



SERVICE TAX

BUDGET ANALYSIS 2017-18



FINANCE ACT 2017

Notification/Section	Amendment W.E.F.	Existing Provision	Amendment in Existing / New Provision	Our Analysis
Section 65B Clause (40)	Enactment of the Finance Bill	(40) “process amounting to manufacture or production of goods” means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 (1 of 1944) [or the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 (16 of 1955)] or any process amounting to manufacture of opium, Indian hemp and other narcotic drugs and narcotics on which duties of excise are leviable under any State Act for the time being in force;	Definition is omitted	This definition was in line with the clause (f) of Section 65(D) (negative list), the said clause (f) is omitted hence definition is also deleted.
Section 65D Clause (f)	Enactment of the Finance Bill	(f) services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption;	Existing provision omitted	These services are proposed to be omitted from the negative list. The service tax exemption on them is being continued by incorporating them in the general exemption notification No. 25/2012-ST as amended by notification No. 07/2017-ST, dated 2nd February, 2017
Section 96A Clause (d)	Enactment of the Finance Bill	(d) “Authority” means the Authority for Advance Rulings, constituted under sub-section (1), or authorised by the Central Government under	‘(d) “Authority” means the Authority for Advance Rulings as defined in clause (e) of section 28E of the Customs Act, 1962;’	Advance Ruling Authority constituted under Income Tax Act will also be dealing with the matters under Customs,

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		sub-section (2A), of section 28F of the Customs Act, 1962 (52 of 1962);		Excise and Service Tax. Accordingly, Clause (d) of section 96A is being amended so as to substitute the definition of Authority in line with the change in definition of Authority under section 28 (E) of Customs Act, 1962
Section 96B	Enactment of the Finance Bill	Vacancies, etc., not to invalidate proceedings. — No proceeding before, or pronouncement of advance ruling by, the Authority under this Chapter shall be questioned or shall be invalid on the ground merely of the existence of any vacancy or defect in the constitution of the Authority.	Omitted	Section 245P of the Income Tax Act, 1961 provides similar provision which is also applicable to Advance Ruling authority under service tax, hence deleted.
Section 96C	Enactment of the Finance Bill	(3) The application shall be made in quadruplicate and be accompanied by a fee of two thousand five hundred rupees.	(3) The application shall be made in quadruplicate and be accompanied by a fee of ten thousand rupees.	Application fee for seeking advance ruling has been increased to Rs. 10,000/- from Rs. 2500/- in line with Income Tax Act.
Section 96D	Enactment of the Finance Bill	(6) The Authority shall pronounce its advance ruling in writing within ninety days of the receipt of application.	(6) The Authority shall pronounce its advance ruling in writing within six months of the receipt of application.	Time limit for pronounce the ruling by Advance Ruling Authority has been increased to 6 months from 90 days in line with Income Tax Act.
Section 96HA	Enactment of the Finance Bill	New Provision	"96HA. On and from the date on which the Finance Bill, 2017 receives the assent of the President,	Pending application with existing Advance Ruling Authority shall be transferred to the Authority under Income

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			every application and proceeding pending before the erstwhile Authority for Advance Rulings (Central Excise, Customs and Service Tax) shall stand transferred to the Authority from the stage at which such application or proceeding stood as on the date of such assent.”.	Tax Act from the stage at which such application or proceeding stood as on the date of assent to the Finance Bill.
Section 104	Enactment of the Finance Bill	New Provision	“104. (1) Notwithstanding anything contained in section 66, as it stood prior to the 1st day of July, 2012, or in section 66B, no service tax, leviable on one time upfront amount (premium, salami, cost, price, development charge or by whatever name called) in respect of taxable service provided or agreed to be provided by a State Government industrial development corporation or undertaking to industrial units by way of grant of long term lease of thirty years or more of industrial plots, shall be levied or collected during the period commencing from the 1st day of June, 2007 and ending with	<p>Service tax on lease rent or amount under any name collected by State Government Industrial Development Corporation (SGIDC) for allotment of long term lease of industrial plot (30 years or more) has been exempted by Notification No. 41/2016 ST dated 22 September 2016</p> <p>Now retrospective exemption has been granted from payment of service tax on lease rent collected by SGIDC for the period from 1 June 2007 to 21 September 2016.</p> <p>Refund shall be made within 6 months from date of recipient assent to the Finance Bill</p>

