

SERVICE TAX



IMPACT OF BUDGET 2014

for private circulation only

A 'I' 'B' 'A' 'S' =

HfU]b]b[/ 'D'UW'a YbhDf]j UHY'@a]hYX

323, Devpath Complex, B/H Lal Bungalow, Off C. G. Road, Ahmedabad - 380 009

www.munimji.co.in

HIGHLIGHTS of AMENDMENTS by Finance Bill, 2014

Sr. No.	Particulars	Effective Date
1.	<p>Amendment in Negative List under Section 66D of the Finance Act</p> <p>i. Service Tax @ 12.36% would be applicable on Selling of Space for Advertisement (except Print Media)</p> <ul style="list-style-type: none"> - on internet websites, - Out-of-home media - on film screen in theatres, - billboards, - buildings, - ATMs, tickets, - commercial publications, - aerial advertising, etc. <p>ii. Service Tax to be levied on services by radio taxis or radio cabs, whether air-conditioned or not @ 4.944%.</p>	w.e.f. date to be notified
2.	<p>Exemptions withdrawn / Service Tax scope increased</p> <p>i. Renting of Immovable property services received by an Educational Institution would be chargeable to Service Tax @ 12.36%.</p> <p>ii. Definition of “auxiliary education services” is omitted and list of specified services received by an eligible educational institution that are exempted from Service Tax are transportation of students, faculty and staff, catering, security, cleaning, housekeeping and services related to admission or conduct of examination. All other services would attract service tax.</p> <p>iii. Service Tax would be applicable on Transportation of passengers in air-conditioned contract carriage (e.g. Neeta Volvo from Mumbai to Ahmedabad) @4.944%.</p> <p>iv. Exemption to services by Clinical Research Organization (CRO) by way of Technical Testing or Analysis of newly developed drugs, vaccines and herbal remedies on human participants is withdrawn.</p> <p>v. Exemption in respect to services provided to Government, a local authority or a governmental authority is limited to services by way of water supply, public health, sanitation, solid waste management or slum improvement.</p>	11-07-2014

3.	<p>New Exemptions granted / Service Tax scope reduced</p> <ul style="list-style-type: none"> i. Services provided by operators of Common Bio-medical Waste Treatment Facility to a clinical establishment are being exempted. ii. The term “Commercial” is removed from the exemption provided in relation to accommodation services by hotel, inn, guest house and the benefit is extended to Dharamshalas or Ashrams who provide the said service having declared tariff less than Rs. 1,000/- per day. iii. Life micro-insurance schemes for poor, approved by IRDA, where sum assured does not exceed Rs. 50,000/- to be exempted from service tax. iv. Transportation of organic manure by vessel, rail or road (GTA) is exempted v. Services by way of loading, unloading, packing, storage or warehousing, transportation by vessel, rail or road (GTA) of cotton, ginned or baled is exempted. vi. Services received by RBI from outside India in relation to Foreign Exchange reserves management are being exempted. vii. Service provided by a tour operator to a foreign tourist for tour conducted wholly outside India would be exempted from service tax. 	11-07-2014
4.	<p>Amendment in Valuation of Works Contract</p> <ul style="list-style-type: none"> i. Category ‘B’ and ‘C’ with service portion of 70% and 60% respectively are merged in one category with taxable service portion of 70%; effective rate of service tax would be 8.652% on this category other than ‘Original Works’. 	01-10-2014
5.	<p>Amendment in Abatement</p> <ul style="list-style-type: none"> i. Abatement of 60% would be available on services provided by air-conditioned contract carriage taxable from 11-07-2014; effective rate would be 4.944% (As per point 2(iii) above). ii. Abatement of 60% would be available on services provided by radio taxis taxable from a date to be notified; effective rate would be 4.944%. iii. Abatement in case of transport of goods by vessel to be increased from 50% to 60%; effective rate of service tax being reduced from 6.18% to 4.944%. 	<p>11-07-2014</p> <p>w.e.f. date to be notified</p> <p>01-10-2014</p>
6.	<p>Retrospective Exemption</p> <ul style="list-style-type: none"> i. Services provided by Employees’ State Insurance Corporation (ESIC) during the period prior to 01-07-2012 would be exempted from Service Tax. 	

