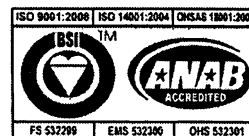




CENTRAL WAREHOUSING CORPORATION
(A GOVT. OF INDIA UNDERTAKING)



By Speed Post / Email

No. CWC/FD-Taxation/CO(ST)/15-16 / 53343 ^

11th March, 2016

Service Tax Circular # 89

Subject = Changes in the Service Tax Provisions as per Finance Bill, 2016.

Consequent upon the presentation of Finance Bill, 2016 by Hon'ble Finance Minister before the Parliament on 29th February 2016, following Service Tax Notifications have been issued on 01.03.2016 by the Central Board of Excise & Customs (CBEC) notifying Amendments/Changes in various Service Tax Provisions which are relevant to CWC.

As the changes have been notified, following amendments in various service tax provisions may kindly be noted by all field units.

1. Services of transportation of goods by rail and services of GTA

The original Abatement Notification 26/2012 dated 20.06.2012 deals with the abatement available for different type of transportation with conditions attached thereto.

Presently, the following abatements are available in Transportation with conditions attached:

Sl.No. of notification 26/2012	Description of taxable service	Percent-age on which service tax is payable	Conditions
2	Transport of goods by rail	30	CENVAT credit on inputs and 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 by road.	30	

Vide service tax notification No. 8/2016 dated 01.03.2016, changes have been proposed in the above rule.

With respect to the above two services, the service tax notification dated 01.03.2016 has now relaxed the condition for non availment of CENVAT credit on input services. In addition, abatement %age of 70 is also reduced to 60 with respect to transportation of goods by rail in containers. However, abatement %age is not

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reduced for the services of GTA in relation of transportation of goods by road. Accordingly, revised provisions are as under:

Sl.No. of notification 26/2012	Description of taxable service	Percent-age on which service tax is payable	Conditions
2A	Transport of goods in containers by rail (by any person other than Indian Railway)	40	CENVAT credit on inputs and capital goods 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 other than used household goods	30	CENVAT credit on inputs and capital goods and input services used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004

Earlier CENVAT credit of input services was not allowed on transportation of goods in containers by rail if abatement benefit of 70% on the service tax rate is taken. Vide above mentioned notification, CENVAT credit of input services can now be availed along with the abatement benefit of 60% on service tax rate.

The mechanism to be followed by the Corporation informed vide Service Tax circular No. 85 is also being reviewed in light of above amendments and will be communicated separately.

This change would be effective from 01.04.2016.

2. Interest on delayed payment of Service Tax:-

Presently, interest on delayed payment of service tax is payable as under:-

Sl. No.	Period of Delay	Rate of Simple interest Per Annum
(1)	(2)	(3)
1.	Up to Six Months	18 percent
2.	More than six months and up to one year	18 percent for first six months of delay and 24 percent for the delay beyond six months.
3.	More than one year	18 percent for first six months of delay; 24 percent for the period beyond six months up to one year and 30 percent for any delay beyond one year.

Vide service tax notification No. 13/2016 dated 01.03.2016, interest towards the delayed payment on service tax is revised as under;

Sl. No.	Situation	Rate of Simple interest annum
(1)	(2)	(3)
1.	Collection of any amount as service tax but failing to pay the amount so collected to the credit of the Central Government on or before the date on which such payment becomes due.	24 per cent
2.	Other than in situations covered under serial number 1 above	15 per cent

This change shall come into force on the day the Finance Bill, 2016 receives the assent of the President

3. Reverse Charge Mechanism (RCM) & Negative List (w.r.t. services rendered by Govt. or local authorities):-

Presently, Services rendered by the Govt. or a local authority are currently not under the service tax purview due to their coverage under negative list. However, some services including support services provided by the Govt. to a business entity did not fall under negative list w.e.f. vide service tax notifications No. 6/2016 dated 18.02.2016 and 16/2016 dated 01.03.2016.

The word "*support services*" is now substituted with the word "*any services*" w.e.f. 01.04.2016.

