

BUDGET

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2014

**PERSONAL TAXATION**

- Tax rate, surcharge and education cess remain unchanged.
- The personal tax exemption limit, in case of every individual other than a super senior citizen, has been **increased by INR 50,000**, as under:

Existing slabs	Slabs proposed by the Finance Act 2014	Rate of tax
Up to 200,000	Up to 250,000*	Nil
200,001 – 500,000	250,001 – 500,000	10%
500,001 – 1,000,000	500,001 – 1,000,000	20%
1,000,001 and above	1,000,001 and above	30%

\* **INR 3,00,000 (2,50,000 earlier)** for senior citizens who are of the age of 60 or more but less than 80 years

- **Section 80C:** In order to encourage household savings, it is proposed to raise the limit of deduction under this section to **INR 1, 50,000** from the existing INR 1, 00,000. Corresponding changes have also been brought about to allow the deposit of this increased amount in Public Provident Fund (PPF) account.
- **Section 24(b) – Interest on housing loan:** The limit on deduction allowed in respect of interest payable on housing loan for self-occupied property is proposed to be **increased to INR 2, 00,000** from INR 1, 50,000.
- **Section 80CCD - Deduction in respect of notified pension scheme:** Under the existing provisions of the Act, if an individual, employed by the Central Government or any other employer on or after 01-01-2004, has paid or deposited any amount in a previous year in his account under a notified pension scheme, a deduction of such amount not exceeding ten % of his salary is allowed. Similarly, a deduction, to the extent of ten % of the salary of the individual, is allowed to the Central Government or any other employer on account of the contributions made by them in the previous year.

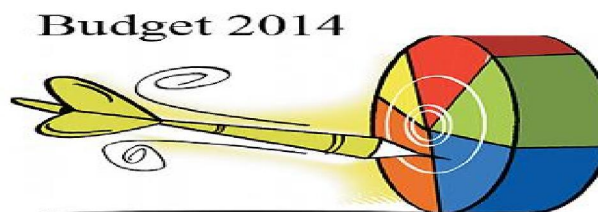
Considering the fact that for **employees in private sector**, the date of joining the service is not relevant for joining the New Pension Scheme (NPS), it is proposed to amend the provisions to provide that the condition of **date of joining service** on or after 1.1.2004 **is not applicable** to them for the purposes of this deduction.

*These amendments will take effect from **01-04-2015** and will accordingly apply in relation to **AY 2015-2016** and subsequent assessment years.*



**EMPLOYEE'S PROVIDENT FUND SCHEME**

- The monthly wage ceiling under the Employee's Provident Fund Scheme increased to INR 15,000 from INR 6,500 per month to extend social security coverage for more employees.
- Minimum monthly pension to be increased to INR 1,000.
- EPF Organization to launch Uniform Account Number Service to facilitate portability of accounts.



**CORPORATE TAXATION**

- **Section 37(1) – Expenditure incurred on Corporate Social Responsibility (CSR) activities:** Expenditure incurred by certain companies on activities relating to Corporate Social Responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence shall not be allowed as deduction under section 37 of the Act. However, the CSR expenditure that is of the nature described in section 30 to section 36 of the Act shall be allowed as deduction subject to fulfilment of the conditions, as prescribed in those sections.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

- **Section 115O - Dividend Distribution Tax (DDT):** Currently, the domestic companies are liable to pay DDT at 16.995% (inclusive of surcharge and education cess) on the dividends distributed by them. It is proposed to amend these provisions so as to provide that the tax on dividends to be distributed by domestic companies be computed on the grossed up amount of dividend, instead of the net amount paid.

Particulars	Amount	Dividend Distribution tax
Amount allocated for distribution (Pre DDT payment)	INR 100	-
Dividend payout after deducting DDT – pre amendment	INR 85.47	INR 14.526 (INR 85.47*16.995%)
Dividend payout– post amendment	INR 83	INR 16.995 (INR 100*16.995%)
Reduction in amount of dividend paid to shareholders	INR 2.47 (INR 85.47 – INR 83)	

- **Section 115R – Tax on income distributed by mutual funds:** Similar to amendments proposed in section 115O, it is proposed that the tax on income to be distributed by specified mutual funds be computed on the grossed up amount of income, instead of the net amount paid.