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Notification/Section	Amendment W.E.F.	Existing Provision	Amendment in Existing / New Provision	Our Analysis
			<p>the 21st day of September, 2016 (both days inclusive).</p> <p>(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times.</p> <p>(3) Notwithstanding anything contained in this Chapter, an application for claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2017 receives the assent of the President.</p>	
Section 105	Enactment of the Finance Bill	New Provision	<p>105. (1) Notwithstanding anything contained in section 66, as it stood prior to the 1st day of July, 2012, or in section 66B, no service tax shall be levied or collected in respect of taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force, respectively, under the Group Insurance</p>	<p>Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, is being made effective from 10 September 2004, the date from when the services of life insurance became taxable</p>

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			<p>Schemes of the Central Government, during the period commencing from the 10th day of September, 2004 and ending with the 1st day of February, 2016 (both days inclusive).</p> <p>(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times.</p> <p>(3) Notwithstanding anything contained in this Chapter, an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2017 receives the assent of the President."</p>	
Section 2A Service Tax (Determination of Value) Rules, 2006	Enactment of the Finance Bill	New Provision	<p>128. (1) In the Service Tax (Determination of Value) Rules, 2006 made by the Central Government in exercise of the powers conferred by section 94 of the Finance Act, 1994, published in the Gazette of India <i>vide</i> notification of the Government of India in the</p>	Rule 2 A of Service Tax (Determination of Value) Rules, 2006 is being amended with effect from 01.07.2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include

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			<p>Ministry of Finance (Department of Revenue) number G.S.R. 228(E), dated the 19th April, 2006,— (a) rule 2A as inserted by the Service Tax (Determination of Value) (Amendment) Rules, 2007 published <i>vide</i> number G.S.R. 375(E), dated the 22nd May, 2007; and (b) rule 2A as substituted by the Service Tax (Determination of Value) Second Amendment Rules, 2012 published <i>vide</i> number G.S.R. 431(E), dated the 6th June, 2012, shall stand amended and shall be deemed to have been amended in the manner specified in column (3) of the Sixth Schedule, on and from and up to the corresponding date specified in column (4), against each of the rule specified in column (2) thereof. fence which would not have been so punishable had this section not come into force.</p>	<p>value of property in such land or undivided share of land.</p> <p>Value on which service tax is payable was reduced from 40% to 25% from 1 July 2010 retrospectively. However, for the period 1 March 2013 to 31 March 2016, benefit 25% is applicable in case works contract for construction of residential units having carpet area upto 2000 sqft or/and where the amount charged per residential unit is less than Rs. 1 crore, otherwise service tax is payable on 30% value.</p> <p>From 1 April 2016 service tax is payable on 30% of value for all works contract services</p>
			(2) Notwithstanding anything contained in any judgment, decree or order of any court,	

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			<p>tribunal or other authority, any action taken or anything done or purported to have been taken or done at any time during the period specified in column (4) of the Sixth Schedule relating to the provisions as amended by sub-section (1) shall be deemed to be and deemed always to have been, for all purposes, as validly and effectively take n or done as if the amendment made by sub-section (1) had been in force at all material times. (3) For the purposes of sub- section (1), the Central Government shall have and shall be deemed to have the power to make rules with retrospective effect as if the Central Government had the power to make rules under section 94 of the Finance Act, 1994, retrospectively, at all material times. <i>Explanation.</i>—For the removal of doubts, it is hereby declared that no act or omission on the part</p>	

