](http://www.cbec.gov.in) / [www.commerciantax.gujarat.gov.in](http://www.commerciantax.gujarat.gov.in)

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*Secretary*

*Indirect Taxes Committee*

*The Institute of Chartered Accountants of India*

*ICAI Bhawan A-29, Sector -62, NOIDA (U.P.) India*

*Website: [www.idtc.icai.org](http://www.idtc.icai.org)*