*These amendments will take effect from 01-10-2014.*

**WITHHOLDING TAX PROVISIONS**

- **Section 200 and section 200A – Tax deduction at source:** Under chapter XVII-B of the Act, a person is required to deduct tax on certain specified payments at the specified rates if the payment exceeds specified threshold and is required to file a quarterly statement containing the prescribed details of deduction of tax made during the quarter by the prescribed due date. Currently, a deductor is allowed to file correction statement for rectification/ Updation of the information furnished in the original TDS statement as per the Centralized Processing of Statements of Tax Deducted at Source Scheme, 2013 notified vide Notification # 03/2013 dated 15-01-2013. However, there is no express provision in the Act for enabling a deductor to file correction statement. It is proposed to amend section 200 to allow the deductor to file correction statements. Consequently, it is also proposed to amend provisions of section 200A of the Act for enabling processing of correction statement filed.
- **Section 201(3) – Time limit for passing order under section 201(1):** It is proposed to omit clause (i) of section 201 (3) of the Act which provides time limit of two years for passing order under section 201(1) for cases in which TDS statement have been filed. It is also proposed to amend clause (ii) of section 201 (3) which provides a time limit of six years from the end of the financial year in which payment/ credit is made for passing of order under section 201(1) for cases in which TDS statement has not been filed and extend this by one more year. This has been done to align the provisions of this section with that of section 148 of the Act.
- **Section 271H - penalty for failure to furnish TDS/TCS statements in certain cases or furnishing of incorrect information in TDS/TCS statements:** The existing provisions of section 271H do not specify the authority which would be competent to levy the penalty under the said section. It is proposed to amend this section to provide that the penalty shall be levied by the Assessing officer.

*These amendments will take effect from 01-10-2014.*

- **Section 40(a) (ia) - Disallowance of expenditure for non-deduction of TDS:** It is proposed to extend the time limit of deposit of tax deducted at source on payments made to non-residents up to the date of filing of return of income under section 139(1), which was presently available only in cases where payments were made to residents. Henceforth, deductor shall be allowed to claim deduction for payments made to non-residents in the previous year of payment, if tax is deducted during the previous year and is paid on or before the due date specified for filing of return under section 139(1) of the Act.

It is also proposed that in case of non-deduction or non-payment of TDS on payments made to residents as specified in section 40(a) (ia), the disallowance shall be restricted to 30% of the amount of expenditure claimed.

It is also proposed that the **disallowance** under section 40(a) (ia) shall extend to all expenditure on which tax is deductible under Chapter XVII-B of the Act.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

- **Section 194DA - Tax deduction at source from non-exempt payments made under life insurance policy:** It is proposed to insert a new section to provide that any income received by a resident under a life insurance policy, including bonus thereon shall be subject to **deduction of tax at source @ 2% unless such income is exempt** under section 10(10D) of the Act or if the **aggregate sum paid** to an assessee in a financial year is less than INR100, 000.
- **Section 194LC - Concessional rate of tax on overseas borrowing:** The existing provisions provide for lower withholding tax rate of 5% on interest paid by an Indian company to non-residents on monies borrowed by it in foreign currency from a source outside India under a loan agreement or through issue of long-term infrastructure bonds at any time on or after the 01-07-2012 but before the 01-07-2015, subject to certain conditions. It is proposed to amend this section to **extend the benefit** of this concessional rate of withholding tax to borrowings by way of issue of **any long-term bond**, and not limited to a long term infrastructure bond. It is further proposed to **extend by two years** the period of borrowing for which the said benefit shall be available, i.e., in respect of borrowings made before 01-07-2017.

*These amendments shall take effect from 01-10-2014.*

#### **CAPITAL GAIN TAX PROVISIONS**

- **Section 56 (2) – Taxability of advance for transfer of a capital asset:** It is proposed to insert a **new clause (ix) in section 56(2)** to provide for the taxability of **any sum of money, received as an advance or otherwise** in the course of negotiations **for transfer of a capital asset**. Such sum shall be chargeable to income-tax under the head 'income from other sources' **if such sum is forfeited** and the negotiations do not result in transfer of such capital asset. A consequential amendment in section 2(24) is also being made to include such sum in the definition of the term 'income'.

The existing provisions of section 51 provide that any advance retained or received shall be reduced from the cost of acquisition of the asset or WDV or the fair market value of the asset. In order to avoid double taxation of the advance received and retained, section 51 is also proposed to be amended to provide that where any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, has been included in the total income of the assessee for any previous year, in accordance with the provisions of section 56(2) (ix), such amount shall not be deducted from the cost for which the asset was acquired or the WDV or

the fair market value, as the case may be, in computing the cost of acquisition.

