CA. M. Devaraja Reddy
President

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o/c

राजस्व विभाग
प्राप्त डा.सं.........
30 MAY 2016
Receipt No.........
DEPTT. OF REVENUE

ICAI/IDTC/2016-17/Rep/6

30th May 2016

Sh. Najib Shah
Chairman
Central Board of Excise & Customs
Department of Revenue,
North Block, New Delhi – 110001

**Subject: Clarification on payment of Krishi Kalyan Cess in terms of Rule 5 of Point of Taxation Rules, 2011**

Respected Sir,

The Institute of Chartered Accountants of India (ICAI) is a statutory body established under the Chartered Accountants Act, 1949 for the regulation of the profession of Chartered Accountancy in India. ICAI is the second largest accounting body in the world with a strong tradition of service to the public interest and to the Indian economy.

We write this to seek clarification on payment of Krishi Kalyan Cess in terms of Rule 5 of Point of Taxation Rules, 2011. Honb'le Finance Minister while presenting the Union Budget 2016-17 has introduced Krishi Kalyan Cess (hereinafter referred as KKC) vide Clause 158 under Chapter VI of the Finance Act, 2016. KKC has been levied at the rate of 0.5% of the value of taxable services with effect from 1st June, 2016. Further Central Government vide *Notification no. 10/2016-ST dated 01.03.2016* has added an explanation to Rule 5 of Point of Taxation Rules, 2011 (hereinafter referred as POTR), as per which all the new levy on services would be governed by Rule 5 of Point of Taxation Rules, 2011.

Consequently, levy of KKC would be governed by the provisions of Rule 5 of POTR. Accordingly, KKC should not be paid if

a) either before the levy of KKC becomes effective, if invoice is issued and payment is also received then to the extent of payment received
b) if the payment has been received before the levy of new tax becomes effective and invoice has been issued within 14 days from the date of levy of KKC become effective

Thus, if for instance, a Consultant provides a consultancy to a company in the month of May'2016 and raises an invoice by 30th May 2016 but receive the payment only in July'2016 then as per Rules 5 of POTR, KKC would be required to be paid. Alternatively, assuming that the turnover is less than 50 lakhs, for the audits done in Apr'2016 and the payment is received in Aug'2016, then KKC would again be required to be paid. This implies KKC



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