

---

# TAX FLASH: INCREASE IN RATE OF SERVICE TAX



## Increase in rates on service tax

---

The Government on 19th May, 2015 has issued the notification (No. 14/2015-ST) to give effect to the Change in the Rate of Service Tax made vide the Finance Act, 2015.

The Broad effect of the Changes in the Rate are summarised below for ease of reference:

1. **Service Tax Rate of 14% will be effective from 01-06-2015.** No education cess(s) would be levied thereon.
2. **Changes in the Alternate Rate of Service Tax for 4 Services** (namely, Air Travel Agent Services; Life Insurance Services; Sale or Purchase of Foreign Currency; Promotion of Games of Chance Services), provided in Rules 6(7), (7A), (7B) and (7C) of the Service Tax Rules, 1994, would also be effective from 01-06-2015.
3. The **effective rate of Service Tax for works contract** as prescribed in the Valuation Rules **would change** w.e.f. 01-06-2015 as follows:
  - For **Original Works** - from 4.944% to 5.6%
  - For **Other than Original Works** - from 8.652% to 9.8%
4. In the **CENVAT Credit Rules, 2004**, for the purposes of Rule 6(3), the **percentage reversal of exempt value of output services** to avail full benefit of CENVAT credit has **been enhanced from 6% to 7%** w.e.f. 01-06-2015.

## Swacch Bharat Cess

---

It is important to note that the Government has not notified about the effective date for Levy of Swachh Bharat Cess (SBC), thus for the time being the standard service tax would be 14% only.

## Point of taxation

---

Change in the rate of tax raises a lot of confusions regarding the rate of service tax which shall be considered for services which were already been taxed at 12.36%. The necessary guidance for this is contained in Rule 4 of Point of Taxation Rules, 2011[POT Rules].

This section makes an attempt to define the point of tax for services which were fully rendered or against whom advance has been received or invoice raised before/after the change in effective rate of service tax.

**Note:** Change in the rate of service tax is to take effect from 01.06.2015, thus, reference to 01.06.2015 should be taken to mean date of change in effective rate of service tax.

**Case – A: Services have been rendered before 01.06.2015:**

The point of tax in such cases shall be taken to mean the date on which the invoice is issued or the payment is received, whichever is earlier.

Invoice issued	Payment received	Point of Taxation	Applicable Rate
After 01.06.2015	After 01.06.2015	Date of issuance of invoice or Date of receipt of payment whichever is earlier	New Rate
Before 01.06.2015	After 01.06.2015	Date of issuance of invoice	Old Rate
After 01.06.2015	Before 01.06.2015	Date of receipt of payment	Old Rate

**Case – B: Services have been rendered after 01.06.2015:**

Invoice issued	Payment received	Point of Taxation	Applicable Rate
Before 01.06.2015	Before 01.06.2015	Date of issuance of invoice or Date of receipt of payment whichever is earlier	Old Rate
Before 01.06.2015	After 01.06.2015	Date of receipt of payment	New Rate
After 01.06.2015	Before 01.06.2015	Date of issuance of invoice	New Rate

## CONTACTS

---

### **New Delhi**

16A/20, W.E.A,

Main Ajmal Khan Road,

Karol Bagh,

New Delhi – 110005

Tel: +911125722222

+911125732222

### **Noida**

C-102,

Sector – 44,

Noida - 201301

Tel: +911204311332

## DISCLAIMER

---

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of date it is received or that it will be continue to remain accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.