- **Section 54 and 54F – Long term capital gain exemption on investment in residential house property:** The existing provisions of section 54 provide that where capital gain arises from the transfer of a long-term capital asset, being buildings or lands appurtenant thereto, and being a residential house, and the assessee within a period of one year before or two years after the date of transfer, purchases, or within a period of three years after the date of transfer constructs, a residential house then the amount of capital gains to the extent invested in the new residential house is not chargeable to tax under section 45 of the Act. The existing provisions contained in 54F provide that where capital gains arises from transfer of a long-term capital asset, not being a residential house, and the assessee within a period of one year before or two years after the date of transfer, purchases, or within a period of three years after the date of transfer constructs, a residential house then the portion of capital gains in the ratio of cost of new asset to the net consideration received on transfer is not chargeable to tax.

The benefit was intended for investment in [one residential house](#) within India. Accordingly, it is proposed to amend section 54 so as to provide that the rollover relief under the said section is available if the investment is made in one residential house situated in India. It is further proposed to amend the section 54F so as to provide that the exemption is available if the investment is made in one residential house situated in India.

- **Section 54EC – Capital gain exemption on investment in Specified Bonds:** The existing provisions provide that where capital gain arises from the transfer of a long-term capital asset and the assessee has, within a period of six months, invested the whole or part of capital gains in the long-term specified asset, the proportionate capital gains so invested in the long-term specified asset, out of the whole of the capital gain, shall not be charged to tax. The proviso to the said sub-section provides that the investment made in the long-term specified asset during any financial year shall not exceed fifty lakh rupees.

However, the wordings of the proviso have created an ambiguity. As a result the capital gains arising during the year after the month of September were invested in the specified asset in such a manner so as to split the investment in two years, i.e., one within the year and second in the next year but before the expiry of six months. This resulted in the claim for relief of one crore rupees as against the intended limit for relief of fifty lakh rupees.

Accordingly, it is proposed to [insert a proviso](#) so as to provide that [the investment made](#) by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, [during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.](#)

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- **Section 2(42A) – Classification of assets:** It is proposed to amend the section so as to provide that an [unlisted security and a unit of a mutual fund \(other than an equity oriented mutual fund\)](#) shall be a short-term capital asset if it is held for not more than thirty-six months.
- **Section 112 – Tax on long term capital gain on units:** The existing provisions provide that where tax payable on long-term capital gains arising on transfer of capital asset, being listed securities or unit or zero coupon bonds exceeds 10% of the amount of capital gains before allowing for indexation adjustment, then such excess shall be ignored. As long-term capital gains is not chargeable to tax in the case of transfer of a unit of an equity oriented fund which is liable to securities transaction tax, the benefit under section 112 in respect of unit cover only the unit of a fund, other than an equity oriented fund.

It is proposed to amend the provisions of section 112 so as to [allow the concessional rate of tax of 10% on long term capital gain to listed securities \(other than unit\)](#) and zero coupon bonds.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

### ALTERNATE MINIMUM TAX

- **Section 115JC – Alternate Minimum Tax (AMT):** It is proposed to amend the provisions so as to [extend the applicability](#) of AMT to tax payers claiming deduction in respect of [specified business under section 35AD](#).
- **Section 115JEE – Credit of alternate minimum tax:** With a view to enable an assessee who has paid AMT in any earlier previous year to claim credit of the same, in any subsequent year, it is proposed to amend this section so as to provide that the [credit for tax paid](#) under section 115JC [shall be allowed even in the year in which provisions of AMT are not applicable](#).

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

### CHARITABLE TRUSTS AND SPECIFIED INSTITUTIONS

- **Section 12AA – Registration for the purpose of availing benefits under section 10:** It is proposed to amend the Act to provide specifically that where a trust or an institution has been granted registration for purposes of availing exemption under section 11, and the registration is in force for a previous year, then such trust or



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institution cannot claim any exemption under any provision of section 10 (other than exemption of agricultural income and income exempt under section 10(23C)).

