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[Training Material for Departmental Use]

E-BOOK

On

Krishi Kalyan Cess
(KKC)

Note:

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Sd/-

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1. Introduction

- 1.1 In the Budget 2016, the Government has levied a new Cess to be called as Krishi Kalyan Cess (KKC) with effect from 1.6.2016. The purpose of imposition of this cess is to finance & promote initiatives to improve agriculture or for any other purpose relating thereto.
- 1.2 The statutory provision empowering Government to levy and collect the Krishi Kalyan Cess is contained in Section 161 (Under Chapter VI) of the Finance Act, 2016.

2. Rate of Krishi Kalyan Cess

- 2.1 The Krishi Kalyan Cess is to be levied and collected as Service Tax on all or any of the taxable services at the rate of 0.5 per cent on the value of such services.
- 2.2 This cess shall be in addition to any cess or Service Tax leviable on such taxable since under Chapter V of the Finance Act, 1994, or under any other law for the time being in force.

3. Applicability of provisions of Finance Act, 1994

For the purpose of levy and collection of Krishi Kalyan Cess, the provisions of Chapter V of the Finance Act 1994 and the rules made there under, including those relating to refunds and exemption for tax, interest & imposition of penalty on taxable services, shall also apply.

4. Accounting Head

Accounting codes allotted by the Office of the Controller General of Accounts for the new Minor Head “507- Krishi Kalyan Cess” and new Sub-heads as under:

S.No .	Krishi Kalyan Cess (Minor Head)	Tax Collection	Other Receipts (Interest)	Deduct Refunds	Penalties
1	0044-00-507	00441509	00441510	00441511	00441512

5. *Other Important Aspects of KKC*

- 5.1** KKC is also to be paid in cases where liability of payment of service tax is on the service receiver. Vide notification No. 27/2016-ST, dated 26.5.2015, the Government has extended and made applicable the notification No. 30/2012 - Service Tax, dated 20.06.2012 to KKC.
- 5.2** There are several taxable services where optional method of payment of service tax is available in terms of Rule 6 of Service Tax Rules, 1994. These are available in respect of,-
- (i) services of booking of tickets for travel by air (Ref: Sub-Rule (7) of Rule 6)
 - (ii) life Insurance (Ref: Sub-Rule (7A) of Rule 6),
 - (iii) purchase & sale of Foreign Currency including money changing (Ref: Sub-Rule (7B) of Rule 6); and
 - (iv) distributor or selling agent of promotion, marketing organizing or in any other matter assisting in organising lottery (Ref: Sub-Rule (7C) of Rule 6).

Vide notification No. 31/2016-ST, dated 26.05.2016, the Government has amended the Service Tax Rules, 1994 and added another sub-rule (7E) to the Rule 6 of the Service Tax Rules, 1994. This sub-rule (7E) provides that where person liable to pay service tax in respect of taxable services mentioned above has opted for payment in term of aforesaid rules, then in such cases, KKC is to be calculated by way of multiplying total service tax liability by 0.5 and dividing the product by 14, during any calendar month or the quarter, as the case may be. This notification has also been made effective with effect from 01.06.2016.

Another important issue relating to KKC is regarding availability of CENVAT credit of KKC and also payment of KKC out of accumulated CENVAT credit. *Vide* notification No. 28/2016-CE (NT) dated 26.05.2016, the Government has amended the CENVAT Credit Rules providing that credit of any duty specified in sub-rule (1) of Rule (3) of CENVAT credit Rules cannot be utilized for the payment of KKC leviable under section 161 of the Finance Act, 2016.

Further, it has also provided that a provider of output service shall be allowed to take CENVAT credit of the Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016). However, Cenvat credit in respect of KKC on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016) shall be utilised only towards payment of KKC on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016).

Vide notification No. 28/2016-ST, dated 26.05.2016, exemption has been given to such taxable services from whole of KKC leviable thereon which are either exempt from the whole of service tax by a notification or otherwise not leviable to service tax.

