



## ALERT

# Service Tax

### Krishi Kalyan Cess (KKC)

1. Krishi Kalyan Cess will be levied @ 0.5% on the value of Taxable Services as Service Tax with effect from 1<sup>st</sup> June 2016. So 1<sup>st</sup> June 2016 onwards Service tax would be 15% (i.e. Service tax @ 14%+ Swach Bharat Cess (SBC) @ 0.5% + Krishi Kalyan Cess @ 0.5%). It is advisable to reflect Service tax, SBC and KKC separately in the service invoice.
2. Value adopted for the service tax purpose will be the value on which KKC is require to discharge. KKC will not be applicable on services which are covered under negative list or exempt from service tax. In case Services, which are eligible for abatement in value or liable for partial reverse charge, than the service value for KKC would be abated value of service or value liable for partial reverse charge as the case may be.
3. Provisions of Service tax and rules framed thereunder including the rules relating to refund and exemption from service tax, Interest and Imposition of Penalty shall be applicable to KKC. So In respect of Export of Service or Service rendered to SEZ, KKC would be eligible for refund.
4. As per amended Point of taxation rules, In case of Provider of service, KKC will not be applicable only in respect of following events:
  - a) In case invoice and payments both are complete before 1<sup>st</sup> June 2016
  - b) In Case payment are received before 1<sup>st</sup> June 2016 and invoice are issued on or before 14<sup>th</sup> June 2016 irrespective of date of completion of services.

In case of Provider of Service, KKC would be applicable in following events:

- a) Payment and Invoices both are issued after 1<sup>st</sup> June 2016 irrespective of date of completion of service.
- b) Invoice is raised before 1<sup>st</sup> June 2016 but payment is received after such date.

So it is essential to derive the outstanding service amount as on 31<sup>st</sup> May 2016 and KKC is required to discharge on the said outstanding amount. You may charge to client by way of debit note.

5. In respect of service recipient, KKC would not be applicable in following events:
- Service rendered, Service Invoice and its Payments are made before 1<sup>st</sup> June 2016.
  - Invoice is raised as well as service are rendered before 1<sup>st</sup> June 2016 and the payments made on or after 1<sup>st</sup> June 2016.

In respect of service recipient, KKC would be applicable in following events:

- Payments are made before 1<sup>st</sup> June 2016 but service rendered or Invoice raised on or after 1<sup>st</sup> June 2016.
  - Payments are made on or after 1<sup>st</sup> June 2016 along with either service are rendered or the invoice is raised or both the events occurs after 1<sup>st</sup> June 2016.
6. Service Provider is eligible to claim KKC as Cenvat Credit. KKC Cenvat Credit will be adjusted only against the KKC payable on output service and not against the service tax or SBC payable on output Service. Accordingly Cenvat of Service tax will not be eligible to be adjusted against KKC payable on output service.
7. Effective rate of service tax in composition scheme provided in Service tax Rule would be as under:

Service tax Categories	Existing Rate	Proposed Rate
<b><u>Air travel booking by air travel agent</u></b>		
In case of domestic travel	0.725% of basic fare	0.75% of basic fare
In case of International travel	1.450% of basic fare	1.50% of basic fare
<b><u>Insurer carrying life insurance business</u></b>		
On gross amount charges less amount allocated for investments or savings indicated to policy holder.	14.5% of Premium less amount allocated for investment or savings	15.0% of Premium less amount allocated for investment or savings
Single premium annuity policy	1.45% of Premium charged	1.50% of Premium charged
In Other case (Premium is not entirely towards risk cover in life Insurance).	3.625% of First Premium	3.75% of First Premium
	1.8125% of Subsequent Premium	1.875% of Subsequent Premium

Service tax Categories	Existing Rate	Proposed Rate
<b>Purchase or Sale of foreign currency</b>		
Gross amount of currency exchanged upto Rs 100,000/-	0.145% of gross amount of currency (minimum Rs 36.25)	0.15% of gross amount of currency (minimum Rs 37.50)
Gross amount of currency exchanged between Rs 100,000/- and Rs 10,00,000/-	0.0725% of gross amount of currency exceeding Rs 100,000/- plus Rs 145/-	0.0750% of gross amount of currency exceeding Rs 100,000/- plus Rs 150/-
Gross amount of currency exchanged exceeding Rs 10,00,000/-	0.0145% of gross amount of currency exceeding Rs 10,00,000/- plus Rs 797.50  (Maximum Service tax would be Rs 7,250/-)	0.0150% of gross amount of currency exceeding Rs 10,00,000/- plus Rs 825.00  (Maximum Service tax would be Rs 7,500/-)

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