CBEC makes amendments in service tax exemption and CENVAT Credit Rules

February 4, 2016

In brief

Central Board of Excise and Customs has issued Notification Nos. 1-3/2016-Service Tax and 2/2016-Central Excise (N.T.), both dated 3 February, 2016, making amendments in service tax exemption and CENVAT credit rules respectively.

In detail

Key summary of the amendments is as under:

- Notification No. 1/2016-ST amends the scheme of grant of rebate of service tax paid on input services by exporters of goods under notification no. 41/2012. Presently, services used beyond the place of removal, as per the Central Excise Act. were eligible for rebate. Now, it is changed to services used beyond factory or any other place or premises of production or manufacture of the goods, for their export. Furthermore, the rate at which rebate is granted under the notification (when claiming rebate at specified rates, instead of on actual basis) is increased, considering the increase in service tax rates.
- Notification No. 2/2016-ST amends Notification No. 12/2013 granting

- outright exemption or refund of service tax on input services received and used by the Special Economic Zone (SEZ) unit or developer. Now, the SEZ unit or developer can claim refund of Swachh Bharat Cess charged by the service providers, if the outright exemption is not claimed. The notification also provides for refund of Swachh Bharat Cess component, in case, there are common services used for SEZ and DTA units and the credit of service tax on such common services is distributed to the SEZ.
- Notification No. 3/2016-ST amends Notification No. 39/2012, which grants rebate of service tax paid on input services by a service exporter, if no CENVAT credit is claimed. Now, such an exporter of services can also claim rebate of Swachh Bharat Cess paid on the eligible input services.
- Notification No. 2/2016-CE (NT) amends CENVAT Credit Rules to include an explanation in the definition of input service, clarifying that sales promotion includes services by way of sale of dutiable goods on commission basis. The **CENVAT Credit Rules are** further amended to provide that CENVAT credit cannot be used for making payment of Swachh Bharat Cess.

The takeaways

Some of these amendments are either consequential amendments or for clarifying the position, and do not make substantial changes in the law. However, while the service exporter claiming rebate of the service tax paid on input services and the SEZ units/developers can now claim refund of Swachh Bharat Cess, the exporters claiming refund of accumulated CENVAT credit will still be unable to claim



refund of Swachh Bharat Cess paid on input services. It is hoped that the scheme of refund of accumulated CENVAT credit would be suitably amended as well.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Tax & Regulatory Services – Indirect Taxes

Gautam Mehra, Mumbai +91-22 6689 1154 gautam.mehra@in.pwc.com

Vivek Mishra, *Gurgaon* +91-124 330 6518 vivek.mishra@in.pwc.com

PwC Page 2

Our Offices

Ahmedabad

President Plaza 1st Floor Plot No 36 Opp Muktidham Derasar Thaltej Cross Road, SG Highway Ahmedabad, Gujarat 380054 +91-79 3091 7000

Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th Floor, Road No. 10, Banjara Hills, Hyderabad – 500034, Andhra Pradesh Phone +91-40 44246000

Gurgaon

Building No. 10, Tower - C 17th & 18th Floor, DLF Cyber City, Gurgaon Haryana -122002 +91-124 330 6000

Bangalore

6th Floor Millenia Tower 'D' 1 & 2, Murphy Road, Ulsoor, Bangalore 560 008 Phone +91-80 4079 7000

Kolkata

56 & 57, Block DN. Ground Floor, A- Wing Sector - V, Salt Lake Kolkata - 700 091, West Bengal +91-033 2357 9101/ 4400 1111

Pune

7th Floor, Tower A - Wing 1, Business Bay, Airport Road, Yerwada, Pune – 411 006 +91-20 4100 4444

Chennai

8th Floor Prestige Palladium Bayan 129-140 Greams Road Chennai 600 006 +91 44 4228 5000

Mumbai

PwC House Plot No. 18A, Guru Nanak Road(Station Road), Bandra (West), Mumbai - 400 050 +91-22 6689 1000

For more information

Contact us at pwctrs.knowledgemanagement@in.pwc.com

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