- **Section 10(23C):** It is also proposed to provide that entities claiming benefit under this section would not be entitled to claim any benefit of exemption under other provisions of section 10 (except the exemption in respect of agricultural income).
- **Section 11 - Depreciation not to be treated as application of income:** It is proposed to amend the Act to provide that under section 11 and section 10(23C), income for the purposes of application shall be determined without any deduction or allowance by way of depreciation or otherwise in respect of any asset, acquisition of which has been claimed as an application of income under these sections in the same or any other previous year.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

- **Cancellation of registration of the trust or institution in certain cases:** It is proposed to amend section 12AA to provide that where a trust or institution, has been granted registration, and subsequently it is noticed that its activities are being carried out in such a manner that:
  - (a) its income does not enure for the benefit of general public;
  - (b) it is for benefit of any particular religious community or caste (in case it is established after commencement of the Act);
  - (c) any income or property of the trust is applied for benefit of specified persons like author of trust, trustees etc.; or
  - (d) its funds are invested in prohibited modes,

then the Principal Commissioner or the Commissioner may cancel the registration if such trust or institution does not prove that there was a reasonable cause for the activities to be carried out in the above manner.

*These amendments shall take effect from 01-10-2014.*

- **Exemption on account of registration available to earlier years:** It is proposed to amend section 12A to provide that in case where a trust or institution has been granted registration under section 12AA, the benefit of sections 11 and 12 shall be available in respect of any income derived from property held under trust in any assessment proceeding for an earlier assessment year which is pending before the Assessing Officer as on the date of such registration, if the objects and activities of such trust or institution in the relevant earlier assessment year are the same as those on the basis of which such registration has been granted.

*These amendments shall take effect from 01-10-2014.*



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- **Section 115BBC – Anonymous donations:** Currently, tax at 30% is levied on anonymous donations received by charitable trusts institutions registered/ approved under section 11 or section 10(23C) of the Act. The anonymous donations to the extent of threshold limit presently escapes taxation even if it is otherwise not exempt under section 11 or section 10(23C) of the Act. To correct this anomaly, it is proposed that the income tax payable by such entities will be the aggregate of the following:
  - Tax payable at 30% on anonymous donations exceeding the threshold limit; and
  - The amount of income tax which would have been chargeable had the total income been reduced by the aggregate of such donations in excess of the threshold limit.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

### INCENTIVE FOR MANUFACTURING SECTOR

- It is proposed that the incentive introduced by the Finance Act, 2013 to promote investment in new plant and machinery by the companies that are engaged in manufacturing or production of any article or thing be further extended for medium sized investments. Where the [investment in eligible plant and machinery in a financial year exceeds INR 25 crores](#), such companies would be eligible to claim [one time additional deduction of 15% of the cost](#) of such new plant and machinery acquired and installed;
- This deduction would be available for such investments made [till 31 March 2017](#);
- The [deduction available under the existing combined threshold](#) of INR 100 crore for investment made in financial years 2013-14 and 2014-15 [will continue](#), even if the investment in the year 2014-15 is below the threshold of INR 25 crores.

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

### EXTENSION OF SUNSET DATE UNDER SECTION 80IA FOR THE POWER SECTOR

- It is [proposed to extend sunset clause](#) for commencing eligible activity for claiming profit-linked incentive by power companies from 31-03-2014 to [31-03-2017](#).

*These amendments will take effect from 01-04-2015 and will accordingly apply in relation to AY 2015-2016 and subsequent assessment years.*

**TAX REGIME FOR REAL ESTATE INVESTMENT TRUST (REIT) AND INFRASTRUCTURE INVESTMENT TRUST (Invit)**

- It is proposed to amend the Act to put in place a specific tax regime for providing certainty in taxation for **two new categories of investment vehicles, viz., REIT and Invit (referred to as business trusts)**, for which SEBI has proposed draft regulations.

These trusts would raise capital by way of issue of units, to be listed on a recognized stock exchange, and can also raise debts directly both from residents as well as non-resident investors. The Indian company in which the business trust holds controlling interest or specific interest which may be required by the SEBI Regulations will be considered as a 'Special Purpose Vehicle' (SPV). The proposed tax regime is as under:

Nature of income	Business trust	SPV	Unit holder
Capital gain on trading of listed units of business trust, in recognized stock exchange	Not applicable	Not applicable	<ul style="list-style-type: none"> <li>Would attract the same levy of STT as equity shares;</li> <li>Long term CG will be exempt from tax;</li> <li>Short term CG will be taxable @ 15% (plus surcharge and cess).</li> </ul>
Capital gains on exchange of shares of the SPV for units of business trust	Not applicable	<ul style="list-style-type: none"> <li>No capital gain will arise at the time of exchange of shares;</li> <li>Holding period of shares to be included in holding period of units;</li> <li>Cost of acquisition of shares of SPV to be considered as cost of acquisition of units;</li> <li>Preferential capital gain regime not applicable where such units are sold by sponsor.</li> </ul>	Not applicable
Interest income received by business trust from SPV	<ul style="list-style-type: none"> <li>Interest received will be exempt from tax in the hands of the business trust.</li> <li>Taxes shall be withheld @ 5% in case of</li> </ul>	<ul style="list-style-type: none"> <li>No withholding tax;</li> <li>Deduction will be available to the SPV as per the normal provisions</li> </ul>	The interest component in the income distributed by the business trust will be taxable in the hands of unit holders at the

