

CBEC issues exemption notifications under Krishi Kalyan Cess and service tax

Effect of the amendments

Central Board of Excise and Customs has issued notification nos. 35-36/2016 - service tax, both dated 23 June, 2016 granting exemptions from Krishi Kalyan Cess (KKC) and service tax. The details of exemptions are as follows:

- Notification no. 35/2016 exempts KKC in cases where the invoice for the service is issued on or before 31 May, 2016 if provision of services has been completed on or before 31 May, 2016.
- Notification no. 36/2016 provides exemption from service tax on transportation of goods by vessel from outside India up to the customs station in India, where invoice is issued on or before 31 May, 2016 if import manifest or import report required to be delivered under Customs Act has been delivered on or before 31 May, 2016 and service provider or recipient produces Customs certified copy of such import manifest or import report.

PwC comments

Exemption from KKC fulfils a long standing demand of the industry. As a result of this notification, no KKC, including under reverse charge, would be applicable where services are provided and invoices issued before 31 May, 2016. Since KKC is a new levy coming in force from 1 June, 2016, the ideal situation would have been to exempt all services provided up to 31 May, 2016, irrespective of date of issue of invoice. However, this notification provides relief on majority of transactions and is welcome.

Another notification grants exemption from service tax on services of transport of goods by vessel from outside India up to customs station in India, which was brought under service tax net from 1 June, 2016. The notification exempts the services completed up to 31 May, 2016, subject to fulfilment of conditions.

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With Best Regards
PwC TRS Team

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