

CENVAT Credit Rules & Service Tax Refunds Amended in Alignment of Swachh Bharat Cess

February 10, 2016

On February 3, 2016, Central Govt. (vide. Notification No. 1 & 2/2016 – ST & Notification No. 2/2016-CE) has brought amendments in respect of Service Tax and Swachh Bharat Cess rebates / refunds. Ministry of Finance (FinMin) has also amended CENVAT credit Rules in respect of Swachh Bharat Cess.

Key Amendments-

Notification No. 2/2016-CE(NT) dated February 3, 2016

- FinMin has amended CENVAT Credit Rules to allow CENVAT Credit on sale of dutiable goods on commission basis.
- However, utilization of duty credit for payment of Swachh Bharat Cess has been disallowed.

Notification No. 1/2016-ST dated February 3, 2016

- FinMin has allowed service tax rebate on taxable services used beyond the factory or any other place or premises of production or manufacture for export of excisable goods.
- The reference to "place of removal" as defined in Central Excise Act has been deleted.
- Also, rates at which rebate by way of refund would be available against specified export goods has been increased.

Notification No. 2/2016-ST dated February 3, 2016

- FinMin has allowed SEZ Developer / Unit to claim refund of Swachh Bharat Cess paid on specified services on which ab-initio exemption is admissible but not claimed.

- Also, rebate of Swachh Bharat Cess paid on all input services, used in providing services exported in terms of Rule 6A of Service Tax Rules, to any country other than Nepal & Bhutan has been allowed.

Conclusion:

FinMin has definitely provided relief to Exporters / SEZ Developer-Unit by way of rebate / refund of Swachh Bharat Cess. However, it is important to note that the exporters claiming refund of accumulated CENVAT credit will still be unable to claim refund of Swachh Bharat Cess paid on input services.

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