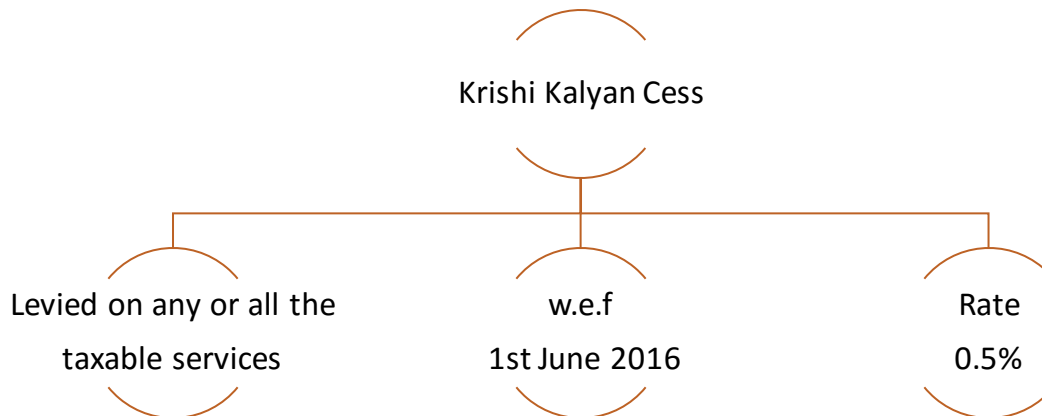


Krishi Kalyan Cess (KKC)



**Note: KKC is not levied on non-taxable services and exempt services**

Calculation of KKC

Particulars	Abatement available	Abatement not available
Service example	GTA (Goods Transport Agency)	Non abated service
Abatement available	70%	Nil
KKC rate to be applied on taxable value	$(0.5) - (0.5 * 70\%) = 0.15$	0.5%

Effective rate of Service tax

Particulars	Service tax on non-abated services	Service tax on abated services
Service tax rate	14%	$14 * 30\%$
Swatch Bharat Cess	0.5%	$0.5 * 30\%$
Krishi Kalyan cess	0.5%	$0.5 * 30\%$
Effective rate of service tax	15%	4.5%

Service tax on Work Contract Services

Service tax rate arrived by applying abatement rate.

Eg:  $15\% * 40\%$  or  $15\% * 70\%$  as the case may be.

Service tax on Reverse Charge Mechanism Services

Service tax rate arrived by applying RCM rate.

Example: Man power Services – 15%\*100%.

GTA – 15%\*30%.

Status of CENVAT Credit Available

- Krishi Kalyan Cess is CENVATABLE.
- Krishi Kalyan Cess paid can be used as CENVAT Credit only against Output KKC and not against any other service tax. Eg: KKC paid at 0.5% is not adjustable against Output Services @ 14%.

	Input Service	Output Service	Service Tax Payable	Reason
<i>Taxable Value</i>	1,00,000	5,00,000		
<i>Service Tax @14%</i>	14,000	70,000	56,000	CENVAT Credit of service tax is available.
<b><u>Swatch Bharat Cess @0.5%</u></b>	<b><u>500</u></b>	2,500	2,500	SBC does not fall under CENVAT Credit Chain, hence CENVAT Credit not claimed.
<b><u>KKC @0.5%</u></b>	<b><u>500</u></b>	2,500	2,000	KKC falls under CENVAT Credit chain.

Service Tax Input @ 14% cannot be adjusted against 0.5% Output KKC as shown by way of blue arrow mark above.

Only Input on KKC can be adjusted against Output on KKC.

Status of CENVAT CREDIT on KKC to Manufacturers and Exporters

	Manufacturers	Exporters
<i>Input on KKC is not available as CENVAT Credit. It is added to cost.</i>		Input on KKC is available as CENVAT Credit. It is refundable.

### Point of Taxation for Krishi Kalyan Cess

Rule 4: Point of Taxation for change in effective rate of service tax

	<i>Date of completion</i>	<i>Date of Invoice</i>	<i>Date of receipt</i>	<i>Point of Taxation</i>	<i>KKC applicability</i>
<i>Before</i>	After	Before	Before	Before	No
	Before	After	After	Before	No
	After	After	After	Earlier of invoice or receipt	Yes
<i>After</i>	After	Before	Before	After	Yes
	Before	After	After	After	Yes
	Before	Before	Before	Earlier of invoice or receipt	No

#### a) Service Tax discharged by Service Provider

<i>Invoice No</i>	<i>Date of Invoice</i>	<i>Amount</i>	<i>Date of receipt</i>	<i>Amount</i>	<i>Date of service completion</i>	<i>KKC applicable?</i>
1	29-May-16	500000	29-May-16	500000	25-Jun-16	No
2a	16-Jun-16	1000000	28-May-16	750000	13-Jun-16	Yes
2b	26-May-16	1000000	16-Jun-16	250000	13-Jun-16	Yes
3	10-Jun-16	250000	14-May-16	250000	14-Jun-16	Yes
4	25-May-16	250000	16-Jun-16	250000	30-May-16	No
5	17-Jun-16	150000	18-May-16	150000	25-May-16	No
6	15-Jun-16	200000	22-Jun-16	200000	28-May-16	Yes

#### b) Service Tax discharged as per Reverse Charge Mechanism

In case of reverse charge services, point of taxation would be the date on which consideration is paid to service provider. Hence, in such case Krishi Kalyan Cess would be payable.

### Separate Accounting Head and Code

Cenvat credit of KKC shall be available and shall be utilized only for the payment of KKC. Thus, separate accounts need to be maintained. Separate accounting code will be introduced.

KKC needs to be charged separately in invoice like Swatch Bharat Cess.

The Indirect Tax Consultancy team at B C Shetty & co has experts who can assist you in training and implementing developments in the service tax law, attain 100% compliance of the law & maintain credibility.

### Disclaimer

Information contained herein is for informational purposes only and should not be considered for any particular instance or individual or entity. We have obtained information from publicly available sources, there can be no guarantee that such information is accurate as of the date it is received or it will continue to be accurate in future. No one should act on such information without obtaining professional advice after thorough examination of the particular situation.

Prepared by: Naga Tejas  
Reviewed by: Phalgun

**b.c.shetty & co.**  
chartered accountants

We are happy to help you,  
Contact  
Ankith CShetty  
+91 9980731897  
ankit@bcshettyco.com