

## What impact will the service tax hike have on your budget?

The Budget has hiked the service tax rate from 12% plus cess to 14%. We calculated the impact of the hike on an average urban middle-class family spending roughly Rs 1.5 lakh on various services in a year. The figure may seem low but it could go up if the Swachh Bharat cess is also levied on service tax.

The silver lining is that electricity is not defined as a service but as goods. So there is no service tax on the power bill.



Though most services will become costlier, essentials like medical care and education are not liable to service tax.



Financial services account for a major chunk of our service tax bill. These will now cost more.



In traditional plans, service tax is 3.5% of premium in first year and 1.75% thereafter. In term plans and general insurance, the tax rate is 14%.



Only 40% of the food bills is liable to service tax. But given that urban Indians are eating out very often, this could add up to a neat sum.



The real impact of the hike could be higher because it is likely to have a cascading effect on the cost of products and services.



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