

SERVICE TAX

FINANCIAL BILL (CLAUSE NO.)	SECTION	NEW LAW	APPLICABLE	EXECUTIVE SUMMARY
106 (A)(i)	65B (32)	<p>"metered cab" means any contract carriage on which an automatic device, of the type and make approved under the relevant rules by the State Transport Authority, is fitted which indicates reading of the fare chargeable at any moment and that is charged accordingly under the conditions of its permit issued under the Motor Vehicles Act, 1988 and the rules made thereunder but does not include radio taxi</p>	<p>such date as the Central Government may, by notification in the Official Gazette, appoint</p>	<p>From the definition of "metered cab" radio taxi has been excluded and simultaneously it has also been omitted from negative list.</p> <p>Therefore, service tax to be levied on the services provided by radio taxis or radio cabs, whether or not air-conditioned. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par.</p>
106(A)(ii)	65B (39a)	<p>"print media" means,—</p> <p>(i) "book" as defined in sub-section (1) of section 1 of the Press and Registration of Books Act, 1867, but does not include business directories, yellow pages and trade catalogues which are primarily meant for commercial purposes;</p> <p>(ii) (i) "newspaper" as defined in sub-section (1) of section 1 of the Press and Registration of</p>	Do	<p>Service tax leviable currently on sale of space or time for advertisements in broadcast media, namely radio or television, has been extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media, however, would remain excluded from service tax.</p>

		Books Act, 1867;		
106(B)(i)	66D(g)	selling of space for advertisements in print media	Do	Do
106(B)(i)	66D(o)(vi)	metered cabs or auto rickshaws	Do	omit "radio taxis" from sub-clause (vi) of clause (o) so as to provide for levy of service tax on services by radio taxis
106 (C)	Explanation of Section 67A	Explanation.— For the purposes of this section, "rate of exchange" means the rate of exchange determined in accordance with such rules as may be prescribed.	Do	In section 67A, for determination of rate of exchange, rules to be prescribed.
106(D)	73(4B)	(4B) The Central Excise Officer shall determine the amount of service tax due under sub-section (2)— (a) within six months from the date of notice where it is possible to do so, in respect of cases whose limitation is specified as eighteen months in sub-section (1); (b) within one year from the date of notice, where it is possible to do so, in respect of cases falling under the proviso to sub-section (1) or the proviso to sub-section (4A).	from the date when Finance (No.2) Bill, 2014 receives the assent of the President	Sub-section (4B) inserted to specify a time limit for adjudication, as either six months or one year, depending on the nature of case, to be adhered to where it is possible.
106(E)	80(1)	Notwithstanding anything contained in the provisions of section 76 or section 77, no penalty shall be imposable on the assessee for any failure referred to in said provisions, if the assessee	Do	Reference to first proviso to sub-section (1) of section 78, in section 80, to be omitted. In case of serious offences, waiver of penalty not to be available, though details may be available in

		proves that there was reasonable cause for the said failure		records.
106(F)	82(1)	Where the Joint Commissioner of Central Excise or Additional Commissioner of Central Excise or such other Central Excise officer as may be notified by the Board has reasons to believe that any documents or books or things, which in his opinion shall be useful for or relevant to any proceedings under this Chapter, are secreted in any place, he may authorise in writing any Central Excise officer to search for and seize or may himself search and seize such documents or books or things.	Do	Section 82(1) to be amended, along the lines of section 12F (1) of the Central Excise Act, so that Joint Commissioner or Additional Commissioner or any other officer notified by the Board can authorize any Central Excise Officer to search and seize. Earlier only joint Commissioner of Central Excise can do so by authorizing any Superintendent of Central Excise.
106(G)(i) & (ii)	83	The provisions of the following section of the Central Excise Act, 1944, as in force from time to time, shall apply, so far as may be, in relation to service tax as they apply in relation to a duty of excise: - sub-section (2A) of section 5A, sub-section (2) of section 9A, 9AA, 9B, 9C, 9D, 9E, 11B, 11BB, 11C, 12, 12A, 12B, 12C, 12D, 12E, 14, 15, 15A, 15B, 31, 32, 32A to 32P (both inclusive), 33A, 34A, 35EE, 35F, 35FF to 35O (both inclusive), 35Q, 35R, 36, 36A, 37A, 37B, 37C, 37D 10[38A] and 40	from the date when Finance (No.2) Bill, 2014 receives the assent of the President	Section 83 to be amended to include a reference to sections 5A (2A), 15A and 15B of the Central Excise Act : (a) Section 5A(2A) prescribes that insertion of an explanation in notifications/orders within one year shall have the effect as if it had always been part of the notification; (b) Section 15A is being inserted in the Central Excise Act to prescribe that specified third party sources shall furnish periodic information in the manner as may be prescribed; (c) Section 15B is being inserted in the Central Excise Act to prescribe that failure to provide information under section 15A would attract penalty.
106(H)(i)	86(1A)(i)	(i) The Board may, by order, constitute such Committees as may be necessary for the purposes of this Chapter.	Do	Seeks to amend clause (i) of sub-section (1A) of section 86 of the Finance Act, 1994 so as to enable the Board to constitute a Committee by issuing an