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			of any person shall be punishable as an of	
Repeal of The Research and Development Cess Act, 1986	1 April 2017		Repeal of Repeal of The Research and Development Cess Act, 1986	Exemption to the extent of R&D Cess will not be available and full service tax along with cesses (Swachh Bharat Cess and Krishi Kalyan Cess) would be applicable to the services involving import of technology. R&D Cess being non-creditable becoming cost which will be saved

NEW NOTIFICATION / CIRCULAR ISSUED UNDER SERVICE TAX

Notification/Section	Amendment W.E.F.	Existing Provision	Amendment in Existing / New Provision	Our Analysis
Notification No. 7/2007-ST dated 2 February 2017 Amended the Notification No. 25/2012 ST dated 20 June 2012	2 February 2017	9B. Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme, - (a) two year full time residential Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which	9B. Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme, - (a) two year full time Post Graduate Programmes in Management for the Post Graduate Diploma in	Service tax exemption extended to any Post Graduate Programmes (PGP) in Management conducted by IIMs, earlier exemption was for residential PGP only.

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		admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;	Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;	
Notification No. 7/2007-ST dated 2 February 2017 Amended the Notification No. 25/2012 ST dated 20 June 2012	2 February 2017	New Notification	23A. Services provided to the Government by way of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating at a Regional Connectivity Scheme Airport, against consideration in the form of Viability Gap Funding (VGF) Provided that nothing contained in this entry shall apply on or after the expiry of a period of one year from the date of commencement of operations of the Regional Connectivity Scheme Airport as notified by the Ministry of Civil Aviation."	Exemption from service tax is being provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers under the Regional Connectivity Scheme (RCS) for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) as notified by Ministry of Civil Aviation
Notification No. 7/2007-ST dated 2 February 2017 Amended the Notification No. 25/2012 ST dated 20 June 2012	2 February 2017	New Notification	"26D. Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.	Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government is being

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				exempted from service tax
Notification No. 7/2007-ST dated 2 February 2017 Amended the Notification No. 25/2012 ST dated 20 June 2012	Enactment of the Finance Bill	<p>30. Carrying out an intermediate production process as job work in relation to -</p> <p>(a) agriculture, printing or textile processing;</p> <p>(b) cut and polished diamonds and gemstones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 of the Central Excise Tariff Act ,1985 (5 of 1986);</p> <p>(c) any goods on which appropriate duty is payable by the principal manufacturer; or</p> <p>(d) processes of electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, during the course of manufacture of parts of cycles or sewing machines upto an aggregate value of taxable service of the specified processes of one hundred and fifty lakh rupees in a financial year subject to the condition that such aggregate value had not exceeded one hundred and fifty lakh rupees during the preceding financial year;</p>	<p>30. Services by way of carrying out,-</p> <p>(i) any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption; or</p> <p>(ii) any intermediate production process as job work not amounting to manufacture or production in relation to –</p> <p>(a) agriculture, printing or textile processing;</p> <p>(b) cut and polished diamonds and gemstones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 of the Central Excise Tariff Act, 1985 (5 of 1986);</p> <p>(c) any goods excluding alcoholic liquors for human consumption, on which appropriate duty is payable by the principal manufacturer; or</p> <p>(d) processes of electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, during the course of manufacture of parts of cycles or sewing machines upto an aggregate value of taxable service</p>	The services by way of carrying out process which amounting to manufacture or production of goods has been shifted from negative list of services to exemption notification.

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			of the specified processes of one hundred and fifty lakh rupees in a financial year subject to the condition that such aggregate value had not exceeded one hundred and fifty lakh rupees during the preceding financial year;”.	
Notification No. 7/2007-ST dated 2 February 2017 Amended the Notification No. 25/2012 ST dated 20 June 2012	Enactment of the Finance Bill	New notification	“(ya) “process amounting to manufacture or production of goods” means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 (1 of 1944), or the Medicinal and Toilet Preparation (Excise Duties) Act, 1955(16 of 1955) or any process amounting to manufacture of opium, Indian hemp and other narcotic drugs and narcotics on which duties of excise are leviable under any State Act for the time being in force.	The definition of process amounting to manufacture or production of goods has been shifted from section 65B Clause (40)

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