Demand under normal period raised to 30 months in Service Tax; Two years in Excise and Customs.

Indirect Tax Dispute Resolution Scheme 2016 – Pending appeals before Commissioner (Appeals) can be closed by paying full duty / tax, interest and 25 % of the penalties – Not so impressive.

Interest rates reduced to 15 %. (For amount collected as ST collected and not paid 24 %. ST collected in excess 15 %)

Service Tax

Exit from Negative List. Entry to Exemption Notification.

* Specified Education Services.
* Transport of passengers by Stage Carriage (Non air-conditioned Stage Carriages to be exempted). Level playing field with contract carriages providing same service.
* Transportation upto Indian Customs station by vessel or air (Air alone included in exemption).

Assignment of spectrum by Government to be a service.

Arrest only in cases of ST collected and not paid involving more than Rs.2 crores.

Amended definition of “government authority” given retrospective effect.

Construction related exemptions withdrawn from 01.04.2015, restored for contracts entered before 01.03.2015 and such exemption limited upto 31.03.2020.

Krishi Kalyan Cess @ 0.5 % on all services from 01.06.2016. Cenvatable.

Changes in Abatements.

|  |  |  |  |
| --- | --- | --- | --- |
| Service | Earlier Taxable portion after abatement | Now Taxable portion after abatement | Other changes |
| Transport of goods by rail | 30 % | 30 % | Earlier no cenvat credit could be taken. Now only credit on inputs and capital goods cannot be taken. |
| Transport of goods by rail in containers by persons other than railways | No such separate provision | 40 % | No credit on inputs and capital goods can be taken. |
| Transport of passengers by rail | 30 % | 30% | Earlier no cenvat credit could be taken. Now only credit on inputs and capital goods cannot be taken. |
| GTA Service for household goods | 30 % (with no such separate distinction) | 40 % | No cenvat credit could be taken. |
| Service Provided in relation to chit | 70 % | 70 % | Now description changed as Services provided by foreman of the chit. |
| Transportation of passengers by Stage CArriage |  | 40 % | No cenvat credit can be taken. |
| Transport of goods in a vessel | 50 % | 50 % | Earlier no cenvat credit could be taken. Now only credit on inputs and capital goods cannot be taken. |
| Tour operator | 25 %; 10 %; 30 % | Rationalised. 25 % for package tour removed. 30 % raised to 40 % |  |
| Construction of complex | 25 %; 30 % | 30 % | Distinction removed. |
| Renting of motor cab | 40 % | 40 % | Value of Diesel borne by service receiver to be added. |

Senior Advocates to pay ST themselves (No reverse charge). Services provided by them not in connection with industry, business or profession exempted.

Construction related exemption to monorail and metro rail projects, withdrawn prospectively.

Performing artists’ threshold exemption raised from Rs. 1 lakh to Rs.1.5 lakh.

Transport of passengers by ropeway, cable car, aerial tramway – Exemption withdrawn.

Exemption for EPFO, IRDA, SEBI, NCCCD.

New levies and New services – ST payable for all the amounts received after the introduction of the new service / new levy. Rule 5 of POT Rules amended.

NO ST on software if ED/CVD paid on MRP basis. Segregation of value between sale and service – recognised.

An Annual Return to be filed by Service providers.

OPCs, given the benefit of quarterly payment and non-observance of POT rules.