				order instead of a notification to be published in the Official Gazette.
106(H)(ii)	86(6A)(a)	(i) in an appeal for grant of stay or for rectification of mistake or for any other purpose; or	Do	It also seeks to amend said section to omit the words "for grant of stay or" in clause (a) of sub-section (6A) thereof
106(I)	Proviso of section 87(c)	Provided that where the person (hereinafter referred to as predecessor) from whom the service tax or any other sums of any kind, as specified in this section, is recoverable or due, transfers or otherwise disposes of his business or trade in whole or in part, or effects any change in the ownership thereof, in consequence of which he is succeeded in such business or trade by any other person, all goods, in the custody or possession of the person so succeeding may also be attached and sold by such officer empowered by the Central Board of Excise and Customs, after obtaining the written approval of the Commissioner of Central Excise, for the purposes of recovering such service tax or other sums recoverable or due from such predecessor at the time of such transfer or otherwise disposal or change.	Do	In section 87, power to recover dues of a predecessor from the assets of a successor purchased from the predecessor, is to be provided, as it is available in section 11 of the Central Excise Act.
106(J)	94(2)(k)...	(k) imposition, on persons liable to pay service tax, for the proper levy and collection of the tax, of duty of furnishing information, keeping records and the manner in which such records shall be verified; (l) make provisions for withdrawal of facilities or imposition of restrictions	Do	Section 94 to be amended to obtain rule making power (a) to impose upon assesseees, inter alia, the duty of furnishing information, keeping records and making returns and specify the manner in which they shall be verified; (b) for withdrawal of facilities or imposition of restrictions (including

		<p>(including restrictions on utilisation of CENVAT credit) on provider of taxable service or exporter, for dealing with evasion of tax or misuse of CENVAT credit;</p> <p>(m) authorisation of the Central Board of Excise and Customs or Chief Commissioners of Central Excise to issue instructions, for any incidental or supplemental matters for the implementation of the provisions of this Act;</p> <p>(n) any other matter which by this Chapter is to be or may be prescribed.</p>		<p>restrictions on utilization of CENVAT credit) on a service provider or exporter, to check evasion of duty or misuse of CENVAT credit; and (c) to issue instructions in supplemental or incidental matters.</p>
106(K)	95(1K)	<p>(1K) If any difficulty arises in giving effect to section 106 of the Finance (No. 2) Act, 2014, in so far as it relates to amendments made by the said Act, in this Chapter, the Central Government may, by an order, published in the Official Gazette, not inconsistent with the provisions of this Chapter, remove the difficulty:</p> <p>Provided that no such order shall be made after the expiry of a period of one year from the date on which the Finance (No. 2) Bill, 2014 receives the assent of the President.</p>	Do	
106(L)	100	<p>100. Notwithstanding anything contained in section 66 as it stood prior to the 1st day of July, 2012, no service tax shall be levied or collected in respect of taxable services provided by the Employees' State Insurance Corporation set up under the Employees' State Insurance Act, 1948, during the period prior to the 1st day of July, 2012.</p>	Retrospective Amendment	<p>Service provided by Employees' State Insurance Corporation (ESIC) during the period prior to 1.7.2012 to be exempted from service tax.</p>

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Other amendment by Finance Bill 2014 by way of Amendment in Notifications

1. Review of the Negative List of services:

Service tax leviable currently on sale of space or time for advertisements in broadcast media, namely radio or television, has been extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media, however, would remain excluded from service tax. This change will come into effect from a date to be notified later, after the Finance (No.2) Bill, 2014 receives the assent of the President.

Service tax to be levied on the services provided by radio taxis or radio cabs, whether or not air-conditioned. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par. Service tax on radio taxi services will come into effect from a date to be notified later, after the Finance (No.2) Bill, 2014 receives the assent of the President.

2. Review of general exemptions extended under Notification No. 25/2012-ST

- Exemption extended to clinical research on human participants is being withdrawn.
- Exemption extended to air-conditioned contract carriages like buses is being withdrawn.
- Exemption in respect of services provided to Government or local authority or governmental authority, will be limited to services by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation.
- At present, all services provided by educational institutions [providing educational services specified in the negative list] to their students, faculty and staff does not attract service tax; this will continue. However, in respect of services received by such educational institutions, presently, exemption is being operated through the concept of 'auxiliary educational services'. Doubts have been raised and clarifications have been sought regarding the scope and meaning of 'auxiliary educational services'. To bring clarity, it is proposed to omit the concept of 'auxiliary educational services' and specify in the notification, the services

which will be exempt when received by the educational institutions. Accordingly, in respect of services received by an eligible educational institution: (i) transportation of students, faculty and staff; (ii) catering service including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services in such educational institutions; and (iv) services relating to admission to such institution or conduct of examination, are being exempted from service tax. In view of this rationalization, exemption extended so far in respect of renting of immovable property service received by educational institutions, stands withdrawn.

