

Budget 2016

Service Tax & Central Excise



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SERVICE TAX

Service Tax

Rate of Service Tax

Tax	Present	Proposed (w.e.f.01-06-2016)
Basic Rate of Service Tax	14%	14%
Swachh Bharat Cess (SBC)	0.5%	0.5%
Krishi Kalyan Cess (KKC)	-	0.5%
Effective Rate of Tax	14.5%	15.0%

Notes:

CENVAT Credit of SBC is not available, however, it is clarified that credit of KKC will be made available.

Service Tax

Rate of Interest

Tax Collected but not paid	24%
Other Case	15%

Notes:

1. If Taxable Turnover in previous year is below 60 Lakh, deduction of 3% from above rate is allowed.
2. W.e.f. date of enactment of the Finance Bill, 2016
3. Reduction in rate will save clients in genuine litigation.

Reverse Charge Mechanism

- ✓ Services by Senior Advocates
 - Made Taxable and Brought out of RCM

- ✓ Services by Mutual Fund Agents & Distributors
 - Brought out of RCM

Notes:

1. W.e.f. 01-04-2016.
2. Legal Services by other advocates will continue to be in RCM.
3. Mutual Fund Agents and Distributors will have to pay service tax and they can claim threshold exemption of Rs. 10 Lakh.

Compliance – Annual Return

- ✓ In addition to half yearly returns, one annual return will have to be filed on or before 30th November.
- ✓ Assessee having certain limit of turnover only will be required to file such returns. (limit yet to be prescribed).
- ✓ Format is not yet prescribed.
- ✓ Late Fee of Rs. 100 per day, maximum Rs. 20,000.

Notes:

1. W.e.f. 01-04-2016.

Compliance – Payment

- ✓ Facility to pay service tax quarterly is extended to
 - One person company (if value of taxable turnover is below Rs. 50 Lakh)
 - HUF.
- ✓ Option to pay service tax on cash basis is extended to One Person Company

Notes:

1. W.e.f. 01-04-2016
2. Option to pay service tax on cash basis is not extended to HUF.

Construction Industry

- ✓ 01-04-2016 construction of all residential units will be taxed at 4.35% instead of present rate of 3.625% (including SBC). W.e.f. 01-06-2016, it will be taxed at 4.5%(including KKC).
- ✓ Construction of houses up to a carpet area of 60 mtr will be exempt provided, houses are in housing project approved by the competent authority under any housing scheme of a State Government. (w.e.f. 01-03-2016).

Infrastructure Industry

✓W.e.f 01-04-2015, exemption was withdrawn for services provided related to following building/civil structure;

to Government

- Non commercial civil structure
- a structure for an educational, clinical or art or culture
- Residence of Employee

to any one

- Port or Airport

✓Above exemptions are restored provided contract is awarded before 01-04-2015 **and** appropriate stamp duty has been paid before 01-04-2015.

Infrastructure Industry

- ✓ Exemption to Construction, erection etc. pertaining to Metro and Monorail is **withdrawn** w.e.f. 01-03-2016.
- ✓ Exemption to Canal, Dam or other irrigation works were extended where provided to any entity set up but the Government w.e.f. 30-01-2014. Retrospective exemption is also provided for period 01-7-2012 to 29-01-2014.

Notes:

1. Contracts awarded for construction of Metro & Monorail on or before 01-03-2016 , on which appropriate stamp duty has been paid, will remain exempt.
2. Refunds will be granted is tax is already paid on Canal, Dam etc.

Transport Industry

✓Transportation by Air Conditioned Stage Carriage is made taxable w.e.f. 01-06-2016. Journey by Air Conditioned stage carriage of State Transport Corporation will come under net. Rate of Tax will be 5.8%.

✓Services of Goods Transport Agency in relation to transportation of used household goods will be taxed on 40% value. i.e. tax will be payable @ 5.8%. (w.e.f. 01-04-2016)

Notes:

1. Tax is payable only on 30% in case of transportation of other goods.

Transport Industry

- ✓ Only arranging or booking accommodation will be taxed @ 1.45% (if accommodation charges are included).
- ✓ All other tours will be subject to tax @ 4.35% against present rate of 3.625%/5.8%.
- ✓ Abatement of 60% in the case of renting of motor cab will be available only if value of fuel and other services are included in value.