7.	<p>Increase in Rate of Interest on delayed payment of Service Tax</p> <table border="1" data-bbox="280 282 1134 651"> <thead> <tr> <th data-bbox="280 282 708 331">Extent of Delay</th> <th data-bbox="708 282 1134 331">Simple Interest Per Annum</th> </tr> </thead> <tbody> <tr> <td data-bbox="280 331 708 380">Upto 6 Months</td> <td data-bbox="708 331 1134 380">18%</td> </tr> <tr> <td data-bbox="280 380 708 495">More than 6 Months & upto 12 Months</td> <td data-bbox="708 380 1134 495">18% for first six months and 24% for delay beyond six months</td> </tr> <tr> <td data-bbox="280 495 708 651">More than 12 Months</td> <td data-bbox="708 495 1134 651">18% for first six months and 24% for second six months and 30% for period of delay beyond Twelve months</td> </tr> </tbody> </table> <p>Note: A Concession of 3% on the above applicable rate of interest will be available to small service providers having turnover of less than Rs. 60 Lakhs.</p>	Extent of Delay	Simple Interest Per Annum	Upto 6 Months	18%	More than 6 Months & upto 12 Months	18% for first six months and 24% for delay beyond six months	More than 12 Months	18% for first six months and 24% for second six months and 30% for period of delay beyond Twelve months	01-10-2014
Extent of Delay	Simple Interest Per Annum									
Upto 6 Months	18%									
More than 6 Months & upto 12 Months	18% for first six months and 24% for delay beyond six months									
More than 12 Months	18% for first six months and 24% for second six months and 30% for period of delay beyond Twelve months									
8.	<p>Amendment in Reverse Charge Mechanism (RCM)</p> <ul style="list-style-type: none"> i. Banking Company or Financial Institutions or NBFCs are liable to pay 100% service tax as a service recipient on services received from Recovery Agent Services. ii. Company and Body Corporate are liable to pay 100% service tax as a service recipient on services received by a director of the said company or body corporate. iii. In case of renting of motor vehicle, where abatement is not availed, 50% service tax to be paid by service provider and 50% service tax is to be paid by service receiver. 	11-07-2014								
9.	<p>Amendment in Point of Taxation Rules, 2011</p> <ul style="list-style-type: none"> i. Rule 7 of PoTR is amended to provide that point of taxation in case of reverse charge, will be the payment date or first day, after 3 months from the date of invoice, whichever is earlier. 	01-10-2014								
10.	<p>Amendment in Place of Provision of Service Rules, 2012</p> <ul style="list-style-type: none"> i. In case of temporary imports of goods into India for repairs, Rule 4 will not apply if the goods are exported after repairs without being put to any use in the taxable territory. Provision for prescribing conditions for determination of place or provision of repair services is also omitted. ii. Definition of 'Intermediary' is amended to include the intermediary of goods as well. Hence, commission agent or consignment agent shall be covered in rule 9(c) of the PoPR Rules. iii. Services of hiring of Vessels (excluding yachts) and Aircraft is excluded from Rule 9 (d) and hence will be covered by general rule i.e. Rule 3. 	01-10-2014								

11.	<p>Amendment in CENVAT Credit Rules, 2004</p> <ul style="list-style-type: none"> i. CENVAT Credit on Input or Input services will have to be availed within 6 months of the date of invoice or challan. Earlier no time limit was prescribed to avail CENVAT Credit. 01-09-2014 ii. In case of full reverse charge, the condition of payment of invoice value for availing CENVAT Credit of input services is withdrawn. Hence, CENVAT Credit on input services can be taken on payment of Service Tax only. However, in case of partial reverse charge; value as well as service tax are required to be paid for availing CENVAT Credit. 11-07-2014 iii. Re-credit of CENVAT credit reversed on account of non-receipt of exports proceeds within the specified period, to be allowed, if such proceeds are received within one year from specified period. 11-07-2014 iv. In case of GTA services, service receiver may avail abatement, without establishing the condition of non-availment of CENVAT Credit by service provider i.e. GTA. 11-07-2014 v. CENVAT Credit is allowed on services received by a Rent-a-cab operator from another rent-a-cab operator. 01-10-2014 vi. CENVAT Credit is allowed on services received by a Tour operator from another Tour operator. 01-10-2014 vii. Rule 7 viz. Input Service Distribution has been amended in order to allow distribution of Input Service Credits to all Units, whether such services are used or not by the unit, in the ratio of their turnover of the previous period to total turnover of all the units. 01-04-2014 	
12.	<p>SEZ Procedures simplified</p> <ul style="list-style-type: none"> i. Form A-2 to be issued by Central Excise Officer within 15 days from the date of receipt of Form A-1. ii. Ab-Initio exemption would be available from the date list of services in Form A-1 is endorsed by the authorized officer of SEZ. However, such endorsed Form A-1 must be furnished to the Central Excise officer within 15 days of its verification. iii. Exemption will be available in case of pending issuance of Form A-2, only if authorization issued by Central Excise officer is furnished to service provider within 3 months from provision of service. iv. As regards services covered under reverse charge, the requirement of providing Service Tax Registration number of service provider is done away with. v. Service shall be treated as exclusively used for SEZ operations, if the invoice is in the name of SEZ unit / developer and such service is exclusively used for authorized operations of SEZ. 	11-07-2014