Certain services specified in terms of notification No. 26/2012-Service Tax, dated 20.06.2012 are allowed to pay services tax on abated value. This abatement notification is also applicable for computing KKC. The value of taxable services for the purposes of the KKC is the value as determined in accordance with the Service Tax (Determination of Value) Rules, 2006 [**Ref: notification No. 28/2016-ST, dated 16.05.2016**].

The notification No. 39/2012- ST, dated 20.06.2012 which provide for rebate of tax paid on all services, used in providing services exported in terms of rule 6A of the Service Tax Rules, 1994 has also been extended to the KKC paid on such services [**Ref: notification No. 29/2016-ST, dated 26.05.2016**].

The notification No. 12/2013-ST, dated the 1.07. 2013, which allow refund of service tax paid on specified services used in an SEZ, has been amended to include KKC also in its ambit. Thus, KKC paid on specified services used in an SEZ will be eligible for refund in terms of above said notification [**Ref: notification No. 30/2016-ST, dated 26.05.2016**].

Vide notification No. 35/2016-ST, dated 23.06.2016, the Government exempts such taxable services from payment of whole of KKC with respect to which the invoice for the service has been issued on or before the 31st May, 2016 subject to condition that the provision of service has been completed on or before the 31st May, 2016.

6. Summary of Legal Provisions at a Glance

The various legal provisions applicable to KKC are summarized in the **Table-I** given below:-

Table-I

Sr. No.	Section/Rules/Notification	Subject matter
1.	Section 161 of the Finance Act, 2016	Statutory provisions for levy and collection of Krishi Kalyan Cess
2.	Notification No. 27/2016-ST, dated 26.05.2016	It provides that notification No. 30/2012-ST, dated 20.06.2012, which deals with reverse charge mechanism where service tax is to be paid by the service receiver, is also applicable to KKC.

3.	Notification No. 28/2016-ST, dated 26.05.2016	<i>It provides exemption to such taxable services from whole of KKC leviable thereon which are either exempt from the whole of service tax by a notification or otherwise not leviable to service tax. Further, it also provide that abatement notification shall be applicable for computing KKC.</i>
4.	Notification No. 29/2016-ST, dated 26.05.2016	<i>It amends notification No. 39/2012- ST, dated the 20th June, 2012 so as to provide for rebate of KKC paid on all services, used in providing services exported in terms of rule 6A of the Service Tax Rules, 1994.</i>
5.	Notification No. 30/2016-ST, dated 26.05.2016	<i>It amend notification No. 12/2013- ST, dated the 1.07. 2013 so as to inter alia allow refund of KKC paid on specified services used in an SEZ.</i>
6.	Notification No. 31/2016-ST, dated 26.5.2016	<i>It provide composition rate for KKC as applicable to ST under sub-rules 7, 7A, 7B, 7C of rule 6 of STR, 1994</i>
7.	Notification No. 28/2016-CE (N.T) dated 26.5.2016	<i>It amends CENVAT Credit Rules, 2004 to allow CENVAT Credit of KKC which can be used for payment of KKC on output services.</i>
8.	Notification No.35/2016-ST, dated 23.06.2016	<i>It provides exemption from payment of KKC to taxable services for which invoice issued on or before 31.05.2016 provided provision of service completed on 31.05.2016 or before.</i>
9.	CBEC Circular No. 194/04/2016-ST, dated 26.05.2016	<i>Accounting code for payment of KKC</i>

7. Text of Section /notification/Circulars /Instructions

7.1 The section 161 of the Finance Act, 2016 provides as under:-

161. (1) This Chapter shall come into force on the 1st day of June, 2016.

(2) There shall be levied and collected in accordance with the provisions of this Chapter, a cess to be called the Krishi Kalyan Cess, as service tax on all or any of the taxable services at the rate of 0.5 per cent. on the value of such services for the purposes of financing and promoting initiatives to improve agriculture or for any other purpose relating thereto.

(3) The Krishi Kalyan Cess leviable under sub-section (2) shall be in addition to any cess or service tax leviable on such taxable services under Chapter V of the Finance Act, 1994, or under any other law for the time being in force.

