



The Institute of Chartered Accountants of India

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NEWS LETTER

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EDITORIAL

It is very glad to note that the Government at central and in the newly divided AP State have successfully completed their one year period of power in politics. The intentions of both the Governments are very closely spelled out that our India should be free from poverty, illiteracy and corruption. All out efforts are being made by the governments in this direction and of course there is a long way to go to achieve the above objectives. Our Institute has joined hands with the government in making the Swach Bharath Programme a grand success and very glad to note that all of our Chartered Accountant's fraternity including students have responded very well in this program and participated actively. The new provisions of Income Tax Act and Companies Act have come into effect besides new service tax rate from 01.06.2015. More emphasis and importance is given to curb the black money mirage with Indians who have kept their amounts in foreign countries both in the form of bank balances and other immovable assets. The Central Government is very stringent in penalizing such Indians who are not coming in line with government's direction immediately. The government is taking further steps in controlling and containing the effect of black money within India among the resident Indians. However, ultimately, the best part of the elimination of black money will be only by the integrated efforts of the assesses with all their integrity and whole heartedness.

It is very unfortunate that the government has not able to come out with proper forms of returns of income in time. We may expect the same in the third week of June and the date for filing of returns is extended to 31st of August, 2015.

Let us celebrate the CA day on 1st of July 2015 with all merry and happiness and with a dedicated pledge to serve the nation with our professional services to all the stakeholders satisfactorily sincerely and honestly.

CA.Dr.D.HARISCHANDRA RAMA
Chairman,
News letter committee,
Anantapur branch of SIRC of ICAI.

The Anantapur Branch of SIRC of ICAI

Chairman speaks....

The Members of Anantapur Branch of SIRC celebrated 1st Anniversary on 24th May 2015 with happiness and joy, which boosted further energy to work for the ensuring year for the interest of Members and Students.

We are pleased to inform you that Infrastructure Committee of Anantapur Branch of SIRC of ICAI is constituted by the President of ICAI for Branch Land and Buildings consisting of CA J VENKATESWARULU, Central Council Member who will head the Committee as Chairman, myself, CA A G VENUGOPAL REDDY, CA D HARISCHANDRA RAMA AND CA R. GANGADHARA GUPTHA. We are requesting all the members to help the Committee by their own donations and donations from philanthropic persons.

To our requisition the Internal Audit Standards Board, Noida vide their Letter dated 20th May 2015, noted the request received from Anantapur Branch of SIRC for conducting Certificate Course of Concurrent Audit of Banks and we are getting the opportunity to have the said Course at Anantapur Branch, which needs 50-60 members participation. Now all banks started Concurrent Audit of Branches and insisting the said Certificate. Kindly enrol yourself and convey the message to your professional colleagues so as to commence the said Programme at Anantapur Branch at an early date.

There will be Branch Level Task Force to make popularisation of CA Course and SICASA CHAIRMAN CA K SREEDHAR is the convener, myself and Secretary CA D HARISCHANDRA RAMA are ex-officio Members and suggested CA ARAVINDA RAMA AND and CA RAGHAVENDRA who are nominated persons.

The Finance Act 2015 enacted which amended Section 269SS AND Section 269T and imposing penalties for accepting/repayment specified sums twenty thousand rupees or more in cash in relation to transfer of an immovable property, any loan or deposit or any sum of money whether as advance or otherwise from 1st June 2015. TDS and TCS amendments, i.e TDS on Recurring Deposits interest etc., shall be effective from 1st June 2015. Significant changes in service tax from 1st June 2015 rate of Service tax u/s 66B from 12.36% to 14%, recovery and penalty provisions rationalised, Definition of service, addition of chit fund/lottery. Undisclosed Foreign Income and Assets (imposition of Tax) Act 2015 enacted which imposes stringent penalties and enhanced punishment for various types of violations. A one-time compliance window for a limited and short period of time will be given... The duration of short period will be worked out, will be specified in due course of time. To ensure Independence of the Chartered Accountant in case of any client, eligibility and disqualifications have been prescribed under Section 288, read with 44ab of Income Tax Act. As our President CA MONOJ FADNIS said Chartered Accountants need to continue being ever-awake and ever-creative and we must feel competent. Like Garuda, we have to be patient but alert and focused, having sense of responsibility and so to be updated to the changes.

I would like to extend my heartiest wishes in advance on 1st July 2015 CA DAY to bring moments of peace, love and joy which will be celebrated by the Branch and Agenda will be intimated in due course.

**Yours friend in Profession
CA.B.Srinivasa kumar
Chairman of the branch,
Anantapur branch of SIRC of ICAI**

The Anantapur Branch of SIRC of ICAI

LATEST AMENDMENTS IN TDS

IN FINANCE BILL 2015 SOME MAJOR AMENDMENTS REGARDING TDS HAVE BEEN MADE AS UNDER:

Under the existing provisions contained in the proviso to clause (i) of sub-section (3) of the section 194A, income credited or paid in respect of time deposits with a banking company or cooperative society or deposits with a public company. as the case may be, shall be computed with reference to the branch of the banking company or co-operative society or public company, as the case may be.