	payment to non-resident unit holders and 10% in case of payment to resident unit holders.	of the Act.	following rates: <ul style="list-style-type: none"> <li>• 5% (plus applicable surcharge and education cess) in case of non-resident unit holders;</li> <li>• At normal income-tax rates in case of resident unit holders.</li> </ul>
Interest on overseas debt incurred by business trust	Tax to be withheld @ 5%	Not applicable	Not applicable
Dividend income from SPV on shares held by business trust	Dividend received will be exempt from tax	DDT will be payable by SPV	Dividend distributed by the business trust will be exempt from tax
Capital gains on disposal of assets by the business trust	Taxable at the rates applicable for 'capital gains'.	Not applicable	The income distributed by the business trust will be exempt from tax.
Other income	Will be taxable at maximum marginal rate	Not applicable	Any distributed income (other than interest income) received by the unit holder from the business trust will be exempt from tax

These amendments will take effect from **01-10-2014**.

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## AN OVERVIEW

The BJP lead NDA govt presented its maiden budget of the 16<sup>th</sup> Lok Sabha on the floor of the Parliament on 11<sup>th</sup> July 2014. The much awaited budget was hosted by the Hon'ble Finance Minister Mr. Arun Jaitley, who with an intention of clearing the grey areas and expressing the gravity or sensitivity of tax defaults, proposed a few changes in the present Service Tax law of India. The amendments are discussed as follows.

## NEW EXEMPTIONS

New exemptions were announced in respect of the following services:

- Services of treatment or disposal of bio-medical waste to a clinical establishment.
- Services by way of transportation by rail or a vessel from one place in India to another of organic manure and cotton, ginned or baled.
- Services provided by a goods transport agency by way of transportation of organic manure and cotton, ginned or baled.
- Services of life insurance provided under the scheme of life micro insurance product as approved by IRDA which has a maximum covered amount of Rs 50,000.

- Service by way of loading, unloading, packing, storage or warehousing of rice and cotton, ginned or baled.
- Service received by RBI from outside India in relation to management of foreign exchange reserves.
- Services provided by a tour operator to a foreign tourist in relation to a tour conducted outside India.

The above changes shall be applicable w.e.f. 11<sup>th</sup> July 2014.

## EXEMPTIONS WITHDRAWN

The following services which were erstwhile exempt shall now stand taxable w.e.f. 11<sup>th</sup> July 2014.

- Services by way of technical testing or analysis of newly developed drugs, including vaccines and herbal remedies, on human participants by a clinical research organization.
- Transport of passengers by air-conditioned contract carriages (Benefit of abatement is allowed and Service Tax is payable on 40% of the value of service).
- Transport of passengers by a motorcab shall also include radio taxis which were erstwhile exempt from service tax under the Negative list. (Benefit of abatement is allowed and Service Tax is payable on 40% of the

value of service).

- Scope of taxability on sale of space for advertisement in broadcast media, namely radio or television is proposed to be extended to cover such sales on other segments like online and mobile advertising, advertisements in internet websites, out-of-home media, on film screen in theatres, bill boards, conveyances, buildings, cell phones, Automated Teller Machines, tickets, commercial publications, aerial advertising, etc. (w.e.f. from the day the finance bill receives the assent of the president)

### CLARIFICATIONS TO EXISTING EXEMPTIONS

Further, a few changes were made in existing exemption provisions with a view to remove ambiguity and tighten the legislative intent. These changes can be summarized as below:

**(A)** Services in relation to education (changes applicable w.e.f 11<sup>th</sup> July 2014):

The definition of auxiliary services provided to educational institutions has been deleted and a more straight forward exemption has been announced as under:

- Services provided **to** educational institution in respect of
  - Transportation of students, faculty and staff of educational institution.

- Catering services including any mid-day meal scheme sponsored by government.
- Security or cleaning or house-keeping services in such educational institution.
- Services relating to admission to such institution or conduct of examination.
- Exemption on Services provided **by** an educational institution to its students, faculty and staff.

Therefore, from 11<sup>th</sup> July onwards, all the services provided to or by educational institutions apart from the above mentioned exemptions shall attract Service tax under the provisions of Finance Act 1994.

