

D.O.F. No. 334/15/2014-TRU
Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit

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New Delhi, dated 25th August, 2014.

Sub.: Union Budget 2014-15: enactment of the Finance (No.2) Bill - reg.

The Finance (No.2) Bill, 2014 received the assent of the President of India on 6th August, 2014 and has been enacted as the Finance (No.2) Act, 2014 [Act No.25 of 2014] [hereinafter referred to as the said Act].

1.2 In view of the enactment, clauses (D) to (L) of section 114 of the said Act have already come into force. In respect of clauses (A) to (C), the appointed date will be 1st October, 2014 [Notification No.18/2014-ST].

1.3 Broadening of the tax base by extension of service tax levy to all forms of advertising except print media [as defined in section 65B (39a) of the Finance Act, 1994] and on services provided by radio-taxis, will come into effect on 1st October, 2014. In respect of services provided by radio-taxis, taxable portion will be 40% of the amount charged in terms of entry 9A in Notification 26/2012-ST as amended. Therefore, on the services provided by radio taxis, service tax payable will be 4.944% of the amount charged.

1.4 The appointed date in respect of clause (C) of section 114 of the said Act will be 1st October, 2014. Drawing power from the amended Explanation inserted in section 67A of the Finance Act, 1994, Rule 11 is proposed to be inserted in the Service Tax Rules, 1994 [Notification 19/2014-ST] with effect from 1st October, 2014, from when the exchange rate for calculation of value of services sought to be imported into the taxable territory will be based on generally accepted accounting principles.

1.5 Now, vide amended Section 94 of the Finance Act, 1994, rule making powers have been specified

(i) to impose upon persons liable to pay service tax, inter alia, the duty of furnishing information, keeping records and making returns and the manner in which they shall be verified;

(ii) for withdrawal of facilities or imposition of restrictions (including restrictions on utilization of CENVAT credit) on service providers or exporters, to check evasion of duty or misuse of CENVAT credit; and

(iii) to issue instructions in supplemental or incidental matters.

Regarding (ii) above, Notification No.25/2014-CE (NT) is being issued with immediate effect. In Rule 12AAA of Cenvat Credit Rules, 2004, the expression 'provider of taxable service' has been inserted vide the said Notification.

Regarding (iii) above, Notification No.19/2014-ST is being issued, to insert Rule 12 which gives powers to issue supplementary instructions, in the Service Tax Rules, with effect from 1st October 2014.

1.6 Explanations in respect of changes discussed above are not exhaustive and the text of the relevant statutory provisions and the wordings of the notifications should be read carefully to implement the law. I would like to express my thanks to officers in field formations who have shared their ideas and views with TRU.

**With regards,
Yours sincerely,
(M. Vinod Kumar)**