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MAJOR HIGHLIGHTS OF SERVICE TAX IN BUDGET 2016

I. The Provisions have already come w.e.f. 01.03.2016

- 1) **Notification No. 27/2012**, providing for refund of accumulated CENVAT Credit is amended. Now the time **limit of one year for filling claim will be computed from a)** receipt of payment, where service completed before receipt of payment and **b)** the date of issue of invoice, where payment is received in advance, before issue of invoice.
- 2) **Exemption Withdrawn:-** Exemption for construction, erection, commissioning or installation of original works for **monorail or metro** in respect of contracts entered into on/ after 01.03.2016, is withdrawn.
- 3) **New Exemptions:-** Undernoted services are exempted:
 - i) Services by way of construction, erection, commissioning etc. of specified low cost approved housing projects.
 - ii) Services provided by the Indian Institute of Management (IIM) to their students, by way of specified educational programmes.
- 4) **Other Amendments:-**
 - i) CENVAT credit is being allowed to service providers providing services by way of transportation of goods by a vessel from India to abroad.
 - ii) Information Technology Software (IT Software) on media bearing RSP is exempted from service tax provided central excise duty is paid on RSP in accordance with section 4A of the Central Excise Act. Thus, levy of excise duty and service tax is mutually exclusive.

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II. The Provisions will come into effect from 01.04.2016

1) Senior Advocates are taken out of preview of Reverse Charge Mechanism. Now, Senior Advocates have to pay Service Tax by themselves.

2) Transportation of Passengers by rope-way, tramway, cable etc. are now liable to Service Tax.

3) The Threshold Exemption for performing artists increased from Rs. 1 Lac to Rs. 1.5 lacs per performance.

4) Abatements:-

i) Abatement at the existing rate of 70% will continue to be available on transport of passengers and goods by rail and on transport of goods by vessel, with the CENVAT credit of input services now to be allowed (presently, the credit of input services is not allowed with the abatement claim.)

ii) A lower rate of abatement of 60% for transport of goods in containers by rail by any person other than Indian railway, with the CENVAT credit of input services.

iii) Uniform rate of abatement of 70% on services by way of construction of residential complex, building, civil structure, or a part thereof, irrespective of the carpet area of the units and amount charged.

iv) Abatement on services by a tour operator only arranging or booking accommodation for any person, retained at the existing rate of 90%. But abatement in respect of any other tour is rationalised from 75% and 60 % to 70% only.

v) Abatement of only 60% prescribed for transportation of Household by GTA, as against general abatement of 70% without Any CENVAT credit.

vi) Abatement of 70% on services of a foreman to a chit fund restored, without any CENVAT credit.

vii) Abatement on rent –a-cab is available only if the cost of fuel consumed is included.

5) Reverse Charge Mechanism.

i) Now Agents and Distributors of Mutual Fund and Asset Management Company are liable to Service Tax.

ii) All the services, except the Specified Services rendered by Government or a local authority are now brought under reverse charge mechanism. So the service receiver has to pay service tax.

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6) Service Tax Rules

- i) One Person Company (OPC) having turnover upto Rs. 50 Lacs in previous year are entitled for a) quarterly payment of Service Tax and b) payment of Service Tax on receipt basis.
- ii) HUFs are entitled to pay Service Tax on quarterly basis.

III Effective On the Date of Enactment

- 1) Service Tax imposed on Distributors and Selling Agents of Lotteries.
- 2) Assignment of Radio Frequency and spectrum brought under Declared List and hence liable to Service Tax.
- 3) Limitation Period for issue of Show Cause Notice extended from 18 months to 30 months.
- 4) Interest rate on delay payment of Service Tax reduced to 15%. However, in cases of Service Tax collected, but not paid, the rate will be 24%.
- 5) Prosecution only above Rs. 2 Crores for Tax evasion.
- 6) Arrest only in those cases, where Service Tax collected but not deposited amounts to Rs. 2 Crores or more.
- 7) Dispute Resolution Scheme, 2016- Indirect Tax Dispute Resolution Scheme, 2016 is a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty @ 25% of duty, can file a declaration. In such cases the proceedings against the assessee will be closed and he will get immunity from prosecution.
- 8) Returns – Service Tax assessee above a certain threshold limit, will also be required to file an annual return.

IV Effective from 01/06/2016 :

- 1)Enabling Provisions made for imposition of Krishi Kalyan Cess @ 0.5% of Taxable value from 1st Jun, 2016. Cess will be Cenvatable.
- 2)Service Tax imposed on transportation of passenger by an air-conditioned stage carriage, with an abatement of 60%, subject to the condition of non-availment of CENVAT Credit.
- 3) Service Tax imposed on Occasion Freight.

(On any clarification you may contact us with prior appointment. For our clients only)
