

**Krishi Kalyan Cess (KKC)** is a new cess introduced by our present Union Finance Minister Arun Jaitley in the Budget 2016 - 2017. This KKC Tax is supposed to be levied at a rate of 0.5% on all Goods and Services from 1st June 2016. Already the Government charges the Service taxes at the rate of 14% and Swachh Bharat Cess at a rate of 0.5% and with the introduction of Krishi Kalyan Cess (KKC) the rate would effectively go up to 15%.

#### Areas where Krishi Kalyan Cess is Applicable.

Krishi Kalyan Cess is applicable, where the service tax collected by Central Government on Goods and Services. KKC would be applicable on all your Payments for Services like

- Internet Bills.
- Restaurant Bill Payment.
- Property under Construction.
- Telephone bills.
- Air Travel Agent.
- Payment of Rents.
- Digital Advertisements.

Here the main point is to be noted is that the Service Provider simply cannot mention 15% tax in the invoice. He must be required to mention KKC Tax separately in the Invoice and should be accounted separately in the books of accounts and must be paid separately under separate accounting code.

## Point of Taxation of 'Krishi Kalyan Cess (KKC)

Determination of PTR will be as follows:

| Event  | Rule |
|--|------|
| For the purpose of these rules , unless otherwise provided | 3    |
| Change in effective rate                                   | 4    |
| New Service  | 5    |
| Continuous supply  | 6    |
| Specified service or persons                               | 7    |
| Copyrights   | 8    |
| Other cases  | 9    |

From the above it is amply clear that first rule of PTR is Rule 3, unless otherwise provided, Rule 3 shall apply to all cases other than those specified in the rule.

Therefore, new levy (KKC) will be covered under Rule 3, not under Rule 5. Further explanation to Rule 5 can not override Rule 3.

Another important issue not considered by the viewers in expressing their views with respect to 'sundry debtors' as on 31-05-16 is that in respect of such service, point of taxation has already been decided under Rule 3 of PTR and tax has already been paid, how point of taxation will be again determined under Rule 5 for the purpose of levy of KKC. Are there any provisions in the Act or Rules to determine the point of taxation of the same service twice?

In view of the above, **point of taxation under PTR of service provider** will be as under:

| Provision of Service | Issuance of Invoice   | Receipt of payment | Applicability of KKC |
|----------------------|-----------------------|--------------------|----------------------|
| Before 01-06-16      | Before 01-06-16       | Before 01-06-16    | NO                   |
| After 01-06-16       | On or before 30-06-16 | Before 01-06-16    | NO                   |

**For service receiver - Rule 7 of the PTR**

| <b>Provision of Service</b> | <b>Issuance of Invoice</b> | <b>Receipt of payment</b> | <b>Applicability of KKC</b> |
|-----------------------------|----------------------------|---------------------------|-----------------------------|
| Before 01-06-16             | Before 01-06-16            | Before 01-06-16           | NO                          |
| Before 01-06-16             | Before 01-06-16            | After 01-06-16            | NO                          |
| Before 01-06-16             | After 01-06-16             | After 01-06-16            | YES                         |

**Further, in rule 7 of PTR, the following amendment is made vide the Notification No.21/2016-ST dated 30-03-16**

**“Provided also that where there is change in the liability or extent of liability of a person required to pay tax as recipient of service notified under sub-section (2) of section 68 of the Act, in case service has been provided and the invoice issued before the date of such change, but payment has not been made as on such date, the point of taxation shall be the date of issuance of invoice.”.**

Please note that, Ministry Of Finance (Department of Revenue) vide **Notification No.35/2016-Service Tax dated 23-06-2016** has clarified that Krishi Kalyan Cess is not payable if service is provided on or before 31st May, 2016 and if invoice is raised on or before 31st May, 2016.

## Points to be Remembered

- KKC is applicable with effect from 01/06/2016.
- KKC is collected or levied only on taxable services.
- As this KKC is collected on the value of services and the Service Tax rate would be 15% with effect from 01/06/2016.
- The effective increase of Service tax is 15% that is Service Tax is 14%, Swachh Bharat Cess is 0.5%, and KKC is 0.5% so totally 15%.
- The Cenvat Credit of Krishi Kalyan Cess is available and shall be utilized only for the payment of KKC Tax.
- There should need to maintain separate accounts books for KKC.
- Refund of this Krishi Kalyan Cess shall also be allowed as the Cenvat Credit. Further, refund of this KKC shall be allowed to Exporter of Goods as well as Exporter of Service as there is no restriction of its availment. A suitable amendment is awaited in Cenvat Credit Rules 2004 as well as refund notifications.
- This Cess shall be applicable only on the abated value in case of services covered under abatement scheme.
- Krishi Kalyan Cess shall also be applicable to the services covered under Reverse Charge Mechanism.
- Separate accounting codes for its payment shall be released soon.
- Rule 5 of Point of Taxation Rules (POT) 2011 need to be referred for its applicability in the case of ongoing contracts on 01/06/2016. Thus, if payment is made before 01/06/2016, then this cess is not applicable.

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