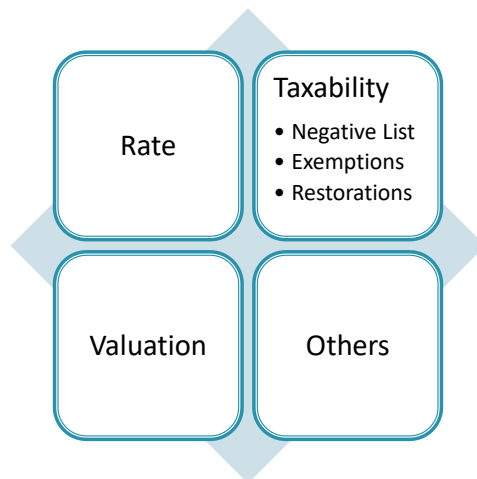


# Budget 2017 – Service Tax and Excise Implications

CA Pritam Mahure

## Overview



## Charging section – 66B

- ▶ *There shall be levied a tax (hereinafter referred to as the service tax) at the rate of **Fourteen per cent.***
- ▶ *On the value of all **services,***
- ▶ *Other than those services specified in the **negative list,***
- ▶ ***Provided or agreed** to be provided in the taxable territory by one person to another and*
- ▶ ***Collected** in such manner as may be prescribed*

## Service Tax - Rate

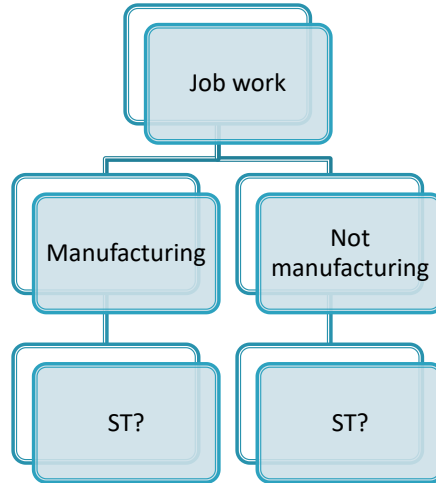
- ▶ Maintained at 15%
- ▶ Exemption to 'services by way of carrying out *process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption*' removed from Negative list and covered under the Mega Exemption
  - Effective from enactment of the Finance Bill, 2017

Negative List



Mega  
Exemption

## Activity – Job work



## Shuffle



## R & D Cess


## R & D Cess

- ▶ R&D Cess (typically applicable in case of import of technology) repealed with effect from 1 April 2017
  - Consequently, exemption of service tax to the extent R&D cess paid will no longer be available



# Value

## Value - Clarification

- ▶ Value of service portion in execution of works contract involving transfer of goods and land or undivided share of land shall not include value of property in such land or undivided share of land
    - Ruling of Suresh Kumar Bansal
    - Effective 1 July 2010
- 

## Clarification

### Clarification

- ▶ To clarify non-applicability of service tax, exemption from service tax is provided vide Notification No. 41/2016-ST in respect of one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for grant of long-term lease of industrial plots,
- ▶ **30 years or more**, by State Government industrial development corporations to industrial units

# CENVAT

## CENVAT Credit

- Income earned towards services of extending deposits, loans or advances (interest or discount) provided by the banking company, financial institution or NBFC shall be covered for the purpose of computing reversal under Rule 6(3) and (3A) of CENVAT Credit Rules

## CENVAT

- ▶ Transfer of the CENVAT Credit in the case of a sale, merger, change in ownership, etc. (under Rule 10 of CENVAT Credit Rules) shall be allowed within three months from the date of receipt of application
  - Judicial precedent in case of NC Cables Limited
  - Further extension of six months can be granted by the Principal Commissioner or Commissioner of Central Excise
- ▶ Effective 2 February 2017

**Excise**



## Supplies to EOU

- ▶ Clarification has been issued that explanation to Section 5A of Central Excise Act, 1944 is applicable only in respect of removal of goods from EOU to Domestic Tariff Areas (DTAs)
  - Exemption for procurement by Export Oriented Unit available

## Advance Ruling

### Provisions for Advance Ruling

- ▶ Authority for Advance Ruling (AAR) for Central Excise, Customs and Service Tax to be merged with income tax regulations
  - Applications pending before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) shall be transferred to Authority for Advance Rulings set up under the Income Tax Act, 1961
  - Fee for making an application to the Authority for Advance Rulings hiked to INR 10,000 from INR 2,500
  - Time limit for Authority for Advance Rulings to deliver their ruling increased from 90 days to 6 months
- ▶ Effective from the date of enactment of the Finance Bill, 2017

Thank you for a patient hearing...

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