

Summary of Notifications, Circulars from 16th June 2014 to 15th July 2014

A. SERVICE TAX

1. Amendments in Mega Exemption Notification No. 25/2012 ST dated 20-06-2012

- a. New entry 2B is inserted to exempt Services provided by operators of the Common Bio-medical Waste Treatment Facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto.
- b. Entry 7 which provides exemption to services by way of technical testing or analysis of newly developed drugs on human participants by a clinical research organisation approved to conduct clinical by the Drug Controller General of India withdrawn.
- c. Existing Entry 9 is substituted with the following:
Services provided:-
 - (a) by an educational institution to its students, faculty and staff;
 - (b) to an educational institution, by way of,-
 - (i) Transportation of students, faculty and staff;
 - (ii) catering, including any mid-day meals scheme sponsored by the Government;
 - (iii) Security or cleaning or house-keeping services performed in such educational institution;
 - (iv) Services relating to admission to, or conduct of examination by, such institution

Earlier there were doubts regarding the scope and meaning of 'auxiliary educational services'. The said exemption has removed the ambiguity.

Educational institution has been redefined under clause (oa) as "an institution providing services specified in clause (l) of section 66D of the Finance Act,1994 (32 of 1994)" i.e Pre-School education services, education recognised by any law or approved vocational education course."

- d. Existing Entry 18 is substituted with the following:

Exemption available to accommodation services provided by hotels, dharamshalas or ashrams who provide rooms for less than ` 1,000 per day, re-worded to bring out the intent clearly. The earlier clause including the term "other commercial places" is done away with.
- e. Exemption to services provided by way of transportation by rail/vessel/GTA of organic manure and cotton, ginned or baled.
- f. In existing Entry 23, item b is substituted with the following:
(b) Non-air-conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or"
Earlier the condition of non-air-conditioned was not there. However Radio Taxis have been categorically exempted.
A new clause (za) is inserted to define Radio Taxi as a taxi including a radio cab, by whatever name called, which is in two-way radio communication with a central control office and is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS). Now the definition of "recognized sports body" has been shifted to clause (zaa).
- g. Entry No. 25, item a is substituted with the following:
(a) water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation
For greater clarity, the exemption in respect of services provided to Government or local authority or governmental authority made more specific. Services by way of water supply, public

health, sanitation conservancy, solid waste management or slum improvement and up-gradation continue to remain exempted but exemption not be extendable to other services such as consultancy, designing, etc., not directly connected with these specified services.

- h. A new item c has been inserted in entry 26A to provide exemption to life insurance service provided by life micro-insurance product as approved by the IRDA, having maximum amount of cover of ₹ 50,000.

A new clause (xa) is inserted to define “life micro-insurance product” as having the same meaning assigned to it in regulation 2 (e) of the Insurance Regulatory and Development Authority (Micro-insurance) Regulations, 2005.

- i. Existing Entry 40 has been substituted with the following 3 new entries:
40. Services by way of loading, unloading, packing, storage or warehousing of rice, cotton, ginned or baled;
 41. Services received by the Reserve Bank of India, from outside India in relation to management of foreign exchange reserves;
 42. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.”

[Notification No. 06/2014-Service Tax (N.T.), Dated: July 11, 2014]

2. Exemption to Services provided in SEZ Unit or Developer of SEZ for authorised operations

Procedure with respect to SEZ exemption has been further simplified. Following Changes are being made in *Notification No. 12/2013- Service Tax dated 1st July 2013* vide *Notification No. 07/2014-Service Tax dated 11th July 2014* so as to simply the procedure for availing benefit under the said notification:

- 1) Central Excise Officer would issue authorization in Form A-2, within fifteen working days from the date of receipt of Form A-1 by the Central Excise Officer.
- 2) Authorization will have validity from the date on which Form A-1 is verified by the Specified Officer of SEZ. However, if Form A-1 is furnished after a period of 15 days from the date of its verification by the Specified Officer, the authorization shall have validity from the date of furnishing of Form A-1 to the Central Excise Officer.
- 3) SEZ Units or the Developer will, pending issuance of Form A-2, be entitled to avail upfront exemption on the basis of Form A-1. However, in such a case, the SEZ Unit/Developer would be required to furnish a copy of authorization issued by the Central Excise Officer within 3 months from the date of receipt of specified services. If a copy of authorization is not provided within the said period of three months, the service provider shall pay service tax on the service so provided availing the exemption.
- 4) As regards services covered under full reverse charge, it is being mentioned specifically in Form that there would be no requirement of furnishing service tax registration number of service provider.