It is proposed to insert a proviso after the existing proviso to the said clause (i) of sub-section (3) of the aforesaid section so as to provide that the amount referred to in the first proviso shall be computed with reference to the income credited or paid by the banking company or the co-operative society or the public company, as the case may be, where such banking company or the co-operative society or the public company has adopted core banking solutions.

The existing provisions of clause (v) of sub-section (3) of the aforesaid section provide that the provisions of sub-section (1) of the aforesaid section shall not apply to income credited or paid by a co-operative society to a member thereof or to any other cooperative society.

It is proposed to amend the said sub-clause so as to provide that the provisions of sub-section (1) of section 194A shall not apply to income credited or paid by a co-operative society (other than a co-operative bank) to a member thereof or to such income credited or paid by a co-operative society to any other co-operative society.

In this connection some points should be made clear in our mind :

[1] TDS will be deducted on CBS approach. Before 01-06-2015, TDS was deducted by banks considering branch customer

Approach. i.e. interest earned on deposits kept with different branches was not clubbed by banks for TDS purpose. Now, the banks will deduct TDS considering bank customer approach i.e. interest earned on deposits kept with different branches will be clubbed by banks for TDS purpose. So, customers can not escape by keeping deposits in different branches for TDS purpose

2 TDS will be deducted by cooperative banks from their members also. So, for investors there is no benefit of being a member of cooperative Bank for TDS purpose.

[3] The definition of 'time deposits' is also amended and now "Time deposits" shall not exclude but include recurring deposits.

[4] However, wherever applicable customers can submit 15H/15G form not non dedcution of TDS. It should be noted that PAN is required to submit 15H/15G form to banks. If PAN is given TOS will attract rate of 10% , otherwise TDS will be deducted @ 20%. Investors have to submit this form in the beginning oT the financial year to avail the benefit of non deduction of TDS. If a customer submits this form after deducting TDS the bank will not refund it as the bank has already transferred it to Income tax department. If TOS is deducted, the customer can get back as a refund only by filing the Return.

[5] concluding the limit Of Rs.10000/ will be applied bank wise and not branchwise , total interest earned on time deposits including recurring deposits and members of cooperative banks are not exempted for TDS purpose.

No doubt this amendment vall force black money to come out but it will hassle for small investors. Also, it will increase administrative burden of refunds ta Income tax department.

Small depositors have to complete RETURN PROCESS for refunds by consulting professionals for a 'very small refund of TDS.

CA.Dr.A .G.VENUGOPAL REDDY
M.com., LL.B., FCA., DISA(ICAI) Ph.D.,
CHARTERED ACCOUNTANT

The Anantapur Branch of SIRC of ICAI
Sustainability Reporting - A New Dimension of a CA

Introduction:

Global warming, climate change, social degradation and economic crisis are posing serious threats for the organizations to survive. Day by day organizations are striving to be transparent and accountable to various stakeholders of the organization to preserve their reputation and brand image. To curtail this problem Global Reporting Initiative (GRI) took initiative towards a better tomorrow. Global Reporting Initiative is a non-profit organization that works towards a sustainable global economy by providing sustainability reporting guidance. Global Reporting Initiative Guidelines defines Sustainability Reporting as “the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development”. The first environmental reports were published in 1980s by companies in chemical industry which had serious image problems. Sustainability Reporting is a recent trend forming part of the annual reports of many companies. These reports are intended to improve internal processes, engage stakeholders and influence investors

Role of CA in Sustainability Reporting:

A Sustainability Report is an organizational report that gives information about economic, environmental, social and governance performance. Sustainability Reporting is a vital element in Integrated Reporting that has evolved in the recent years portraying both financial and non-financial performance of the organization. GRI Focal Points are national offices that drive GRI activity in particular countries and regions. GRI currently has Focal Points in a number of strategic countries; Australia, Brazil, China, India and the USA. As we are aware about the supremacy of Institute of chartered Accountants of India in the Accounting and Assurance practices, to extend its wings ICAI joined GRI Focal point of India in 2011. Henceforth CA's will venture in the administration of sustainability reporting practices of companies along with financial audit and assurance. According to a recent survey more than 50% of the sustainability reports in India are externally assured. So CA's have a

major role to play, not only to audit financials but to assure and monitor the sustainability reports of companies and save the bio-diversity of our nation.

