



प्रधान आयुक्त कार्यालय /Office of the Principal Commissioner

केन्द्रीय उत्पाद शुल्क आयुक्तालय

Central Excise Commissionerate

फ ब्लॉक, रिशी नगर, लुधियाना

F- Block, Rishi Nagar, Ludhiana.

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### Trade Notice No. 02/CE/Ldh/2016

#### **Subject:- Frequently Asked Questions (FAQs) on Swachh Bharat Cess (SBC)-reg**

Members of the Trade and Industry and the General Public at large is hereby informed that Chapter VI (Section 119) of the Finance Act 2015 contains provisions for levy and collection of Swachh Bharat Cess (SBC). Now the Government has announced 15th November, 2015 as the date from which the provisions of Section 119 would come into effect (Notification No.21/2015-Service Tax, dated 6th November, 2015 refers). Simultaneously, Government has also notified levy of Swachh Bharat Cess at the rate of 0.5% on all taxable services. Effectively, the rate of SBC would be 0.5% and new rate of Service Tax plus SBC would be 14.5%. As such SBC translates into a tax of 50 paise only on every one hundred rupees worth of taxable services. The proceeds from this cess will be exclusively used for Swachh Bharat initiatives. The Frequently Asked Questions (FAQs) on Swachh Bharat Cess (SBC) are as under:-

#### **Q.1 What is Swachh Bharat Cess (SBC)?**

**Ans.** It is a Cess which shall be levied and collected in accordance with the provisions of Chapter VI of the Finance Act, 2015, called Swachh Bharat Cess, as Service Tax on all the taxable services at the rate of 0.5% of the value of taxable service.

#### **Q.2 What is the date of implementation of SBC?**

**Ans.** The Central Government has appointed 15th day of November, 2015 as the date from which provisions of Swachh Bharat Cess will come into effect (Notification No.21/2015-Service Tax, dated 6<sup>th</sup> November, 2015 refers).

**Q.3 Whether SBC would be leviable on exempted services and services in the negative list**

**Ans.** Swachh Bharat Cess is not leviable on services which are fully exempt from service tax those covered under the negative list of services.

**Q.4 Why has SBC been imposed?**

**Ans.** SBC has been imposed for the purposes of financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto.

**Q. 5 Where will the money collected under SBC go?**

**Ans.** Proceeds of the SBC will be credited to the Consolidated Fund of India, and the Central Government may, after due appropriation made by Parliament, utilise such sums of money of the SBC for the purposes of financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto.

**Q.6 How will the SBC be calculated?**

**Ans.** SBC would be calculated in the same way as Service tax is calculated. Therefore, SBC would be levied on the same taxable value as service tax.

**Q. 7 Whether SBC would be required to be mentioned separately in invoice?**

**Ans.** SBC would be levied, charged, collected and paid to Government independent of service tax. This needs to be charged separately on the invoice, accounted for separately in the books of account and paid separately under separate accounting code. SBC may be charged separately after service tax as a different line item in invoice. It can be accounted and treated similarly to Education Cesses.

**Q. 8 Whether separate accounting code will be there for Swachh Bharat Cess?**

**Ans.** Yes, for payment of Swachh Bharat Cess, a separate accounting code has been notified vide Circular No. 188/7/2015-ST dated 16<sup>th</sup> November, 2015. These are as follows:-

Swachh Bharat Cess (Minor Head)	Tax Collection	Other Receipts	Penalties	Deduct Refunds
0044-00-506	00441493	00441494	00441496	00441495

**Q. 9 What would be effective rate of service tax and SBC post introduction of SBC?**

**Ans.** Effective rate of service tax plus SBC, post introduction of SBC, would be [14% + 0.5%].

**Q.10 Whether SBC is a 'Cess' on tax' and we need to calculate SBC @ 0.50% on the amount of service tax like we were earlier doing for calculating Education Cess and SHE Cess?**

**Ans.** No, SBC is not a cess on Service Tax. SBC shall be levied @ 0.5% on the value of taxable services.

**Q. 11 Whether SBC is levied on all or selected services?**

**Ans.** The Central Government was empowered to impose SBC either on all or some of the taxable services. Vide Notification No 22/2015-ST dated 6-11-2015, Government has notified that SBC shall be applicable on all taxable services except services which are either fully exempt from service tax under any Notification issued under section 93(1) of the Finance Act, 1994 or are otherwise not leviable to service tax under section 66B of the Finance Act, 1994.

**Q.12 How will the SBC be calculated for services under reverse charge mechanism?**

**Ans.** In case of reverse charge under section 68(2) of the Finance Act, 1994, the liability has been shifted from service provider to the service recipient. As per section 119 (5) of the Finance Act, 2015, the provisions of Chapter V of the Finance Act, 1994, and the rules made thereunder are applicable to SBC also. Thus, the reverse charge under section 68(2) of the Finance Act, 1994, is made applicable to SBC. In this context, to clarify, Government has issued Notification No. 24/2015-Service Tax dated 12th November, 2015 to provide that reverse charge under Notification No.30/2012-Service Tax dated 20th June, 2012 shall be applicable for the purpose of levy of Swachh Bharat Cess mutatis mutandis.

**Q.13 How will SBC be calculated for services where abatement is allowed?**

**Ans.** Taxable services, on which service tax is leviable on a certain percentage of value of taxable service, will attract SBC on the same percentage of value as provided in the Notification No. 26/2012-Service Tax, dated 20th June, 2012. So, this Notification would apply for SBC also in the same manner as it applies for service tax. For example, in the case of GTA, [Service Tax + SBC]% would be  $(14\% \text{ Service Tax} + 0.5\% \text{ SBC}) \times 30\% = 4.35\% (4.20\% + 0.15\%)$

**Q.14 Whether Cenvat Credit of the SBC is available?**

**Ans.** SBC is not integrated in the Cenvat Credit Chain. Therefore, credit of SBC cannot be availed. Further, SBC cannot be paid by utilizing credit of any other duty or tax.