13.	<p>Amendments in Finance Act, 1994</p> <ul style="list-style-type: none"> i. Section 73 to be amended to prescribe time limit for completion of adjudications; time limit to be followed, as far as possible. ii. Section 80 is being amended to omit the reference to Section 78(1). It removes the power to waive 50% penalty imposable in case of service tax not paid on account of fraud, suppression and willful misstatement. iii. Section 82(1) is amended so that Joint Commissioner or Additional Commissioner can himself or can authorize any person to search and seize. iv. Section 87 is amended to recover dues of a predecessor from the assets of a successor purchased from the predecessor. v. Section 94 to be amended to obtain power to make rule to impose upon assessee for furnishing information, keeping records, to withdraw facilities, impose restrictions, to check evasion of duty or misuse of CENVAT credit and to issue instructions. vi. Company and Body Corporate liable to pay service tax as a service receiver on services received by a director or the said company of body corporate. 	w.e.f. date of Presidential assent								
14.	<p>Central Excise Provisions made applicable to Service Tax</p> <ul style="list-style-type: none"> i. Section 5A(2): Any explanation inserted in a notification at any time within one year of issue of notification, clarifying the scope or applicability, it shall have effect from the date of issue of such notification. ii. Section 15A: This new section inserted in Central Excise to stipulate that third party sources furnish periodic information. iii. Section 15B: This new section prescribes that failure to provide information under section 15A of Central Excise Act, would attract penalty iv. Section 35F: This section prescribes mandatory pre-deposit as under: <table border="1" data-bbox="304 1592 1163 1917"> <thead> <tr> <th data-bbox="304 1592 735 1648">Filing of Appeal</th> <th data-bbox="735 1592 1163 1648">Mandatory pre-deposit</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 1648 735 1742">For filing of appeal before Commissioner (Appeals)</td> <td data-bbox="735 1648 1163 1742">7.5% of the duty demanded or penalty imposed or both</td> </tr> <tr> <td data-bbox="304 1742 735 1830">For filing of appeal before Tribunal at first stage</td> <td data-bbox="735 1742 1163 1830">7.5% of the duty demanded or penalty imposed or both</td> </tr> <tr> <td data-bbox="304 1830 735 1917">For filing of appeal before Tribunal at second stage</td> <td data-bbox="735 1830 1163 1917">10% of the duty demanded or penalty imposed or both</td> </tr> </tbody> </table>	Filing of Appeal	Mandatory pre-deposit	For filing of appeal before Commissioner (Appeals)	7.5% of the duty demanded or penalty imposed or both	For filing of appeal before Tribunal at first stage	7.5% of the duty demanded or penalty imposed or both	For filing of appeal before Tribunal at second stage	10% of the duty demanded or penalty imposed or both	11-07-2014
Filing of Appeal	Mandatory pre-deposit									
For filing of appeal before Commissioner (Appeals)	7.5% of the duty demanded or penalty imposed or both									
For filing of appeal before Tribunal at first stage	7.5% of the duty demanded or penalty imposed or both									
For filing of appeal before Tribunal at second stage	10% of the duty demanded or penalty imposed or both									

15.	<p>Other Amendments</p> <p>i. Advance Ruling - The resident Private Limited Company is being included as a class of persons eligible to make an application for Advance Ruling in Service Tax.</p> <p>ii. E-Payment of service tax is being made mandatory for all the assesseees irrespective of Service Tax amount.</p>	<p>11-07-2014</p> <p>01-10-2014</p>
-----	---	-------------------------------------

Disclaimer: This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Expert advice should be sought and relevant legislature be referred to, before acting upon the proposals.