Notes:

1. W.e.f. 01-04-2016

Transport Industry – Ocean Freight

- ✓Transportation of import cargo by vessel from place outside India upto the custom station is made taxable w.e.f. 01-06-2016.
- ✓Indian importer availing such services will have to pay service tax under Reverse Charge Mechanism. Indian shipping line will pay under forward charge.
- ✓Transportation of import cargo by aircraft is **not** made taxable.

Transport Industry – Ocean Freight

- ✓ Ocean Freight on import cargo is already subject to Basic Custom Duty, BCD and SAD.
- ✓ CENVAT credit, for such tax paid, will be available to manufacturer and service provider. But it will be a cost to traders.

Service Tax

Assessment, Penalties and Prosecution

- ✓ Time limit to issue show cause notice is raised from 18 months to 30 months.
- ✓ If proceeding against the company is concluded on payment of reduced penalty, proceeding against directors officers etc. will also be concluded without any penalty.
- ✓ Monetary limit for filing complaints for punishable offence will be enhanced to Rs. 2 crore from Rs. 50 Lakh.
- ✓ Arrest only in following case
 - Tax Collected but not paid; AND
 - Tax exceeds Rs. 2 crore

Indirect Tax Dispute Resolution Scheme, 2016

- ✓ Benefit from penalty will be available for disputes pending before the Commissioner (Appeals).
- ✓ Proceedings will be concluded on payment of Tax, Interest and 25% of imposed penalty (not 25% of tax).
- ✓ Declaration can be filed on or before 31-12-2016, acknowledgement will be issued by department and payment is to be made within 15 days from acknowledgment.
- ✓ Intimation to the designated authority to be made within 7 days of making such payment.

CENVAT Credit

- ✓ Credit of Capital Goods worth Rs. 10000 will be considered as Inputs and hence, full credit will be available in the same year.
- ✓ Permission for clearance of goods, directly from the premises of Job worker will be valid for the period of three years instead of one year at present.
- ✓ Credit for tools will be available to manufacturer if intended to be used in the factory of job-worker.
- ✓ In cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.

CENVAT Credit- Common Credit

- ✓ For option to pay amount of 7%/6% on exempted output service/goods, maximum amount required to be paid will not be higher than credit available in the account of the assessee at the end of the period.
- ✓ For option to reverse the proportionate credit, only common credits will be considered and not the total credit.
- ✓ Central Excise Officer is given power to allow credit reversal on proportionate basis even if intimation is not given.

CENVAT Credit- Common Credit

- ✓ Option to keep separate records, pay 7% on exempted value or proportionate credit are also made available to banks, financial institutions and NBFC in addition to option of reversal of 50% of credit availed.
- ✓ No credit of the Capital Goods will be allowed if capital goods are exclusively used for two years from the date of commencement of production/provision of service or installation.

CENTRAL EXCISE

Central Excise

Central Excise – Important Amendments

- ✓ Number of returns to be filed by a central excise assessee above a certain threshold from 27 to 13, that is, one annual and 12 monthly returns.
- ✓ Facility to revise the return made available.
- ✓ Cases of prosecution, pending in courts will be withdrawn where duty involved is less than Rs. Five Lakh and pending for more than 15 years.
- ✓ Infrastructure Cess upto 4% on Motor Vehicles is being levied.

Central Excise

Central Excise – Important Amendments

- ✓ Removal of Goods on concessional rate will be possible on self-declaration basis i.e. without following present procedure to obtain prior permission from Central Excise Authorities.
- ✓ Exemption is provided to **Ready Mix Concrete (RMC)** manufactured at the site of construction for use in construction work at such site.
- ✓ Period for issuance of Show Cause Notice is proposed to be increased from one year to two years.

Central Excise

Central Excise – Jewelry

- ✓ Excise Duty will be levied on jewelry with following two options w.e.f. 01-03-2016
 - Pay 1% (without CENVAT Credit)
 - Pay 12.5% (with CENVAT Credit)

- ✓ Manufacturers having turnover less than Rs. 12 Crore in previous year will not required pay excise duty upto turnover of Rs. 6 Crore.



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