Benefits of Sustainability Reporting:

According to Global Reporting Initiative, Sustainability Reporting benefits organizations in following ways:

- Increased understanding of risks and opportunities.
- Emphasizing the link between financial and non-financial performance.
- Influencing long term management strategy and business plans.
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes and voluntary disclosures.
- Comparing performance internally and between organizations and sectors.
- Mitigating or reversing negative environmental and social impacts.
- Improves reputation and brand loyalty.
- Enabling stakeholders to understand company's true value.

The GRI Five Phase Process: Following are the five phases in the development of Sustainability Reports:

Phase 1: Prepare

- Defining the report scope, boundary and time period which will be company specific.
- Getting started: Linking business goals and sustainability impacts.

Phase 2: Connect

- Understanding the importance of stakeholder engagement in the reporting process.
- Stakeholder identification and prioritization.
- Effective stakeholder communication.

Phase 3: Define

- Identifying relevant sustainability issues for action and reporting.
- Evaluating existing monitoring systems.
- Setting goals and performance targets.

Phase 4: Monitor

- Adhering to GRI indicators and protocols.
- Checking processes and monitoring activities.
- Ensuring quality of information.

Phase 5: Communicate

- Maximizing internal and external report value.
- Incorporating sustainability reporting into traditional annual report.
- Designing report for clarity and readability

Conclusion: Sustainability Reporting is not just a compliance or a mandatory requirement by SEBI for all the top 100 listed companies, but an opportunity for a CA to show their responsibility towards the nation. So being CA's let's join hands and give our share in protecting the ecological balance.

**CA RASHMI AINAPUR,
CHARTERED ACCOUNTANT**

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Companies (Auditor's Report) Order, 2015 Under Old and New Act

Applicability: All Companies except:

- Banking Company
- Insurance Company
- Section 8 Company
- OPC
- Small Company
- Private Company
- □ □ □ □ Paid up Capital & Reserves not more than Rs. 50 lakh; and
- □ □ □ □ Does not have outstanding loan exceeding Rs. 25 lakh from any bank or institution; and
- □ □ □ □ Does not turnover exceeding Rs. 5 crore at any point of time during the financial year

Matters to be included in the Auditor's Report

	Changes in CARO 2013
(i) Reporting on maintaining, verifying and disposing off the fixed assets	Requirement to report disposing off of substantial part of fixed assets during the year, if any, has been done away with.
(ii) Physical Verification and maintenance of records of Inventories	Same Provision
(iii) Reporting on repayment of loans granted by the Company	Reporting of loans taken by the Company not included in CARO, 2015. Reporting on rates charged not required under CARO, 2015 as company will charge as per Section 186 (7).
(iv) Internal control System	Reporting on adequate internal control procedure for sale of services also included under CARO, 2015
Transactions entered by the company in which the director(s) is/are interested	No such provision in CARO 2015 Reporting on whether transactions in which directors are interested and pricing of these transactions are not required. Act, 2013 mandates Audit Committee to review all related party transactions inter-alia determining whether the same has been conducted on arm's length basis or not. Merely charging at prevailing market price is no more the criteria. Entire transaction needs to be on arm's length basis.

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(v) Acceptance of deposits	Same Provision
Internal Audit System	No such provision in CARO 2015 The purpose of internal audit is to identify that whether the compliance system is adequate commensurate with the size of the company. Act, 2013 mandates the Directors to report the same under Director's Responsibility Statement under Section 134.
(vi) Cost Records	Same Provision
(vii) Payment of applicable taxes	CARO, 2015 mandates the reporting whether amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
(viii) Accumulated losses	Same Provision
(ix) Default in repayment of dues	Same Provision
Records required to be maintained by the company	No such provision in CARO 2015 CARO, 2015 does not mandate reporting of the same as pledge of shares has been included in the definition of charge and the auditor can assess the same by viewing relevant forms for the same.
Compliance of special statue provisions	No such provision in CARO 2015
Records maintained	No such provision in CARO 2015
(x) Guarantee for loan taken	Same Provision
(xi) Applicability of term loan	Same Provision
Details of funds raised	No such provision in CARO 2015
Preferential Allotment and determination of arm's length price	No such provision in CARO 2015 Act, 2013 mandates under Section 62 (1) (c) obtaining valuation report for preferential allotment made, which takes care of pricing issue. Thus, the same has not been included under CARO, 2015
Creation of security	No such provision in CARO 2015
End-use of money raised	No such provision in CARO 2015
(xii) Reporting of fraud	Same Provision

Reasons to be stated for unfavourable or qualified answers - No change

CA.Dr.A .G.VENUGOPAL REDDY
M.com., LL.B., FCA., DISA(ICAI) Ph.D.,

The Anantapur Branch of SIRC of ICAI

SERVICE TAX-BASICS

Now a days service tax is picking up its pace and there is a rapid change in the operation of service tax department. Any person who intends to provide any service to his client has to keep in mind the following basic information about service tax.