It is being provided that a service shall be treated as exclusively used for SEZ operations if the recipient of service is 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 SEZ.

[Notification No. 07/2014-Service Tax (N.T.), Dated: July 11, 2014]

3. Amendments in Abatement Notification No. 26/2012 ST dated 20-06-2012

Notification No. 08/2014-Service Tax (N.T.), Dated: July 11, 2014 amends the *Notification No. 26/2012 ST dated 20.06.2012* which provides abatement in respect to specified services, with the following changes:

- a. The condition for availing abatement in case of GTA service is being amended with immediate effect to clarify that the condition for non- availment of credit is required to

be satisfied by the service providers only. Service recipient will not be required to establish satisfaction of this condition by the service provider

- b. The taxable portion of service of transportation of passenger by air-conditioned contract carriages shall be 40% with the condition that CENVAT credit of inputs or capital goods or input services has not been taken.
- c. With effect from 01.10.2014, CENVAT credit of input service of renting of a motor cab is allowed if such services are received from a person engaged in the similar line of business i.e. a sub-contractor providing services of renting of motor cab to the main contractor. The whole of the CENVAT credit has been allowed with respect to input service of renting of any motor cab, received from a person who is paying service tax on 40% of the value of services. The CENVAT credit eligibility will be restricted to 40% of the credit of the input service of renting of any motor cab if service tax is paid or payable on full value of the services i.e. no abatement is availed.
- d. With effect from 01.10.2014, tour operator service providers, availing abatement, are allowed CENVAT credit on the input service of another tour operator, which are used for providing the taxable service.
- e. With effect from 01.10.2014, abatement in respect of transport of goods by vessel is increased from 40% to 50%. Effective service tax will decrease from the present 6.18% to 4.944%.

[Notification No. 08/2014-Service Tax (N.T.), Dated: July 11, 2014]

4. Service Tax Rules 1994 amended

Notification No. 09/2014-Service Tax (N.T.), Dated: July 11, 2014 amends the definition of “person liable for paying service tax” clause (i) in respect of the taxable services notified under sub-section (2) of section 68 of the Act, to come into effect from 11th July 2014, as follows:

- a. Services provided by Recovery Agents to Banks, Financial Institutions and NBFC is being brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax. (New Entry AA)
- b. Service provided by a Director to a body corporate is being brought under the reverse charge mechanism; service receiver, who is a body corporate will be the person liable to pay service tax. This is in view of requests by body corporates such as the Reserve Bank of India. Entry EE substituted.

Notification No. 09/2014-Service Tax (N.T.), Dated: July 11, 2014 further amends Rule 6 regarding mode of payment of service tax and mandates every assessee to pay service tax electronically through internet banking unless allowed by Deputy/ Assistant Commissioner to pay it in any mode other than internet banking. This will come into effect from 1st October 2014.

[Notification No. 09/2014-Service Tax (N.T.), Dated: July 11, 2014]

5. Amendments in Reverse Charge Notification No. 30/2012 ST dated 20-06-2012

Notification No. 10/2014-Service Tax (N.T.), Dated: July 11, 2014 amends Reverse Charge Notification No. 30/2012 ST. In relation to following services, service receiver is liable to pay service tax:

- (a) Services provided by a recovery agent to a banking company/financial institution/NBFC.
- (b) Services provided by a Director to a body corporate.

With effect from 01.10.2014, in renting of motor vehicle, where the service provider does not take abatement, the portion of service tax payable by the service provider and service receiver will be 50% each.

