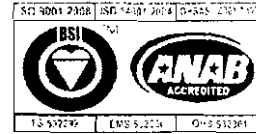




# CENTRAL WAREHOUSING CORPORATION

(A GOVT. OF INDIA UNDERTAKING)



By Speed Post / Email

No. CWC/FD-Taxation/CO(ST)/14-15

09<sup>th</sup> March, 2015

Service Tax Circular # 84

**Subject = Changes in the Service Tax Provisions as per Finance Bill, 2015.**

Consequent upon the presentation of Finance Bill, 2015 by Hon'ble Finance Minister before the Parliament on 28<sup>th</sup> February 2015, the following Service Tax Amendments/Changes have been proposed which are relevant to CWC:

## **1. Rate of Service Tax**

The rate of Service Tax has been proposed to be increased from 12% plus Education Cesses (i.e. 12.36%) to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the proposed rate of 14%.

This change will come in to effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015. Till the time the revised rate comes into effect, the 'Education Cess' and 'Secondary and Higher Education Cess' will continue to be levied on the present rate of Service Tax of 12%.

## **2. Service Tax Rules, 1994:-**

### **NOTIFICATION No.5/2015-Service Tax, dated 01/03/2015**

After rule 4B, the following rule has been inserted, namely:-

"4C. Authentication by digital signature-

- (1) Any invoice, bill or challan issued under rule 4A or consignment note issued under rule 4B may be authenticated by means of a digital signature.
- (2) The Board may, by notification, specify the conditions, safeguards and procedure to be followed by any person issuing digitally signed invoices.";

So, a provision for issuing digitally signed invoices has been added along with the option of maintaining of records in electronic form and their authentication by means of digital signatures.

The conditions and procedure in this regard shall be specified by the CBEC (rule 4, 4A and 5).

This change would be effective from 01.03.2015.

### **3. Valuation of Service:-**

The provisions with regard to valuation of taxable service under Section 67 are proposed to be widened to include all reimbursable expenditure or cost incurred and charged by the service provider.

These changes will become operative from the date of enactment of the Finance Bill, 2015

### **4. Reverse Charge Mechanism**

#### **NOTIFICATION No.7/2015-Service Tax, dated 01/03/2015**

Manpower supply and security services when provided by an individual, HUF, or partnership firm to a body corporate are now brought to full reverse charge i.e. 100% service tax is to be paid by service recipient. Presently, these are taxed under partial reverse charge mechanism i.e. 75% of service tax was payable by Service Recipient and balance 25% is payable by service provider.

This change would effective from 01.04.2015.

### **5. Cenvat Credit Rules, 2004:-**

- A). Under the existing Cenvat Credit Rules, 2004, there is time limit of Six Months from date of invoice for an assessee to avail CENVAT credit on input or input services. Now, the time limit is proposed to be extended from six months to one year from date of invoice.

However Cenvat Credit availed as per Cenvat Credit rules may be utilized without any limitation of time.

- B) Under earlier rule 4(7) of Cenvat Credit Rules, 2004, CENVAT credit in respect of input service tax paid by the service recipient on partial reverse charge basis is allowed to the service recipient on or after the day on which payment towards value of input service and service tax as appearing in the invoice is remitted to the service provider.

Rule 4(7) is proposed to be amended to allow CENVAT Credit of Service Tax paid under partial reverse charge by the service receiver without linking it to the payment to the service provider.

These changes will come into effect from 01.04.2015.

## **6. Mega Exemption Notification No.25/2012 DATED 20.06.2012**

### **NOTIFICATION No.6/2015-Service Tax, dated 01/03/2015**

Presently, Services by way of transportation by rail or a vessel from one place in India to another and transport in goods carriage by Goods transport agency are exempted in relation to "Foodstuff including flours, tea coffee, jiggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages".

Now, exemption to transportation of food stuff by rail, or vessels or road would be limited to "**food grains including rice and pulses, flour, milk and salt**". Transportation of agricultural produce is separately exempt, and this exemption would continue (S. Nos. 20 and 21 of notification No. 25/12-ST).

This change would be effective from 01.04.2015.

## **7. Negative List**

Presently, services provided by Government or a local authority, excluding certain services specified under clause (a) of section 66D, are covered by the Negative List. Service Tax applies on the "support service" provided by the Government or local authority to a business entity.

An enabling provision is being made, by amending section 66D(a)(iv), to exclude all services provided by the Government or local authority to a business entity from the Negative List. Consequently, the definition of "support service" [section 65 B (49)] is being omitted.

Accordingly now all services provided by the Government or local authority to a business entity, except the services that are specifically exempted, or covered by any another entry in the Negative List, shall be liable to service tax.

This will come in to effect from a date to be notified after the enactment of the Finance Bill, 2015.

## **8. Abatement Notification 26/2012 dated 20.06.2012**

### **NOTIFICATION No. 8/2015-Service Tax, dated 01/03/2015**

At present the following abatements are available in different kind of Transportation on their respective conditions:

<b>Sl. No.</b>	<b>Description of taxable service</b>	<b>Percent-age on which service tax is payable</b>	<b>Conditions</b>
2	Transport of goods by rail	30	Nil.
7	Services of goods transport agency in relation to transportation of goods.	25	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.
10	Transport of goods in a vessel	40	

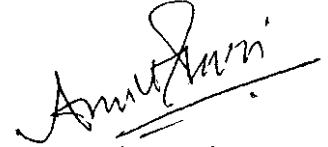
Now, a uniform abatement is being prescribed for transport by rail, road and vessel and Service Tax shall be payable on 30% of the value of such service subject to a uniform condition of non-availment of CENVAT Credit on inputs, capital goods and input services as produced below:

<b>Sl. No.</b>	<b>Description of taxable service</b>	<b>Percent-age on which service tax is payable</b>	<b>Conditions</b>
2	Transport of goods by rail	<b>30 in all the three cases</b>	"CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.";
7	Services of goods transport agency in relation to transportation of goods.		
10	Transport of goods in a vessel		

This change would be effective from 01.04.2015.

Besides above there are other changes pertaining to recovery of service tax under Section 73 in certain cases; penalties under Sections 76, 78 and 80; and forum for appeal in certain cases against the order of Commissioner (Appeal). These changes will become operative from the date of enactment of the Finance Bill, 2015.

This issues with the approval of GM(F&A).

  
**(Amit Puri)**  
**DGM (Tax)**

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1. All Regional Managers of CWC.
2. All Executive Engineers in-charge of all the Construction Cells of CWC.
3. All AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, Accounts & Internal Audit Wings of all ROs & CCs of CWC.

**Copies for information to:**

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2. All DGM/AGMs/Managers/ (Sr.) Asstt. Managers/Accountants in Finance, Accounts & Internal Audit Cadre at CWC, Corporate Office, New Delhi.
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7. Manager (Rajbhasha), CWC, CO, New Delhi with a request to arrange Hindi Version of this Circular.

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