1. An application for registration in form ST-1 has to be made to the concerned superintendent of service tax within 30 days from the date on which service tax becomes leviable. However, where a person has commenced his business for providing taxable services after the date when the service tax is levied, then the application for registration is to be made within 30 days from the date of commencement of business.
2. Along with ST-1 the applicant has to submit necessary supporting documents such as Permanent Account Number, Address proof of the applicant, memorandum and Articles in case of company, Partnership deed in case of partnership firm, Trust deed in case of a trust, Bylaws in case of a society.
3. A certificate of registration in form ST-2 shall be issued within 7 days from the date of receipt of application from the assessee. If the registration certificate is not issued within 7 days of submission of application then the registration applied shall be deemed to have been granted.
4. One has to apply for registration if his gross receipts exceeds 9 Lakhs and he has to collect service tax and remit the same to the government once his gross receipts exceeds 10 Lakhs in the first year of registration.
5. Due date for payment of service tax:

CONSTITUTION OF ASSESSEE	OF	PHYSICAL PAYMENT	ONLINE PAYMENT
INDIVIDUALS AND PARTNERSHIP FIRM	AND	5 TH OF FOLLOWING QUARTER	6 TH OF FOLLOWING QUARTER
OTHERS		5 TH OF FOLLOWING MONTH	6 TH OF FOLLOWING MONTH

6. The due date for filing of service tax return is 25th of following half year.
7. From 01.04.2015 there is no physical payment of service tax. It should only be remitted through online challan. Only in some circumstances an assessee can make physical payment with prior approval of Commissioner of Service Tax

CLASSIFICATION & VALUATION OF SERVICES

CLASSIFICATION OF SERVICES:

Any person who provides services will come into the ambit of service tax. The basic element which a service provider has to keep in mind is whether the service provided by him is listed in the categories of services under service tax act or not. For this purpose one has to look into principles of classification i.e, under which category the service provided by him falls. As more and more services are brought into the service tax net it is more likely that a service may get classified under more than one category. For example Construction service Vs Works contract service, Rent a cabs scheme Vs tour operators, Architect Vs Interior decorator etc. Therefore, principles of taxation is that same transaction should not be taxed more than once, atleast under same taxation statute.

Thus in case of classification of services under more than one category, one should invoke the principles of classification which are u/s 67(A) of service tax act. Which are follows:

A) The category which provides most specific description shall be preferred to a category providing a more general description. For example if a hotel rents out a conference room for the purpose of holding general meeting of a company (an official function), the service will be classified under the category of convention service instead of 'mandap keeper' as between these two entries 'convention service' is more specific as it covers only conventions which are like official functions. Where as 'mandap keeper' is general description as it includes official, social as well as business function. Hence, such service will be classified under 'convention service'.

In case, where a service is classified under a specific category and later on some other taxable category overlapped in description such service can be taxed only under one head of service irrespective of over lapping of different taxable heads. In coal handlers Pvt.ltd Vs CCE it has been held that since insurance services and clearing and forwarding services are more specific description and also subjected to service tax prior to imposition of tax as business auxiliary service, the insurance agents and clearing and forwarding agents working on commission basis would fall under those respective categories. Further if a service is covered under a specific entry and exempt there from it cannot be classified under general category for purpose of levying tax on such service (Dr.Lal path lab Pvt.ltd Vs CCE Ludiyaana).

B) Composite services, which includes combination of different services which can not be classified in a manner specified in clause-A above shall be classified under the category which provides then there essential character. For example, if a software developer prepares a customized software to his client for using the software, the training fees will be liable to service tax under the category of information technology software services and not commercial coaching and training.

C) Where the first two principles fail the classification will be under the category which occurs first in statute and the taxable service amongst those categories which merit equal consideration. U/s 65 (105) the taxable services have been placed in the order of their coming into the tax net i.e., the service which was brought into the service tax net first, has been placed above that service which was taxed subsequently. For example a particular service may be classified as consultant engineer service made taxable w.e.f.07.07.1997 or scientific or technical consultancy service made taxable w.e.f.16.07.2001. Since it is presumed that the service in question equally merits consideration under both the categories, it shall be classified as consulting engineer service since it came first under service tax net and therefore, occurs first u/s 65 (105). It should be noted that for invoking the principle of classification the transaction has to be covered under more than one service category. If a particular transaction can be classified only under one category then one can not take recourse to the principles of classification.

PRINCIPLES OF VALUATION:

The principles of valuation of taxable service are given in sec.67 of Finance Act, 1994. Sec 67 (1) provides for three alternate situations which are given in the following table.