[Notification No. 10/2014-Service Tax (N.T.), Dated: July 11, 2014]

6. Amendment in Service Tax (Determination of Value) Rules, 2006

Notification No. 11/2014-Service Tax (N.T.), Dated: July 11, 2014 amends Service Tax (Determination of Value) Rules, 2006.

With effect from 01.10.2014, in rule 2A of the Service Tax (Determination of Value) Rules, 2006, category 'B' and 'C' of works contracts to be merged into one single category, with service portion as 70%. This rationalization by way of merger of categories has been made to avoid disputes of classification between these two categories.

[Notification No. 11/2014-Service Tax (N.T.), Dated: July 11, 2014]

7. Interest on Delayed Payment of Service Tax

Notification No. 12/2014-Service Tax (N.T.), Dated: July 11, 2014 provides for simple interest rates per annum payable on delayed payments under section 75. With effect from 1.10.2014, to encourage prompt payment of service tax, it is being proposed to introduce interest rates which would vary on the extent of delay and are proposed to be as follows:

Extent of delay	Simple interest rate per annum (Revised)	Simple interest rate per annum (Existing)
Up to six months	18%	18%
More than six months & upto one year	18% for first six months, and 24% for the period of delay beyond six months	18%
More than one year	18% for first six months, 24% for second six months, and 30% for the period of delay beyond one year	18%

[Notification No. 12/2014-Service Tax (N.T.), Dated: July 11, 2014]

8. Amendment in Rule 7 of Point of Taxation Rules, 2011

Notification No. 13/2014-Service Tax (N.T.), Dated: July 11, 2014 amends Point of Taxation Rules, 2011. As per the first proviso to Rule 7 of POT Rules, 2011, for reverse charge services, if payment is not made within a period of 6 months of the date of invoice, POT will be governed by Default Rule 3 of POT Rules, 2011.

However, first Proviso to rule 7 of the Point of Taxation Rules (POTR) is being amended to provide that point of taxation in respect of reverse charge will be the payment date or the first day that occurs immediately after a period of three months from the date of invoice, whichever is earlier. This amendment will apply only to invoices issued after 1st October, 2014. A transition rule is being prescribed (new rule 10 of POTR).

[Notification No. 13/2014-Service Tax (N.T.), Dated: July 11, 2014]

9. Amendments in Place of Provision of Supply of Rules, 2012

Notification No. 14/2014-Service Tax (N.T.), Dated: July 11, 2014 amends Place of Provision of Supply of Rules, 2012.

Rule 4: Place of provision of performance based services - Provision for prescribing conditions for determination of place of provision of repair service carried out on temporarily imported goods is being omitted. The second proviso to rule 4(a) is being amended to prescribe that it would suffice for the purpose of exclusion of repair service from applicability of rule 4(a) that the goods imported for repair are exported after repair without being put to any use other than that which is required for such repair. It may be noted that this exclusion does not apply to goods that arrive in the taxable territory in the usual course of business and are subject to repair while such goods remain in the taxable territory, e.g., any repair provided in the taxable territory to containers arriving in India in the course of international trade in goods will be governed by rule 4.

Rule 9: Place of provision of specified services

Relevant clause	Description of Services	Relevant Changes
(c)	Intermediary Services	The definition of intermediary is being amended to include the intermediary of goods in its scope. Accordingly, with effect from 1.10.2014, an intermediary of goods, such as a commission agent or consignment agent shall be covered under rule 9(c) of the Place of Supply of Services Rules.
(d)	Service consisting of hiring of means of transport, upto a period of one month	Service consisting of hiring of Vessels (excluding yachts) and Aircraft is being excluded from rule 9(d). Accordingly, hiring of vessels, or aircraft, irrespective of whether short term or long term, will be covered by the general rule, that is, the place of location of the service receiver. Hiring of yachts would however continue to be covered by rule 9 (d).

