

**TAX
FLASH NEWS**

Service tax and Cenvat credit changes effective from 1 June 2015

The Finance Act, 2015 was enacted after receiving the assent of the Honorable President on 14 May 2015. Certain amendments incorporated through the Finance Act, 2015 were to be made effective from a date to be notified. In this regard, the Government has issued numerous notifications to provide 1 June 2015 as the effective date of various changes. Further, the Government has also introduced certain other changes which are effective from 1 June 2015.

Key changes effective from 1 June 2015 are summarised as under:

Amendments	Underlying Notifications dated 19 May 2015
<ul style="list-style-type: none"> • The rate of Service tax is being increased from 12 per cent to 14 per cent (subsuming cess of 3 per cent) • Withdrawal of levy of Education Cess and Secondary & Higher Education Cess on taxable services • Consequential amendments in rate of Service tax for specified services such as <ul style="list-style-type: none"> ➤ Air travel agent – 0.6 per cent/1.2 per cent increased to 0.7 percent/1.4 per cent respectively for domestic booking and international bookings ➤ Life insurance – 3 per cent/1.5 per cent increased to 3.5 per cent/1.75 per cent respectively for first year premium and subsequent year premium 	14/2015-ST and 15/2015-ST
<ul style="list-style-type: none"> • Levy of Service tax on services provided by way of admission to entertainment event of concerts, pageants, musical performances concerts, award functions and sporting events (other than the recognised sporting event) where the amount charged is more than INR 500 per person for the right to admission to such an event • Levy of Service tax on services by way of contract manufacturing/job work production of alcoholic liquor for human consumption for a consideration • Levy of Service tax on activity carried out by a lottery distributor or selling 	14/2015-ST and 16/2015-ST

agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner	
<ul style="list-style-type: none"> Change made in Rule 6(3)(i) of the Cenvat Credit Rules,2004 to provide that credit reversal is to be made at the rate of 7 per cent of value of exempted services (instead of 6 per cent). For exempted goods, credit reversal continue to be 6 per cent 	14/2015-CE (N.T)
<ul style="list-style-type: none"> Refund mechanism withdrawn for specified service providers engaged in providing Manpower and Security services which are liable to Service tax under reverse charge mechanism (<i>This change has been introduced since from 1 April 2015 such services are liable to full reverse charge in the hands of service receivers instead of partial reverse charge</i>) 	15/2015-CE (N.T)

It is worthwhile to note that while majority of changes have been made effective from 1 June 2015, effective date is yet to be notified for following amendments:

- Levy of Swachh Bharat Cess on all or any of the taxable services at a rate of 2 per cent or lower on the value of such taxable services
- Levy of Service tax on 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)

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Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

No.10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Delhi

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurgaon, Haryana 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad 500 034
Tel: +91 40 3046 5000
Fax: +91 40 3046 5299

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

6th Floor, Tower A
Advant Navis Business Park
Plot No. 07, Sector 142
Noida Express Way
Noida 201 305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 3050 4000
Fax: +91 20 3050 4010