

Notification No. 28/2016 ST dated 26.05.2016

Exemption from service tax for taxable services shall also be exempted from Krishi kalyan Cess

On the introduction of new levy i.e. Krishi kalyan Cess in budget 2016-17, the central government the above notification clarifying the following:

- ✓ Krishi Kalyan Cess shall also not be liable for service tax if any service is either exempt from the whole of service tax by a notification or special order issued under sub-section (1) or as the case may be under sub-section (2) of section 93 of the Finance Act, 1994 or otherwise not leviable to service tax under section 66B of the Finance Act, 1994;
- ✓ Krishi kalyan Cess will be leviable only on proportionate taxable percentage of the value for the services covered under Notification No. 26/2012 ST dated 20.06.2012 (i.e. Abatement notification);
- ✓ Krishi kalyan Cess will be leviable only on proportionate taxable percentage of the value for the services where part value is not taxable under rule 2A, 2B, 2C of the Service Tax (Determination of Value) Rules, 2006 (i.e. Works Contract services, Restaurant services, Money exchange etc.).

For example: Restaurant services are taxable on only 40% of the value. Therefore, even Swachh Bharat cess shall also be only proportionately taxed at 40% of the value i.e. $(0.5\% * 40\% = 0.20\%)$. Therefore, effective rate of service tax in this case shall be only 0.2%