**(B)** Exemptions on services received by a unit of SEZ (changes applicable w.e.f 11<sup>th</sup> July 2014)

Provisions with regard to claiming of exemption for SEZ units/

- developers made more simplified by imposing time limits on the jurisdictional authorities for issuance of Form A-2.
- Service provided by sub-contractor to contractor who is further

providing services (except Works Contract Service) to SEZ unit or the developer, benefit of exemption shall not be allowed to the sub-contractor.

- Service Tax shall not be charged by the service provider if the services are provided to SEZ unit or developer on the basis of form A-1 but if form A-2 is not received within 3 months from the SEZ unit, Service Tax shall be paid by service provider.

### CHANGES IN ABATEMENTS ON EXISTING SERVICES

Changes have been made in the conditions on the basis of which a few services were eligible for abatements in tax rates. These changes can be understood as follows:

- Taxable portion in respect of transport of goods by vessel is being reduced from 50% to 40%. (w.e.f. 1<sup>st</sup> Oct 2014)
- Rule 2A of the Service Tax (Determination of Value) Rules, 2006, category "B" and "C" of works contracts are proposed to be merged into one single category, with percentage of service portion as 70%.
- The term "any vehicle designed to carry passengers" has been substituted with the word "motorcab" in clause 9 of the notification. Further, benefit of CENVAT on input services of renting a motorcab shall

be available on such services as follows: (w.e.f. 1<sup>st</sup> Oct 2014)

- Full CENVAT shall be available on input services availed from a person who is paying tax on 40% value.
- 40% CENVAT shall be available on input services availed from a person who is paying tax on full value.
- A new clause 9A introduced which covers cases of transportation of passengers in a contract carriage other than motorcab. Such services shall attract tax on 40% value without any CENVAT credit.
- Tour operators shall be eligible to claim CENVAT credit of input services (services availed from another tour operator who is taking the benefit of abatement scheme. (w.e.f. 1<sup>st</sup> Oct 2014)

### CHANGES IN REVERSE CHARGE MECHANISM

A few changes have been made in the provisions relating to reverse charge mechanism. These changes are as under:

- If Rent a cab service provider does not claim the benefit of abatement scheme, service provider and service receiver both shall pay 50% of Service Tax each.
- Services provided by recovery agents to Banks, Financial Institution and NBFC brought under reverse charge. (100% reverse charge)

- Services provided by a director of a company to the said company or a body corporate shall be taxable under reverse charge at 50% against the erstwhile 100%.

### CHANGES IN CENVAT CREDIT RULES

A few changes have been announced in the present CENVAT rules which are:

- In case of Service Tax paid under full reverse charge, the condition of payment of invoice value to the service provider for availing credit of input services is being withdrawn. However, there is no change in respect of partial reverse charge. (w.e.f 11<sup>th</sup> July 2014)
- Re-credit of CENVAT credit reversed on account of non-receipt of export proceeds within the specified period or extended period, to be allowed, 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. (w.e.f 11<sup>th</sup> July 2014)
- 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. Currently, CENVAT Credit can be claimed at any time after receipt of invoice. (w.e.f. 1<sup>st</sup> Sep 2014)

### CHANGES IN POINT OF TAXATION RULES

Following changes have been brought about in the Point of Taxation Rules 2012: (w.e.f. 1<sup>st</sup> Oct 2014)

- Point of taxation in respect of reverse charge will be the payment date or the first day immediately after a period of three months from the date of invoice, whichever is earlier.

### CHANGES IN PLACE OF PROVISION OF SERVICE RULES

The place of provision of service rules have been amended to the following extent (w.e.f. 1<sup>st</sup> Oct 2014):

- Conditions for determination of place of provision of repair service carried out on goods imported temporarily are specifically omitted from Rule 4.
- The definition of intermediary is being amended to include the intermediary services in respect of goods (earlier it was only in respect of services) in its scope under Place of Provision of service rules.
- Clause (d) of Rule 9 amended to exclude hiring of aircrafts and vessels except yachts (up-to one month).



## CHANGES IN SERVICE TAX PROCEDURES

The procedures have also been amended to (w.e.f. 1<sup>st</sup> Oct 2014):

- Interest rates hiked from flat 18% (15% for small service providers) to 18% for first six months, 24% for the next six months & 30% for delay beyond one year.
- E- Payment of Service Tax made mandatory for every assessee.
- Advance ruling options extended to resident private limited companies.

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