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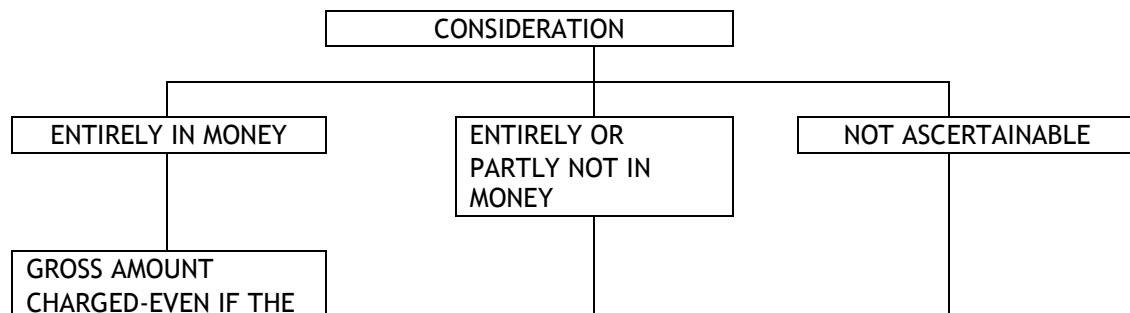
S.NO	SITUATION	VALUATION PRINCIPLE
1	Where service is provided for a consideration which is only in money.	Value of taxable service will be the gross amount charged by the provider for such service provided or to be provided by him.
2	Where service is provided for a consideration which is partly for money and partly for consideration other than money.	Value of taxable service will be such amount in money, with the addition of service tax charged, as is equivalent to the consideration.
3	Where service is provided for a consideration which is not ascertainable.	The value of taxable service will be the amount as may be determined in the prescribed manner.

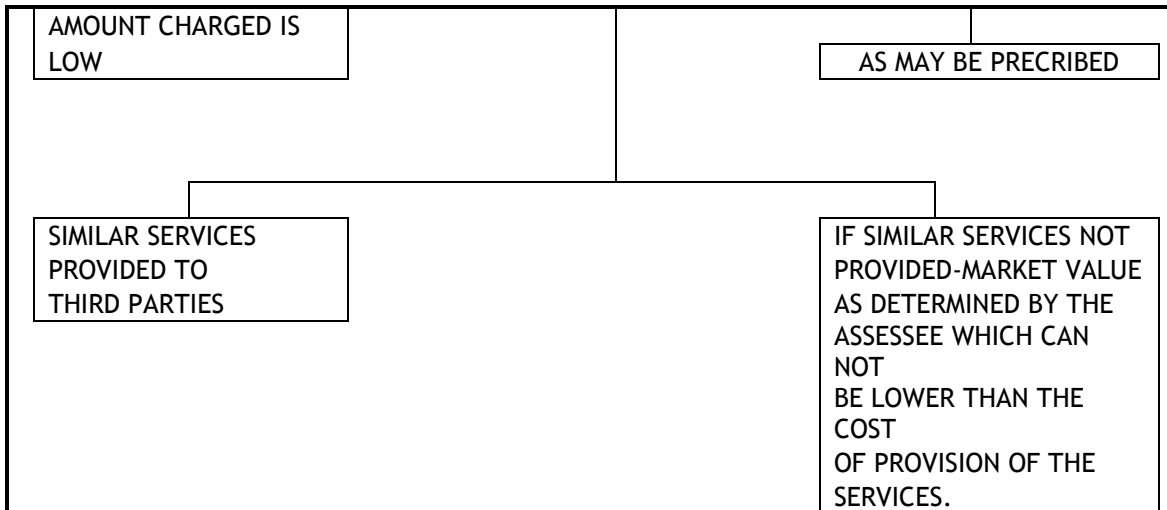
Sec.67 (2) allows the assessee to calculate service tax based on reverse working in a situation wherein amount charged is inclusive of service tax. For example, if the billing is done inclusive of service tax for Rs.100/- (inclusive) the assessee can claim that the bill amount should be bifurcated into value and service tax components. Accordingly the service tax payable shall be $12.36 \times 100 / 112.36$.

Sec.67 (3) defines the gross amount to include any amount received towards the taxable service ***before, during or after*** provision of such service.

Sec.67 (4) empowers central government to prescribe rules to determine the value of taxable services. In exercise of these powers; Central Government has already prescribed the service tax (Determination of values) Rules, 2006 w.e.f.19.04.2006 to determine the value of taxable services

The valuation principles can be better understood with the help of following flow chart.





From the above flow chart it is evident that the rules of valuation of taxable service notionally are triggered in situations where the consideration is partly in money and partly for other than money. The transaction of barter system will definitely be covered under this provision in which exchange of goods and services will be done for provision of service as consideration. Therefore, incase of barter transactions the transaction value has to be determined on basis of similar service provided to third parties. Where the service tax is charged on basis of similar services provided by same person, the same should be based on a normal transaction between two independent persons at an **Arms Length Price**.

In a case where the service provider is not providing any similar service to a third person at Arms Length Price then the value of such consideration shall be equal to money value which in no case will be less than the cost incurred by the service provider for providing such service.

