

Rate of service tax to be 14% effective from 1 June, 2015

May 20, 2015

In brief

The Central Government has issued on 19 May, 2015 a series of notifications to give effect to certain amendments related to increased rate of service tax, changes in the Negative list, Mega exemption notification and Service tax rules as introduced by the Finance Act, 2015.

In detail

The following changes are notified to come in effect from 1 June, 2015:

- The rate of service tax will increase to 14%;
- Education Cess and SHE Cess will be subsumed in the revised service tax rate;
- Changes related to Negative list of services which would make the following services liable to service tax:
 - Access to amusement facility;
 - Admission to entertainment events;
 - Services in relation to manufacture or production of alcoholic liquor for human consumption.

(Notification No. 14/2015-Service tax dated 19 May, 2015)

- Amendments in Service Tax Rules regarding alternate rate of service tax prescribed for air travel agents, life insurance business, money changers and lottery agents.

(Notification No. 15/2015-Service tax dated 19 May, 2015)

- Amendments in Mega exemption notification related to manufacture of alcoholic liquor for human consumption and right of admission to cinematographic films, sporting events, award functions, etc.

(Notification No. 16/2015-Service tax dated 19 May, 2015)

- A person rendering taxable as well as exempt services, and not maintaining separate accounts, would be liable to pay an amount equal to 7% of the value of the exempt services rendered, instead of 6%

earlier. (refer rule 6(3)(i) of CENVAT Credit Rules)

(Notification No. 14/2015-central excise dated 19 May, 2015)

Amendments that are yet to be notified:

- Amendment in the Negative List regarding taxability of support services provided by the government/ local authorities.
- Imposition of 'Swachh Bharat Cess'.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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