**Q.15 What would be the point of taxation for Swachh Bharat Cess?**

**Ans.** As regards Point of Taxation, since this levy has come for the first time, all services (except those services which are in the Negative List or are wholly exempt from service tax) are being subjected to SBC for the first time. SBC, therefore, is a new levy, which was not in existence earlier. Hence, rule 5 of the Point of Taxation Rules would be applicable in this case. Therefore, in cases where payment has been received and invoice is raised before the service becomes taxable, i.e. prior to 15<sup>th</sup> November, 2015, there is no liability of Swachh Bharat Cess. In cases where payment has been received before the service became taxable and invoice is raised within 14 days, i.e. upto 29<sup>th</sup> November, 2015, even then the service tax liability does not arise. Swachh Bharat Cess will be payable on services which are provided on or after 15<sup>th</sup> Nov, 2015, invoice in respect of which is issued on or after that date and payment is also received on or after that date. Swachh Bharat Cess will also be payable where service is provided on or after 15<sup>th</sup> Nov, 2015 but payment is received prior to that date and invoice in respect of such service is not issued by 29<sup>th</sup> Nov, 2015.

**Q.16 How would the tax (Service Tax and SBC) be calculated on services covered under Rule 2A, 2B or 2C of Service Tax (Determination of Value) Rules, 2006.?**

**Ans.** The tax (Service Tax and SBC) on services covered by Rule 2A, 2B or 2C of Service Tax (Determination of Value) Rules, 2006, would be computed by multiplying the value determined in accordance with these respective rules with  $[14\% + 0.5\%]$ . Therefore, effective rate of Service Tax plus SBC in case of original works and other than original works under the works contract service

would be 5.8%  $[(14\% + 0.5\%)*40\%]$  and 10.15%  $[(14\% + 0.5\%)*70\%]$  respectively. Similar, would be the tax treatment for restaurant and outdoor catering services.

**Q.17 How would the tax be calculated on restaurant services covered under Service Tax (Determination of Value) Rules, 2006.?**

**Ans.** Swachh Bharat Cess would be calculated on the value arrived at in accordance with the Service Tax (Determination of Value) Rules, 2006. For example, the effective Swachh Bharat Cess in respect of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, having the facility of air-conditioning or central air-heating in any part of the establishment, would be 0.5% of 40% of the total amount, i.e., 0.2% of the total amount. The cumulative service tax and Swachh Bharat Cess liability would be  $[14\% \text{ ST} + 0.5\% \text{ SBC}]$  of 40% of the total amount, i.e., 5.8% of the total amount charged.

**Q.18 Whether SBC would be applicable on services covered by Rule 6 of Service Tax Rules (i.e. air travel agent, life insurance premium, purchase and sale of foreign currency and services by lottery distributors/selling agents)**

**Ans.** Sub-rule (7D) to rule 6 has been inserted vide Notification 25/2015-Service Tax, dated 12th November, 2015 so as to provide that the person liable for paying the service tax under sub-rule (7), (7A), (7B) or (7C) of rule 6 of Service Tax Rules, shall have the option to pay SBC as determined as per the following formula:-

Service Tax liability [calculated as per sub-rule (7), (7A), (7B) or (7C)]  $\times 0.5\%/14\%$

The option under this sub-rule once exercised, shall apply uniformly in respect of such services and shall not be changed during a financial year under any circumstances.

**Q. 19 How would liability be determined in case of reverse charge services where services have been received prior to 15.11.2015 but consideration paid post 15.11.2015?**

**Ans.** In respect of reverse charge mechanism, SBC liability is determined in accordance with Rule 7 of Point of Taxation Rules, as per which, point of taxation is the date on which consideration is paid to the service provider. Thus, SBC liability in such case will be  $0.5\% \times \text{Value of taxable service}$ .

**Q.20 Does a person providing both exempted and taxable service and reversing credit @ 7% of value of exempted service under Rule 6 of Cenvat Credit Rules, need to reverse the SBC also?**

**Ans.** As SBC is not integrated in the Cenvat Credit chain and reversal under Rule 6 is payment of amount equal to 7% of the value of exempted services, hence, reversal of SBC is not required under Rule 6 of Cenvat Credit Rules, 2004.

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21/1/16  
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प्रधान आयुक्त

प्रति लिपी सूचना एवं आवश्यक कार्यवाही के लिए प्रेषित हैं

- 1 मुख्य आयुक्त, केन्द्रीय उत्पाद शुल्क (चण्डीगढ़ ज़ोन), सी आर विलडिंग, सेक्टर 17, चण्डीगढ़।
- 2 अपर आयुक्त, केन्द्रीय उत्पाद शुल्क आयुक्तालय, लुधियाना।
- 3 सहायक / उप आयुक्त, केन्द्रीय उत्पाद शुल्क मण्डल, लुधियाना-I / लुधियाना-II / लुधियाना-III / मोगा। यह नोटिस, नोटिस बोर्ड पर संबंधित व्यक्तियों की सूचना हेतु लगाए जाने चाहिए।
- 4 सहायक आयुक्त (Systems) को विभागीय वेबसाइट पर अपलोड करने के अनुरोध के साथ।
- 5 सभी व्यापारिक प्रतिनिधित्व/RAC मेंबर एवं शिकायत समितियां।
- 6 गार्ड फाइल।
- 7 नोटिस बोर्ड।

*आय. के. ड. अ. ड.*  
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