



PUNJAB STATE TRANSMISSION CORPORATION LIMITED
(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)
Corporate Identity Number - U40109PB2010SGC033814,
Office of CFO, AO/Taxation, Shakti Sadan, Patiala
E-mail: ao-taxation@pstcl.org, Tel/Fax No. 0175-2203637

Taxation Circular no.10/2015

To

1. All Addl. SEs/Sr. Xens under PSTCL
2. All Accounts Officers under PSTCL

Memo No: - 2181-2235/CFO/Taxation/11

Dated: - 17/11/2015

Subject: - Clarifications on various aspects of Swachh Bharat Cess.

Central Government vide notification nos. 21/2015-ST and 22/2015-ST both dated 6th November, 2015 levied Swachh Bharat Cess (SBC) @ 0.5% applicable w.e.f. from 15th November, 2015 on value of all taxable Services. Therefore w.e.f. 15th November, 2015 effective rate of service tax will be 14.5%. CBEC further issued 3 new Notifications i.e. No.23/2015-Service Tax, No. 24/2015-Service Tax and No. 25/2015-Service Tax on dated 12 November, 2015 to further clarify the matter. CBEC also issued FAQ on Swachh Bharat Cess which is given below (relevant to PSTCL). For complete detail kindly visit the following link <http://www.cbec.gov.in/resources//htdocs-cbec/press-release/faq-sbc.pdf>.

1. What is Swachh Bharat Cess (SBC)?

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.

2. What is the date of implementation of SBC?

The Central Government has appointed 15th day of November, 2015 as the date from which provisions of Swachh Bharat Cess will come into effect.

3. How will the SBC be calculated?

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.

4. Whether SBC would be required to be mentioned separately in invoice?

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 which would be notified shortly by the CBEC. 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.

5. How will the SBC be calculated for services under reverse charge mechanism?

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. In other words, Swachh Bharat Cess along with Service Tax shall be paid on taxable services under Reverse Charge Mechanism as well.

6. How will SBC be calculated for services where abatement is allowed?

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 $(14\% \text{ Service Tax} + 0.5\% \text{ SBC}) \times 30\% = 4.35\% (4.20\% + 0.15\%)$.

7. What would be the point of taxation for Swachh Bharat Cess?

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 15th 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 29th 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 15th 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

15th Nov, 2015 but payment is received prior to that date and invoice in respect of such service is not issued by 29th Nov, 2015.

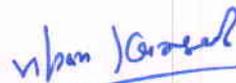
8. How would the tax (Service Tax and SBC) be calculated on services covered under Rule 2A, 2B or 2C of Service Tax (Determination of Value) Rules, 2006?

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.

9. 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?

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% on the Value of taxable service.

This is for your information and necessary action please.



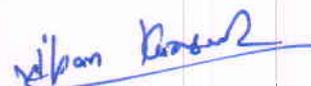
Accounts Officer/ Taxation
PSTCL, Patiala.

Endst No: -2236-2255/CFO/Taxation/11

Dated: - 17/11/2015

Copy of the above is forwarded to the following for information please.

1. All Engineer-in –Chief/ Chief Engineers in PSTCL
2. Financial Advisor, PSTCL, Patiala
3. Company Secretary, PSTCL, Patiala
4. All Dy. CEs/SEs under PSTCL
5. All Dy. CAOs/ Dy. FAs under PSTCL
6. SE/IT, PSTCL, Patiala with a request to upload the circular on PSTCL website.



Accounts Officer/ Taxation
PSTCL, Patiala.

CC: Sr. PS to Director/F&C, PSTCL, Patiala for kind information of Director, please.