1. SERVICE TAX ON GROSS AMOUNT:

Service tax is to be paid on the gross amount of transaction value and not on the net amount (i.e., gross amount - expenses if any). Rule 5(1) of service tax (determination of value) rules 2006 confirms the above said principle. The said provision is reproduced in the following simple words:

If service provider incurs any expenditure in the course of providing taxable service, then all such expenditure or cost shall be treated as consideration for calculation of taxable value of service provided or to be provided. For example, any daily allowance paid under rent a cab scheme operator to the chauffeur can not be deducted from the gross amount of bill given to the customer.

2. EXCLUSION OF RECEIPTS FOR SALE OF GOODS:

If a service provider sells certain goods either directly as sale or indirectly as a works contract, then the value of such goods sold or supplied has to be excluded for the purpose of calculation of service tax. However, such exclusion is allowed only if the service provider produces evidence for sale of such goods and quantifies the sale value separately in the invoice raised. As per notification no: 12/2003-ST dated: 20.06.2003 any service provider

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claiming this exclusion should maintain documentary proof specifically indicating the value of goods sold.

3. REIMBURSEMENT OF CERTAIN EXPENSES:

Where any service provider incurs any expenditure on behalf of customer as “pure agent” and the customer reimburses the expenditure so incurred then the value of such reimbursed expenditure can be excluded for the purpose of calculation of service tax. As per explanation 1 to Rule 5(2) the service provider can be considered as pure agent if he

- Enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service;
- Neither intends to hold nor holds any title to the goods or services so procured or provided as pure agent of the recipient of service;
- Does not use such goods or services so procured ; and
- Receives only the actual amount incurred to procure such goods or services.

Such a pure agent can claim exclusion of the reimbursement claim from the valuation of taxable service only if the following conditions are cumulatively satisfied:

- The service provider acts as a pure agent of the recipient of service when he makes payment to third party for the goods or services procured;
- The recipient of service receives and uses the goods or services so procured by the service provider in his capacity as pure agent of the recipient of service;
- The recipient of service is liable to make payment to the third party;
- The recipient of service authorizes the service provider to make payment on his behalf;
- The recipient of service knows that the goods and services for which payment has been made by the service provider shall be provided by the third party;
- The payment made by the service provider on behalf of the recipient of service has been separately indicated in the invoice issued by the service provider to the recipient of service;
- The service provider recovers from the recipient of service only such amount as has been paid by him to the third party; and
- The goods or services procured by the service provider from the third party as a pure agent of the recipient of service are in addition to the services he provides on his own account.

Therefore, one has to understand the distinction between expenses incurred by the service provider for providing the service (included in gross amount) and expenses incurred by service provider on behalf of the service receiver and later on reimbursed him (excluded from gross amount) further, if the expenses are intricately connected and inseparable from the service provided there can be no claim for reimbursement of expenses. For example, if a client reimburses salaries of audit staff of a chartered accountant the same can not be excluded from the gross amount as, audit staff are intricately connected with the service rendered by a chartered accountant.

4. SHOULD SERVICE TAX BE CALCULATED ON GROSS AMOUNT PLUS OTHER TAXES?

In the process of providing taxable service the service provider may have to pay various taxes. For example, Sales tax in case of works contract, entertainment tax in case of broad casting service etc. in all these cases while computing service tax all other taxes should not be included while computing service tax. For example,

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Gross amount	=	Rs.100.00/-
ADD: Service Tax	=	Rs. 12.36/-
ADD: Sales Tax on gross amount	=	Rs. 4.00/-

TOTAL = Rs. 116.36/-

This is because the above mentioned taxes are collected as an agent of government and their could be no tax on tax. So, there can be no liability for service tax on the amounts of such taxes collected.

Latest Amendments in service tax effective from 01.04.2015:

The Finance Bill, 2015 has proposed Lot of changes in Service tax provisions. These changes will be coming into effect on various dates. Based on date of applicability of provisions, the various changes can be categorized as follows:

- (i) Changes coming into effect immediately w.e.f. the 1st day of March, 2015;
- (ii) Changes coming into effect from the 1st day of April, 2015;
- (iii) The amendments which will get incorporated in the Finance Act, 1994 immediately on enactment of the Finance Bill, 2015;
- (iv) The amendments made in the Finance Act, 1994, including the change in service tax rate that will come into effect from a date to be notified by the Government in this regard after the enactment of the Finance Bill, 2015.

The following are changes/ amendments which will be applicable with effect from 01st April 2015:

RATIONALISATION OF EXEMPTIONS

A. EXEMPTIONS WITHDRAWN

1. Exemption presently available on specified services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of - (vide S. No. 12 of the notification No. 25/12-ST) shall be Limited only to,-

- (a) a historical monument, archaeological site or remains of national importance, archeological excavation or antiquity;
- (b) canal, dam or other irrigation work; and
- (c) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal.