The impact of the said amendments will be as under:-

- (i) From 01.04.2016 any services provided by the Govt (e.g. Indian Railway) or local authority to any business entity shall not be covered by negative list.
- (ii) The liability to pay service tax on any service provided by the Govt. of local authority to business entity shall be on Service Recipient under RCM.

4. Point of Taxation Rules 2011:-

The rule 5 of Point of Taxation Rules prescribes the taxability or otherwise of new services i.e. a service that has been made taxable for the first time from a particular date.

Presently rule 5 provides for two situations which are as under:



Situation	Tax liability
(a) Period prior to date from which any service, became taxable	No tax is payable to the extent the invoice has been issued and payment received against such invoice
(b) Payment has been received before the service becomes taxable and invoice has been issued within 14 days from date of completion of provision of service	No tax shall be payable.

Vide service tax notification 10/2016 dated 01.03.2016, the following two explanations have now been added to Rule 5.

Explanation 1: This rule shall apply mutatis mutandis in case of new levy on services.

Explanation 2: New levy or tax shall be payable on all the cases other than specified above.

On account of this change Krishi Kalyan Cess (KKC), which is to be levied from 1st June, 2016 will be applicable on the services provided on or after the said cess becomes applicable.

This change would be effective from 01.03.2016.

In addition to above notifications, there are certain amendments proposed in Finance Bill, 2016 for which notification is yet to be issued by the CBEC. The same are as under:

A. Krishi Kalyan Cess (KKC)

- (i) W.e.f. 01.06.2016, a new cess by the name Krishi Kalyan cess (KKC) shall be levied on all taxable services @ 0.5%.
- (ii) KKC shall be in addition to any other cess or service tax leviable on taxable services taking into account 14% service tax, 0.5% SBC (Swachh Bharat Cess) the effective rate of service tax will 15% (14% Service Tax + 0.5% SBC + 0.5% KKC) w.e.f. 01.06.2016.
- (iii) Credit of KKC paid on input services shall be allowed to be used for payment of KKC on output services rendered by the service provider.

The following table summarizes the recent charges in the tax rates:

Period	Calculation	Effective Rate
01.06.2015 to 14.11.2015	14 % ST	14.00%
15.11.2015 to 31.05.2016	14% ST + 0.5% SBC	14.50%
01.06.2016 onwards	14% ST + 0.5% SBC + 0.5% KKC	15.00%

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B. Annual return under service tax

Service tax Rules 1994 are being amended to provide for filing of annual return by service tax assessee;

- The annual return shall be in addition to half-yearly returns filed by service tax assessee;
- The due date for filing annual return is 30th November of succeeding financial year;
- Annual return can be revised within one month from the date of filing of return;
- The format shall be prescribed separately.

This change would be effective from 01.04.2016.

C. Indirect Tax Dispute Resolution Scheme 2016

A new scheme by the name of Indirect Tax Dispute Resolution Scheme, 2016 is proposed to be introduced whereby the assessee after paying the duty, interest and penalty equivalent to 25% of duty. In such cases the proceedings against the assessee will be closed and he will get immunity from prosecution.

D. Period of issuing demand notices

Relevant provision is being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment / non-payment/ erroneous refund of Service Tax. Thus, the demand notice can be issued by the Service tax Department even after the expiry of 18 months and within 30 months.

The contents of this Circular may please be implemented and also brought to the Notice of all concerned for scrupulous compliance.


(Amit Puri)
DGM (TAX)

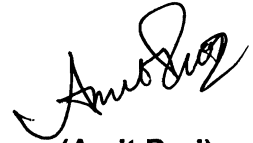
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2. All Executive Engineers in-charge of all the Construction Cells of CWC.
3. All AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, Accounts & Internal Audit Wings of all ROs & CCs of CWC.

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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.
3. PS to Managing Director, CWC, CO, New Delhi.
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6. PS to GM (Systems), CWC, CO, New Delhi with a request to place this Circular on CWC's Website.
7. Manager (Rajbhasha), CWC, CO, New Delhi with a request to arrange Hindi Version of this Circular.



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