[Notification No. 14/2014-Service Tax (N.T.), Dated: July 11, 2014]

10. Class of persons under section 96A(b)(iii) of the Finance Act, 1994

Notification No. 15/2014-Service Tax (N.T.), Notification No. 18/2014-Central Excise (N.T.) & Notification No. 51/2014-Customs (N.T.), Dated: July 11, 2014 notifies Resident private limited company” as class of persons under section 96A(b)(iii) of the Finance Act, 1994 who can make application for advance ruling. The definitions of “private limited company” & “resident” have the same meaning as in the Companies Act, 2013 and the Income-tax Act, 1961 respectively.

[Notification No. 15/2014-Service Tax (N.T.), Dated: July 11, 2014; Notification No. 18/2014-Central Excise (N.T.) Dated: July 11, 2014; Notification No. 51/2014-Customs (N.T.), Dated: July 11, 2014]

B. CENTRAL EXCISE

1. Amendment in Rule 8 of Central Excise Rules, 2002

Notification No. 19/2014-Central Excise (N.T.) Dated: July 11, 2014 amends rule 8 of Central Excise Rules, 2002 regarding mode of payment of excise duty and mandates every assessee to pay the duty electronically through internet banking unless allowed by Deputy/ Assistant Commissioner to pay it in any mode other than internet banking.

However, in case payment of duty declared in the return is delayed beyond a month from the due date, a penalty at the rate of one percent on such amount of the duty not paid, for each month or part thereof as calculated from the due date, is payable for the period during which such failure continues (sub-rule 3A).

The above amendments will come into effect from 1st October 2014.

[Notification No. 19/2014-Central Excise (N.T.) Dated: July 11, 2014]

2. Proviso to Rule 6 of Central Excise Valuation Rules, 2000: Price not the sole consideration

Rule 6 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 states the value of goods to be the aggregate of transaction value and the amount of money value of any additional consideration flowing directly or indirectly from the buyer to the assessee, where price is not the sole consideration.

Notification No. 20/2014-Central Excise (N.T.) Dated: July 11, 2014 adds a proviso to Rule 6 providing an exception to the rule that where price is not the sole consideration for sale and excisable goods are sold by the assessee at a price less than manufacturing cost and profit with no additional consideration flowing directly or indirectly from the buyer to such assessee, then the value of goods shall be deemed to be the transaction value.

[Notification No. 20/2014-Central Excise (N.T.) Dated: July 11, 2014]

3. Amendment in CENVAT Credit Rules, 2004

Notification No. 21/2014-Central Excise (N.T.) Dated: July 11, 2014 amends CENVAT Credit Rules, 2004 with effect from 11th July 2014 as follows:

- a. Clause (qa) is inserted in Rule 2 defining 'place of removal' as
 - i) a factory or any other place or premises of production or manufacture of the excisable goods;
 - ii) a warehouse or any other place or premises wherein the excisable goods have been permitted to be deposited without payment of duty;
 - iii) a depot, premises of a consignment agent or any other place or premises from where the excisable goods are to be sold after their clearance from the factory,
- b. Under Rule 4(1) & 4 (7), a manufacturer or a service provider shall take credit on inputs and input services within a period of six months from the date of issue of invoice, bill or challan with effect from 1st September,2014
- c. Proviso to Rule 4 (7) has been amended to withdraw the condition of payment of invoice value to the service provider for availing credit of input services, in case the service tax is paid under full reverse charge.
- d. A new proviso is inserted in Rule 6(8) clause b to allow re-credit of CENVAT credit reversed on account of non-receipt of export proceeds within the specified period or extended period, if

export proceeds are received within one year from the period so specified or extended period. This can be done on the basis of documents evidencing receipt of export proceeds.

- e. Rule 12A is being amended so as to disallow transfer of credit by a large taxpayer from one unit to another.

C. CUSTOMS

1. Amendment in the Baggage Rules, 1998

Notification No. 50/2014-Customs (N.T.), Dated: July 11, 2014 amends the Baggage Rules, 1998 as follows:

- i. The free baggage allowance is raised from `35,000 to `45,000.
- ii. The duty free allowance for cigarettes is reduced from 200 to 100, for cigars from 50 to 25 and for tobacco from 250 gm to 125 gm

[Notification No. 50/2014-Customs (N.T.), Dated: July 11, 2014]