Hence, exemption to other services presently covered under S. No. 12 of notification No. 25/12-ST is being withdrawn. These services include services provided to government by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:

a civil structure meant for use other than for commerce, industry, etc.

a structure meant predominantly for use as an educational, clinical, or an art or cultural establishment.

a residential complex predominantly meant for self-use or the use of their employees.

2. Exemption to services provided by way of construction, erection, commissioning or installation of original works **pertaining to an airport or port** is being withdrawn (S. No 14 of

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the notification No. 25/12-ST). The other exemptions covered under S. No. 14 of notification No. 25/12-ST shall continue unchanged.

3. Exemption to services provided by a **performing artist in folk or classical art form** of (i) music, or (ii) dance, or (iii) theater, will be Limited only to such cases where amount charged is upto 1,00,000 for a performance (S. No 16 of notification No. 25/12-ST). It is further clarified that the exemption shall not apply if services provided by artist as a brand

4. Exemption to transportation of food stuff by Rail, or vessels or road will be Limited to **food grains including rice and pulses, flour, milk and salt**. Transportation of agricultural produce is separately exempt, and this exemption would continue (S. Nos. 20 and 21 of notification No. 25/12-ST).

Therefore, the services by way of transportation of foodstuff except milk, salt and food grain (including flour, pulses and rice) would be liable to service tax.

5. Exemptions are being withdrawn (S. No 29 of notification No. 25/12-ST)) on the following services:

- services provided by a mutual fund agent to a mutual fund or assets management company,
- distributor to a mutual fund or AMC,
- selling or marketing agent of Lottery ticket to a distributor.

Service Tax on these services shall be Levied on reverse charge basis.

6. Exemption is being withdrawn (S. No. 32 of notification No. 25/12-ST) on the following service,-

- departmentally run public telephone;
- Guaranteed public telephone operating only local calls;
- Service by way of making telephone calls from free telephone at airport and hospital where no Bill is issued.

B. NEW EXEMPTIONS INTRODUCED

1. Any service provided by way of **transportation of a patient** to and from a clinical establishment by a clinical establishment is exempt from Service Tax. The scope of this exemption is being widened to include all ambulance services. (Amended in the entry at S. No. 2 of notification No. 25/12-ST refers).

2. Life insurance service provided by way of **Varishtha Pension Bima Yojna** is being (Amendment in entry at S. No. 26A of notification No. 25/12-ST refers)

3. Service provided by a **Common Effluent Treatment Plant operator for treatment of effluent** is being exempted. (New entry at S. No. 43 of notification No. 25/12-ST).

4. Services by way of **pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables** is being exempted. (New entry at S. No. 44 of notification No. 25/12-ST).

5. Service provided by way of **admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve** is being exempted. These services when provided by the Government or local authority are already covered by the Negative List. (New entry at S. No. 45 of notification No. 25/12-ST).

6. Service provided by way of **exhibition of movie by the exhibitor** (theatre owner) to the distributor or an association of persons consisting of such exhibitor as one of it's members is being exempted. (New entry at S. No. 46 of notification No. 25/12-ST).

7. Goods transport agency service provided for transport of export goods by road from the place of removal to an inland container depot, a container freight station, a port or airport is exempt from Service Tax vide notification No. 31/12-ST dated 20.6.2012. Scope of this

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exemption is being widened to exempt such services when provided for transport of export goods by road from the place of removal to a land customs station (LCS). (Amendment in notification No. 31/12-ST refers).

CENVAT CREDIT RULES, 2004

Amendment of Rule 4(7): earlier, as per rule 4(7), in case of service tax paid by the service

receiver full reverse charge mechanism, CENVAT credit was allowed to be availed on making of service tax payment even if value of service is not paid to service provider.

Similarly, in case of service tax paid under partial reverse charge mechanism, CENVAT credit was allowed to be availed on making payment of value of service as well as portion of service tax payable by the service receiver.

Now as per the proposed amendment, the service tax paid both under partial and full reverse charge by the service receiver, credit of service tax payable by the service recipient is allowed to be availed after making the payment of service tax and even if value of service is not paid.

REVERSE CHARGE MECHANISM

Manpower supply and security services when provided by an individual, HUE, or partnership firm to a body corporate are being brought to full reverse charge. Presently, these are taxed under partial reverse charge mechanism. (Notification under sub-section (2) of section 68 - Reverse Charge - Notification No. 30/2012 - Dated 20-6-2012 - Service Tax as amended time to time)

Services provided by mutual fund agents, mutual fund distributors and agents of lottery distributor are being brought under reverse charge consequent to withdrawal of the exemption on such services. Accordingly, Service Tax in respect of mutual fund agents and mutual fund distributors services shall be paid by assets management company or, as the case may be, by the mutual fund receiving such services. In respect of sub-agents of Lottery, Service Tax shall be paid by the distributor or selling agent of Lottery.