- Exemption available to accommodation services provided by hotels, *dharamshalas* or *ashrams* when they provide rooms for less than Rupees One Thousand per day, is being re-worded to bring out the intent clearly.

3. Service tax on service portion in Works Contracts - Rationalization:

- In Rule 2A of the Service Tax Valuation Rules, category 'B' and 'C' of works contracts proposed to be merged into one single category, with service portion as 70%; this change will come into effect from 1st October, 2014.

4. Service tax on taxable portion in respect of transportation service by vessels:

- Taxable portion in respect of transport of goods by vessel to be reduced from 50% to 40%. Effective service tax will decrease from the present 6.18% to 4.944%. This will come into force from 1st October 2014.

5. New exemptions

- Life micro-insurance schemes for the poor, approved by IRDA, where sum assured does not exceed Rupees Fifty Thousand to be exempted from service tax.
- Transport of organic manure by vessel, rail or road (by GTA) is being exempted.
- Loading, unloading, packing, storage or warehousing, transport by vessel, rail or road (GTA), of cotton, ginned or baled, is being exempted.
- Services provided by common bio-medical waste treatment facility operators to clinical establishments are being exempted.

- Specialized financial services received by RBI from global financial institutions in the course of management of foreign exchange reserves, e.g., external asset management, custodial services, securities lending services, etc. are being exempted.
- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India are being exempted.
- New exemptions will come into effect immediately, i.e. 11.7.2014

6. Compliance enhancement:

- Simple interest rates per annum payable under section 75, to vary on the basis of extent of delay in payment of service tax. This will come into force on 1st October 2014.

S. No.	Extent of delay	Simple interest rate per annum
1	Up to six months	18%
2	From six months and upto one year	24%
3	More than one year	30%

7. Service Tax Rules: [changes to have immediate effect]

- Service provided by a Director to a body corporate to be brought under the reverse charge mechanism; service receiver, who is a body corporate will be the person liable to pay service tax.
- Services provided by Recovery Agents to Banks, Financial Institutions and NBFC to be brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax.

8. Cenvat Credit:

- **Service tax paid under full reverse charge:** the condition to pay invoice value to the service provider for availing credit of tax paid, to be omitted [change to have immediate effect].
- **Re-credit of Cenvat credit reversed on account of non-receipt of export proceeds within the specified period**, to be allowed, if such export proceeds are received within one year from the specified period on the basis of documentary evidence of receipt of payment [change to have immediate effect].

- **Rent-a-cab operator and tour operator:** service tax paid by sub-contractor in the same line of business would be allowed as eligible credit to the main service provider to avoid double taxation, subject to certain conditions [with effect from 1st October 2014]. Refer amendment in Notification No.26/2012-ST.
- **GTA service:** service receiver may avail abatement, without having to obtain non-availment of Cenvat Credit certificate from service provider [change to have immediate effect]. Refer amendment in Notification No.26/2012- ST.
- **Time limit for taking credit on input and input services:** credit shall be taken within six months from the date of the invoice or challans or other documents specified [change to have effect from 1st September, 2014].

9. Place of Provision of Services Rules:

- Provision for prescribing conditions for determination of place of provision of repair service carried out on temporarily imported goods, to be omitted.
- Intermediary of goods to be given the same treatment as is given to intermediary of services.
- Vessels (excluding yachts) and aircraft to be excluded from Rule 9(d); hiring of vessels or aircrafts, irrespective of whether short term or long term, will be covered by the general rule, which is place of location of the service receiver.

[The above changes to have effect from 1st October 2014]

10. Point of Taxation Rules:

- In case of reverse charge services, to bring certainty in the determination of point of taxation, it is proposed to provide that point of taxation will be the payment date or first day after three months from the date of invoice, whichever is earlier. The amended point of taxation will apply to invoices issued after 1st October 2014. A transition rule is proposed to be prescribed [change to have effect from 1st October, 2014].

11. Simplification of partial reverse charge mechanism:

- In renting of motor vehicle, portion of service tax payable by service provider and service receiver will be 50% each.

This will come into effect from 1st of October 2014.

12. SEZ – procedural simplification: [changes to have immediate effect].

- To be provided that the Central Excise Officer would issue Form A-2, within fifteen days from the date of receipt of Form A-1.
- Exemption would be available from the date when list of service on which SEZ is entitled to upfront exemption is endorsed by the authorised officer of SEZ in Form A-1, provided Form A-1 is furnished to the jurisdictional Central Excise Officer within fifteen days of its verification. If furnished later, exemption would be available from the date on which Form A-1 is so furnished.
- Pending issuance of Form A-2, exemption will be available subject to condition that authorization issued by the Central Excise officer will be furnished to service provider within a period of three months from provision of service.
- As regards services covered under reverse charge, the requirement of furnishing service tax registration number of service provider shall be dispensed with.
- A service shall be treated as exclusively used for SEZ operations if the recipient of service is a SEZ unit or developer, invoice is in the name of such unit/developer and the service is used exclusively for furtherance of authorized operations in the SEZ.