

8 things you would like to know about Swachh Bharat Cess

1. What is Swachh Bharat Cess?

The Hon'ble Finance Minister in his Budget speech 2015-16 had proposed levy of Swachh Bharat Cess. Such Cess was proposed for financing and promoting initiatives towards Swachh Bharat.

Swachh Bharat is not only a programme of hygiene and cleanliness but, at a deeper level, a programme for preventive health care, and building awareness.

Now "Swachh Bharat Cess" is effective from November 15, 2015, at the rate of 0.5% on all taxable services. Thus, rate of service tax will increase from 14% to 14.5%. Now we will have to shell out a bit more service-tax so that our country can become cleaner.

2. Whether Swachh Bharat Cess will be levied on services which are in negative list or are wholly exempt from service-tax?

Swachh Bharat Cess will be levied on all services except those services which are in the Negative list or are wholly exempt from service-tax.

3. What should be the value of taxable services for computation of Swachh Bharat Cess?

The taxable value for the levy of Swachh Bharat Cess would be the same on which service-tax is levied.

As per *Notification No. 23/2015* Swachh Bharat Cess of 0.5% would be levied on the abated value of taxable services.

4. After introduction of Swachh Bharat Cess what will be the effective rate of service-tax on certain services covered under abatement notification?

Type of Service	Effect of Swachh Bharat Cess	Old rate of service-tax	New rate of service-tax after including Swachh Bharat Cess
Food served in restaurants or eating joints (without facility of air-conditioning or air heating)	Not applicable	Not applicable (As such services are exempt from service-tax)	Not applicable
Food served in restaurants or eating joints (with facility of air-conditioning or air heating)	Billing amount of restaurants will increase	5.6% [14%*40%]	5.8% [14.5%*40%]
Transportation of passengers through Railway	Price of railway tickets will increase	4.20% [14%*30%]	4.35% [14.5%*30%]

Transportation passengers by Air	of	Price of air tickets will increase	For Economy Class – 5.60% Others – 8.40%	For Economy Class – 5.80% Others – 8.70%
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5. Whether reverse charge mechanism would apply for levy of Swachh Bharat Cess?

CBEC vide *Notification No. 24/2015* has provided that reverse charge mechanism will apply for purpose of Swachh Bharat Cess.

6. Whether Swachh Bharat Cess would be applicable where payment for services is received prior to November 15, 2015?

The Ministry of Finance *vide press release, dated 12-11-2015* has clarified that there is no liability of Swachh Bharat Cess where payment has been received prior to November 15, 2015 and invoice is raised within 14 days, i.e. upto Nov. 29, 2015.

7. Whether the Cenvat credit of Swachh Bharat Cess would be available?

That issue remained unanswered as CBEC did not clarify whether the credit of Swachh Bharat Cess would be available to the assessee or not?

There are two school of thoughts on this issue. As per the first one credit of Swachh Bharat Cess will not be available until specific provision is made in CCR, 2004. Alternatively one could argue that credit of Swachh Bharat Cess would be available as Section 119 of Finance Act, 2015 treats Swachh Bharat Cess as service tax.

Still it not appropriate to comment on this issue till Government does not clear its stand. But it is noteworthy that in case the credit is not available, the net incidence of the Swachh Bharat Cess would be higher than 0.5% on services on account of cascading.

8. How to compute Swachh Bharat Cess on services where service tax is being paid under the alternative rates of service tax?

Currently, there are alternative rates of Service Tax for services provided by air travel agents, lottery distributors, life insurers and services in respect of sale/purchase or remittance of foreign exchange. Rule 6 of Service Tax Rules, 1994 provides an option to pay service tax on total amount received at reduced rate. These reduced rates are as follows:

Nature of Service	Rate of taxation
Booking of air tickets	
Domestic booking	0.7 % of basic fare
International Booking	1.4% of basic fare
Life Insurance Business	
For first Year	3.5% of premium
For subsequent years	1.75% of premium
Purchase sale of foreign currency	

Upto 1 lacs	0.14%
1lacs to 10 lacs	0.07%
Above 10 lacs	0.014%
Promotion etc. of lottery	
Where guaranteed prize payout is more than 80%	Rs. 8200 on every rs. 10 lacs of aggregate face value of lottery tickets printed
Where guaranteed price payout is less than 80%	Rs. 12800 on every rs. 10 lacs of aggregate face value of lottery tickets printed

Now the alternative rate is fixed for Swachh Bharat Cess also for these services. The alternative rate will be computed as follows:

Service tax liability * 0.5