Dear Madam/Sir,

Subject: Union Budget 2016 - Changes relating to Service Tax - reg.

The Finance Minister has, while presenting the Union Budget 2016-17, introduced the Finance Bill, 2016 in the Lok Sabha on the 29th of February, 2016. Clauses 145 to 157 of the Bill cover the amendments made to Chapter V of the Finance Act, 1994. Chapter VI of the Bill (clause 158) proposes to levy Krishi Kalyan Cess, on any or all the taxable services at the rate of 0.5% of the value of taxable services with effect from 1st June, 2016.

2.0 Changes are also proposed in,-

- the Service Tax Rules, 1994 (STR);
- the Point of Taxation rules, 2011;
- the CENVAT Credit Rules, 2004(Cenvat Rules);

These and other changes are being given effect to by inserting new entries, and amending/omitting existing entries in notification Nos. 25/2012-ST, 26/2012-ST, 30/2012-ST, 32/2012-ST, all dated 20-6-2012, 23/2004-CE(NT) dated 10.09.2004 and 27/2012-C.E. (N.T.) dated 18.06.2012 and by issuing new notifications.
2.1 It may be noted that changes being made in the Budget are coming into effect on various dates, as indicated below:

(i) Changes coming into effect immediately w.e.f. the 1st day of March, 2016;
(ii) Changes coming into effect from the 1st day of April, 2016;
(iii) The amendments which will get incorporated in the Finance Act, 1994 on enactment of the Finance Bill, 2016;
(iv) The amendments made in the Finance Act, 1994, which will come into effect from 1st day of June, 2016 after the enactment of the Finance Bill, 2016; and
(v) Chapter VI of the Finance Bill, 2016, regarding levy of Krishi Kalyan Cess on all taxable services will come into effect from 1st June 2016.

For ease of reference, the Table at Annexure-I lists the changes being made and indicates the dates on which these changes would come into effect.

The salient features of the changes being made are discussed below.

3.0 Enabling provision for levy of “Krishi Kalyan Cess”:

3.1 Krishi Kalyan Cess is proposed to be levied with effect from 1st June, 2016 on any or all the taxable services at the rate of 0.5% on the value of such taxable services. Credit of Krishi Kalyan Cess paid on input services shall be allowed to be used for payment of the proposed Cess on the service provided by a service provider.

(Chapter VI/Clause 158 of the Bill refers)

4.0 Other Legislative changes:

4.1 Negative List -The changes proposed in the Negative List in Section 66 D are as follows:

(A) Presently, clause (I) of section 66D of the Act [Negative List] covers specified educational services. These services are proposed to be omitted from the Negative List but the service tax exemption on them is being continued by incorporating them in the general exemption notification (Notification No. 25/2012-ST as amended by notification No. 09/2016-ST, dated 1st March, 2016 refers). Consequently, the
G.S.R....(E).—In exercise of the powers conferred by sub-section (1) read with sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:—

1. (1) These rules may be called the Service Tax (Third Amendment) Rules, 2016.

2. In the Service Tax Rules, 1994, in rule 6,

(i) in sub-rule (7D), for the figures “0.5” the words “effective rate of Swachh Bharat Cess” and for the words, figures and brackets “14 (fourteen)”, the words and figures “rate of service tax specified in section 66B of the Finance Act, 1994” shall be substituted; 

(ii) after sub-rule (7D), the following sub-rule shall be inserted, namely:

“(7E) The person liable for paying the service tax under sub-rule (7), (7A), (7B) or (7C) of rule 6, shall have the option to pay such amount as determined by multiplying total service tax liability calculated under sub-rule (7), (7A), (7B) or (7C) of rule 6 by effective rate of Krishi Kalyan Cess and dividing the product by rate of service tax specified in section 66B of the Finance Act, 1994, during any calendar month or quarter, as the case may be, towards the discharge of his liability for Krishi Kalyan Cess instead of paying Krishi Kalyan Cess at the rate specified in sub-section (2) of section 161 of the Finance Act, 2016 (28 of 2016) and the option under this sub-rule once exercised, shall apply uniformly in respect of such services and shall not be changed during a financial year under any circumstances."

[F.No. B-1/18/2016 - TRU]

(Anurag Sehgal)
Under Secretary
Note:- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) by notification No. 2/94-Service Tax, dated the 28th June, 1994 vide number G.S.R. 546 (E), dated the 28th June, 1994 and last amended vide notification No. 20/2016-Service Tax, dated the 8th March, 2016 vide number G.S.R. 283(E), dated the 8th March, 2016.
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 31/2016-Service Tax

New Delhi, the 26th May, 2016

G.S.R....(E).—In exercise of the powers conferred by sub-section (1) read with sub-
section (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby
makes the following rules further to amend the Service Tax Rules, 1994, namely:—

1. (1) These rules may be called the Service Tax (Third Amendment) Rules, 2016.
   (2) These rules shall come into force from the 1st day of June, 2016.

2. In the Service Tax Rules, 1994, in rule 6,
   (i) in sub-rule (7D), for the figures “0.5” the words “effective rate of Swachh Bharat Cess” and
       for the words, figures and brackets “14 (fourteen)”, the words and figures “rate of service tax
       specified in section 66B of the Finance Act, 1994” shall be substituted;”;
   (ii) after sub-rule (7D), the following sub-rule shall be inserted, namely:—

   "(7E) The person liable for paying the service tax under sub-rule (7), (7A), (7B) or (7C)
   of rule 6, shall have the option to pay such amount as determined by multiplying total
   service tax liability calculated under sub-rule (7), (7A), (7B) or (7C) of rule 6 by
   effective rate of Krishi Kalyan Cess and dividing the product by rate of service tax
   specified in section 66B of the Finance Act, 1994, during any calendar month or
   quarter, as the case may be, towards the discharge of his liability for Krishi Kalyan
   Cess instead of paying Krishi Kalyan Cess at the rate specified in sub-section (2) of
   section 161 of the Finance Act, 2016 (28 of 2016) and the option under this sub-rule
   once exercised, shall apply uniformly in respect of such services and shall not be
   changed during a financial year under any circumstances."

[F.No. B-1/18/2016 - TRU]

(Anurag Sehgal)
Under Secretary
Note:-The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) by notification No. 2/94-Service Tax, dated the 28th June, 1994 vide number G.S.R. 546 (E), dated the 28th June, 1994 and last amended vide notification No. 20/2016-Service Tax, dated the 8th March, 2016 vide number G.S.R. 283(E), dated the 8th March, 2016.