

## 20 FAQs on Swachh Bharat Cess : CBEC

*Date: November 14, 2015*

CBEC has issued 20 FAQs on levy of Swachh Bharat Cess (SBC) effective from November 15, 2015.

<b>Questions</b>	<b>Answers</b>
What is Swachh Bharat Cess (SBC)?	It is a Cess which shall be levied and collected as service tax on all the taxable services at the rate of 0.5% of the value of taxable service.
What is the date of implementation of SBC?	November 15, 2015
Whether SBC would be leviable on exempted services and services in the negative list?	No. Swachh Bharat Cess is not leviable on services which are fully exempt from service tax or those covered under the negative list of services
Why has SBC been imposed?	To promote Swachh Bharat (Clean India) initiatives.
Where will the money collected under SBC go?	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.
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
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. <b>This needs to be charged separately on the invoice, accounted for separately in the books of account and</b>

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	<b>paid separately under separate accounting code which would be notified shortly.</b> 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.
Whether separate accounting code will be there for Swachh Bharat Cess?	Yes, for payment of Swachh Bharat Cess, a separate accounting code would be notified shortly in consultation with the Principal Chief Controller of Accounts.
What would be effective rate of service tax and SBC post introduction of SBC?	Effective rate of service tax plus SBC = 14% + 0.5%
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?	No, SBC is not a cess on Service Tax. SBC shall be levied @ 0.5% on the value of taxable services.
Whether SBC is levied on all or selected services?	Central Govt. vide notification No 22/2015-ST dated 6-11-2015, 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
How will the SBC be calculated for services under reverse charge mechanism?	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.
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,

	For example, in the case of <b>GTA, [Service Tax + SBC]% would be (14% Service Tax + 0.5% SBC) X 30% = 4.35% (4.20%+0.15%)</b>
Whether Cenvat Credit of the SBC is available?	SBC is <b>not</b> 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
What would be the point of taxation for Swachh Bharat Cess?	No liability of Swachh Bharat Cess would arise where payment has been received and invoice is raised before service becomes taxable, (i.e. prior to November 15, 2015); Moreover, no such liability would arise where payment has been received before service became taxable and invoice is raised within 14 days (i.e. upto November 29, 2015); However, Swachh Bharat Cess would be applicable where service is provided on or after November 15, 2015 but payment is received prior to that date and invoice w.r.t such service is not issued by November 29, 2015
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.
How would the tax be calculated on restaurant services covered under Service Tax (Determination	40% of 14.5% = 5.8% of total bill amount.

of Value) Rules, 2006.?	
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)	SBC shall be calculated using formula : Service Tax liability [calculated as per sub-rule (7), (7A), (7B) or (7C)] X 0.5%/14%
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% X Value of taxable service.
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, does he need to reverse the SBC also?	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, <b>reversal of SBC is not required under Rule 6 of Cenvat Credit Rules, 2004.</b>

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