(4) The proceeds of the Krishi Kalyan Cess levied under sub-section (2) shall first be credited to the Consolidated Fund of India and the Central Government may, after due appropriation made by Parliament by law in this behalf, utilise such sums of money of the

Krishi Kalyan Cess for such purposes specified in sub-section (2), as it may consider necessary.

(5) The provisions of Chapter V of the Finance Act, 1994 and the rules made thereunder, including those relating to refunds and exemptions from tax, interest and imposition of penalty shall, as far as may be, apply in relation to the levy and collection of the Krishi Kalyan Cess on taxable services, as they apply in relation to the levy and collection of tax on such taxable services under the said Chapter or the rules made thereunder, as the case may be.

7.2 Notification No. 27/2016-Service Tax, dated 26.05.2016

G.S.R. (E).—In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 (32 of 1994) read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby provides that notification No. 30/2012 - Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 472 (E), dated the 20th June, 2012 shall be applicable mutatis mutandis for the purposes of Krishi Kalyan Cess. This notification shall come into force from the 1st day of June, 2016.

[F. No. B-1/18/2016 - TRU]

7.3 Notification No. 28/2016-Service Tax, dated 26.05.2016

G.S.R. ---(E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts such taxable services from whole of Krishi Kalyan Cess leviable thereon which are either exempt from the whole of service tax by a notification or special order issued under sub-section (1) or as the case may be under sub-section (2) of section 93 of the Finance Act, 1994 or otherwise not leviable to service tax under section 66B of the Finance Act, 1994:

Provided that Krishi Kalyan Cess shall be leviable only on that percentage of taxable value which is specified in column (3) for the specified taxable services in column (2) of the Table in the notification No. 26/2012-Service Tax, dated 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, sub-section (i) vide number G.S.R. 468 (E), dated the 20th June, 2012.

Explanation.- It is hereby clarified that value of taxable services for the purposes of the Krishi Kalyan Cess shall be the value as determined in accordance with the Service Tax (Determination of Value) Rules, 2006. This notification shall come into force from the 1st day of June, 2016.

[F.No. B-1/18/2016 - TRU]

7.4 Notification No. 29/2016-Service Tax, dated 26.05. 2016

G.S.R. ---(E).- In exercise of the powers conferred by rule 6A of the Service Tax Rules, 1994, the Central Government, hereby makes following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 39/2012- Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, vide number G.S.R. 481(E), dated the 20th June, 2012, namely:-

In the said notification, in Explanation 1, after clause (d), the following clause shall be inserted, namely:-

“(e) Krishi Kalyan Cess as levied under sub-section (2) of section 161 of the Finance Act, 2016 (28 of 2016).”

This notification shall come into force from the 1st day of June, 2016.

[F.No. B-1/18/2016 - TRU]

7.5 Notification No. 30/2016-ST, dated 26.05.2016

G.S.R. ---(E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2013-Service Tax, dated the 1st July, 2013, published in the Gazette of India, Extraordinary, vide number G.S.R. 448(E), dated the 1st July, 2013, namely:-

In the said notification, in paragraph 3, in sub-paragraph (III),-

(i) for clause (b), the following clause shall be substituted, namely:-

“(b) the SEZ Unit or the Developer shall be entitled to refund of-

(i) the service tax paid on the specified services on which ab-initio exemption is admissible but not claimed, and

(ii) the amount distributed to it in terms of clause (a).”;

(ii) in clause (ba),

(a) in item (i), after the words “Swachh Bharat Cess”, the words “and Krishi Kalyan Cess” shall be inserted;

(b) in item (ii) for the words “by effective rate of Swachh Bharat Cess”, the words “by sum of effective rates of Swachh Bharat Cess and Krishi Kalyan Cess” shall be substituted.

This notification shall come into force from the 1st day of June, 2016.

