

Circular No. 183 / 02 / 2015-ST

**F. No. B-1 /1/2015-TRU  
Government of India  
Ministry of Finance  
Department of Revenue  
(Tax Research Unit)**

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Room No. 153, North Block, New Delhi.

Dated 10<sup>th</sup> April, 2015.

To

Chief Commissioner of Customs and Central Excise(All)  
Chief Commissioner of Central Excise & Service Tax (All)  
Director General of Service Tax  
Director General of Central Excise Intelligence  
Director General of Audit Commissioner of Customs and Central Excise (All)  
Commissioner of Central Excise and Service Tax (All)  
Commissioner of Service Tax (All) Madam/Sir,

Dear Madam/Sir,

**Subject:** Clarification on rate of service tax - regarding.

Doubts have been expressed in various forums regarding the proposed increase in the rate of service tax from 12.36% (including education cesses) to 14% on the value of taxable service.

2. It may be noted that changes proposed in the Budget have/are coming into effect on various dates as already indicated in JS (TRU-II) D.O. letter dated 28<sup>th</sup> February, 2015. Certain amendments made in the Finance Act, 1994, including the change in service tax rate, will come into effect from a date to be notified by the Government after the enactment of the Finance Bill, 2015.

3. In this regard your attention is invited to clause 106 of the Finance Bill, 2015 and paragraph 3 of JS (TRU-II) D.O. letter, which is reproduced below:-

“3. Service Tax Rate:

3.1 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

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This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

**Lunawat & Co.**

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in Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses.

3.2 In this context, an amendment is being made in section 66B of the Finance Act, 1994. Further, it has been provided vide clauses 179 and 187 respectively of the Finance Bill, 2015 that sections 95 of the Finance Act, 2004 and 140 of the Finance Act, 2007, levying Education Cess and Secondary and Higher Education Cess on taxable services shall cease to have effect from a date to be notified by the Government.

3.3 The new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.

3.4 Till the time the revised rate comes into effect, the 'Education Cess' and 'Secondary and Higher Education Cess' will continue to be levied in Service Tax."

4. The paragraph reproduced above is self-explanatory and it is clear that the new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015. The date will be notified in due course after the enactment.

5. Similarly, certain doubts have been raised with regard to abatement on value 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, at any time during the year. Valuation of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess is determined as provided in rule 2C of the Service Tax (Determination of Value) Rules, 2006.

5.1 In the Union Budget, 2015, no change has been made in these rules; therefore, any confusion is unwarranted. Further, as explained above, the rate of service tax on the specified portion of the amount charged for such supply which is 40% continues to be 12.36% (including cesses) at present i.e. 4.944 %. The rate of Service tax, as discussed above, will continue unchanged till a date which will be notified in due course.

6. Wide publicity may be given so that the assesses and public are aware of the above. All the major Industry/Trade Associations may be informed accordingly.

Yours sincerely,

(Dr. Abhishek Chandra Gupta)

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