RATIONALIZATION OF ABATEMENTS

At present, service tax is payable on 30% of the value of Rail transport for goods and passengers, 25% of the value of goods transport by road provided by a goods transport agency and 40% for goods transport by vessel. The conditions also vary.

A uniform abatement is now being prescribed for transport by Rail, road and vessel. Service Tax shall be payable on 30% of the value of such services subject to a uniform condition of non-availment of Cenvat Credit on inputs, capital goods and input services.

At present, Service Tax is payable on 40% of the value of air transport of passenger for economy as well as higher classes, e.g. business class. The abatement for classes other than economy is being reduced and service tax would be payable on 60% of the value of such higher classes

Type of Service	Earlier (Taxable Value after abatement)	Proposed (Taxable Value after abatement)
Transport of goods and passengers by Rail	30%	30%
Transport of goods by Road	25%	30%
Transport of goods by vessels	40%	30%
Transport of Passenger by air (Economy)	40%	40%
Transport of Passenger by air (Other than economy)	40%	60%

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Abatement is being withdrawn from chit fund service. Consequently, Service Tax shall be paid by the chit fund foremen at full consideration received by way of fee, commission or any such amount. They would be entitled to take Cenvat Credit.

SERVICE TAX - RATE CHANGES

(effective from a date to be notified after the enactment of the Finance Bill, 2015)

The rate of Service Tax is being increased from **12% plus Education Cesses to 14%**. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, the effective increase in Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses.

Service Tax Rate	Earlier 12.36%	New 14.00%
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In respect of certain services Like money changing service, service provided by air travel agent, insurance service and service provided by Lottery distributor and selling agent the service provider has been allowed to pay service tax at an alternative rate subject to the conditions as prescribed under rule 6 (7), 6(7A), 6(7B) and 6(7C) of the Service Tax rules, 1994. Consequent to the upward revision in Service Tax rate, the said alternative rates shall also be revised proportionately. Amendments to this effect have been proposed in the Service Tax rules. The new rates are summarized in the table below:

Service	Old Rate	New Rate
Air Travel Agent		
Domestic booking	0.6 per cent	0.7 per cent
International booking	1.2 per cent	1.4 per cent
Life insurance		
First year premium	3 per cent	3.5 per cent
Subsequent year premium	1.5 per cent	1.75 per cent
Money changing service		
Amount of currency exchanged upto INR 0.1 million	0.12 per cent subject to minimum of INR 30	0.14 per cent subject to minimum of INR 35
Amount of currency exchanged exceeding INR 0.1 million and upto INR1 million	INR 120 and 0.06 per cent	INR 140 and 0.07 per cent
Amount of currency exchanged exceeding INR1 million	INR 660 and 0.012 per cent subject to maximum of INR 6,000	INR 770 and 0.014 per cent subject to maximum of INR 7,000
Lottery		
Where guaranteed prize payout is more than 80 per cent	INR 7,000	INR 8,200
Where guaranteed prize payout is Less than 80 per cent	INR 11,000	INR 12,800

SWACHH BHARAT CESS

An enabling provision is being incorporated in the Finance Bill, 2014 to empower the central Government to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% on the value of such taxable services. The cess shall be levied from the date to be notified after the enactment of the Finance Bill 2014.

CA D.ARAVIND RAMA
CHARTERED ACCOUNTANT

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FLASH...FLASH...FLASH...

All the members of our Anantapur branch are requested to attend CA day on July 1st with family members without fail and make the program a grand success----Place and time will be informed shortly.

**CA.DR.D.HARISCHANDRA RAMA,
SECRETARY,
ANANTAPUR BRANCH OF SIRC OF ICAI.**

QUOTATIONS OF THE MONTH

1. There is nothing called a problem. It is just absence of an idea to find a solution.
2. Life is a small gap between birth and death, so in this gap be happy and try to make others happy and enjoy every moment of life.
3. Life is like a flute, it may have many holes and emptiness but if you work on it carefully, it can play magical melodies.
4. Life is like a notebook, two pages are already written by god, first page is birth and second page is death, centre pages are empty. Please fill them with smile and love.

5. *IRONY OF LIFE*

The Lawyer hopes you get into trouble, the doctor hopes you get sick, the police hopes you get into a civil/criminal problem, the teacher hopes you are born dull and stupid, the pilot hopes you fly, the landlord hopes that you don't buy a house, the Dentist hopes you that your teeth decays, the Mechanic/Engineer hopes that your car breaks down, the Coffin maker wants you dead....Alas only a thief wishes you prosperity in life who wishes you will have a sound sleep..."Oh Great". Even a Chartered Accountant hopes for the prosperity of all people with good intention that you pay taxes properly and pay his fees honestly.