[F.No. B-1/18/2016 – TRU]

7.6 Notification No. 31/2016-ST, dated 26.05.2016

G.S.R....(E).-In exercise of the powers conferred by sub-section (1) read with subsection (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:-

1. (1) These rules may be called the Service Tax (Third Amendment) Rules, 2016. (2) These rules shall come into force from the 1st day of June, 2016.

2. In the Service Tax Rules, 1994, in rule 6,

(i) in sub-rule (7D), for the figures “0.5” the words “effective rate of Swachh Bharat Cess” and for the words, figures and brackets “14 (fourteen)”, the words and figures “rate of service tax specified in section 66B of the Finance Act, 1994” shall be substituted;”;

(ii) after sub-rule (7D), the following sub-rule shall be inserted, namely:-

“(7E) The person liable for paying the service tax under sub-rule (7), (7A), (7B) or (7C) of rule 6, shall have the option to pay such amount as determined by multiplying total service tax liability calculated under sub-rule (7), (7A), (7B) or (7C) of rule 6 by effective rate of Krishi Kalyan Cess and dividing the product by rate of service tax specified in section 66B of the Finance Act, 1994, during any calendar month or quarter, as the case may be, towards the discharge of his liability for Krishi Kalyan Cess instead of paying Krishi Kalyan Cess at the rate specified in sub-section (2) of section 161 of the Finance Act, 2016 (28 of 2016) and the option under this sub-rule once exercised, shall apply uniformly in respect of such services and shall not be changed during a financial year under any circumstances.”

7.7 Notification No. 28/2016 - Central Excise (N.T.), dated 26.05.2016

In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely : –

1. (1) These rules may be called the CENVAT Credit (Seventh Amendment) Rules, 2016.
- (2) They shall come into force on 1st of June, 2016.

2. In the CENVAT Credit Rules, 2004, in rule 3,

(a) after sub-rule (1), the following sub-rule shall be inserted, namely :-

“(1a) A provider of output service shall be allowed to take CENVAT credit of the Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016);”;

(b) in sub-rule (4), after the ninth proviso, the following proviso shall be inserted, namely,-

“Provided also that the Cenvat credit of any duty specified in sub-rule (1) shall not be utilised for payment of Krishi Kalyan Cess leviable under section 161 of the Finance Act, 2016 (28 of 2016);”;

(c) in sub-rule (7),

(i) after the words, figures and brackets “sub-rule (1)”, the words, figures and brackets “, sub-rule (1a)” shall be inserted;

(ii) after clause (c), the following clause shall be inserted, namely,-

“(d) Cenvat credit in respect of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016) shall be utilised only towards payment of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016);”;

7.8 [Notification No. 35/2016-Service Tax, dated 23.06.2016](#) NEW

G.S.R. _ (E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts taxable services with respect to which the invoice for the service has been issued on or before the 31st May, 2016, from the whole of Krishi Kalyan Cess leviable thereon, subject to condition that the provision of service has been completed on or before the 31st May, 2016.

[F. No. B-1/21/2016 - TRU]

7.9 CBEC Circular No. 194/04/2016-ST, dated 26.05.2016

[Issued from F. No. 354/31/2016-TRU]

Subject: Accounting code for payment of Krishi Kalyan Cess - regarding.

Chapter VI of the Finance Act, 2016 will come into effect from 1st June, 2016. Krishi Kalyan Cess is leviable on all taxable services, other than services which are fully exempt from Service Tax or services which are otherwise not liable to Service Tax under section 66B of the Finance Act, 1994, at the rate of 0.5%.

2. Accordingly, accounting codes have also been allotted by the Office of the Controller General of Accounts for the new Minor Head "507-Krishi Kalyan Cess" and new Sub-heads as under:

S.No.	Krishi Kalyan Cess (Minor Head)	Tax Collection	Other Receipts (Interest)	Deduct Refunds	Penalties
1	0044-00-507	00441509	00441510	00441511	00441512

3. All concerned are requested to acknowledge the receipt of this circular.

4. Trade Notice/ Public Notice to be issued. Wide publicity through local news media including vernacular press may be given.

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