

## INDIRECT TAXES UPDATE - 129

### Clarification- Change in Rate of Service Tax

Finance Bill, 2015 has proposed to increase effective rate of Service Tax from 12.36% to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, the effective increase in Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses. In this regard, we would like to highlight that Clause 106 of the Finance Bill, 2015 as follows :

*In section 66B of the 1994 Act, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint, for the words "twelve per cent.", the words "fourteen percent." Shall be substituted.*

*Further, Relevant portion of D.O.F. No. 334/5/2015-TRU dated 28th February, 2015 is produced below:*

#### *3. Service Tax Rate:*

*3.1 The rate of Service Tax is being increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, the effective increase in Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses.*

*3.2 In this context, an amendment is being made in section 66B of the Finance Act, 1994. Further, it has been provided vide clauses 179 and 187 respectively of the Finance Bill, 2015 that sections 95 of the Finance Act, 2004 and 140 of the Finance Act, 2007, levying Education Cess and Secondary and Higher Education Cess on taxable services shall cease to have effect from a date to be notified by the Government.*

*3.3 The new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.*

*3.4 Till the time the revised rate comes into effect, the 'Education Cess' and 'Secondary and Higher Education Cess' will continue to be levied in Service Tax.*

*(Clause 106 of the Bill refers)(Clause 106 of the Bill refers)*

*Now It is worthwhile to mention that there is no change in rate of Service Tax w.e.f. 1st April, 2015.*

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