



PUNJAB STATE TRANSMISSION CORPORATION LIMITED

(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)

Corporate Identity Number - U40109PB2010SGC033814,

Office of CFO, AO/Taxation, Shakti Sadan, Patiala

E-mail: ao-taxation@pstcl.org, Tel/Fax No. 0175-2203637

Taxation Circular no. 5/2016

To

All Addl. SEs/Sr. Xens/AOs (DDOs)
Under PSTCL

Memo No: -1390-1437/CFO/Taxation/10

Dated: -31/05/2016

Subject: - **Krishi Kalyan Cess @ 0.5% applicable w.e.f. from 1st June, 2016.**

As per Chapter VI of the Finance Act, 2016 Govt. of India levied Krishi Kalyan Cess (KKC) @ 0.5% applicable w.e.f. from 1st June, 2016 on value of all taxable Services. So w.e.f. 1st June, 2016 effective rate of service tax will be 15% (14% Basic Rate + 0.5% Swachh Bharat Cess + 0.5% Krishi Kalyan Cess). Here it is pertinent to mention here that Krishi Kalyan Cess (KKC) will not apply on non-taxable services and services which are exempt from service tax. After levy of KKC @ 0.5% on value of taxable service an illustration showing levy of Service Tax and Swachh Bharat Cess & Krishi Kalyan Cess assuming Rs. 1000/- as value of taxable service is given below:

Particulars	Amount (Rs.)
Value of Taxable service	1,000/-
Add: Service Tax @ 14%	140/-
Add: Swachh Bharat Cess @ 0.5%	5/-
Add: Krishi Kalyan Cess @ 0.5%	5/-
Total	1,150/-

Applicability of KKC when liability to pay Service tax is on Service Receiver under Reverse Charge Mechanism:

Point of Taxation in case of Reverse Charge Mechanism is governed by Rule 7 of Point of Taxation Rules 2011. As per Notification No. 21/2016 dated 30.03.2016 issued by Govt. of India a proviso has been inserted under Rule 7 of Point of Taxation Rules, 2011 i.e. "where there is a 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**" as under:

Particulars	Date of Service	Date of Invoice	Date of Payment	Point of Taxation
As per earlier Rule 7	20.05.2016	25.05.2016	04.06.2016	04.06.2016 (i.e. Date of payment) (Rate applicable 15%)
As per Amended Rule 7	20.05.2016	25.05.2016	04.06.2016	25.05.2016 (i.e. Date of invoice) (Rate applicable 14.5%)

As per Amended Rule 7	20.05.2016	02.06.2016	04.06.2016	04.06.2016 (i.e. Date of payment) (Rate applicable 15%)
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Applicability of KKC when liability to pay Service tax is on Service Provider under Forward Charge Mechanism:

Explanation 1 & 2 to Rule 5 of Point of Taxation Rules, 2011 have been inserted w.e.f March 1, 2016 which is as under:

Explanation 1: Provides that point of taxation in case of new levy on services shall be governed by Rule 5 of the Point of Taxation Rules, 2011.

Explanation 2: New levy or tax shall be payable on all cases other than specified in Rule 5.

Rule 5 of the Point of Taxation Rules, 2011 covers two specific situations where new levy shall **Not** be payable is as under:

1. Invoice issued and payment received against such invoice before such service becomes taxable.
2. Payment received before the service becomes taxable and invoice has been issued within 14 days of the date

Therefore as per the Rule 5 read with explanations, only in two situations (mentioned below), the Krishi Kalyan Cess shall not be payable and in all others, Krishi Kalyan Cess is to be paid:

S. No.	Date of applicability of KKC	Date of Invoice	Date of Payment received	Applicability of KKC
1.	1 st June, 2016	14 th June, 2016	30 th May, 2016	No
2.	1 st June, 2016	18 th June, 2016	30 th May, 2016	Yes
3.	1 st June, 2016	30 th May, 2016	30 th May, 2016	No
4.	1 st June, 2016	3 rd June, 2016	3 rd June, 2016	Yes
5.	1 st June, 2016	30 th May, 2016	3 rd June, 2016	Yes

This is for your kind information and further necessary action please.

Vijay Kaur

Accounts Officer/ Taxation
PSTCL, Patiala.

Endst No: - 1438-1473/CFO/Taxation/10

Dated: -31/05/2016

Copy of the above is forwarded to the following for information and further necessary action please.

1. Engineer-In-Chief/TS, PSTCL, Patiala.
2. Chief Engineer/SLDC, PSTCL, Patiala.
3. Chief Engineer/P&M PSTCL Ludhiana.
4. Chief Engineer/HR, S&D and IT PSTCL, Patiala.
5. Financial Advisor PSTCL Patiala.

6. Company Secretary, PSTCL.
7. Chief Auditor, PSTCL, Patiala.
8. All Dy.CEs/SEs under PSTCL.
9. All Dy. CAOs / Dy. CAS / Dy. FAs under PSTCL.
10. All Addl. SEs/Sr. Xens (under PSTCL)
11. All AOs under PSTCL (other than DDOs).
12. SE/IT, PSTCL, Patiala for placing the circular on website of PSTCL.

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Accounts Officer/Taxation
PSTCL, Patiala.

CC:

1. Sr. PS to CMD, PSTCL, Patiala for kind information of CMD, please.
2. Sr. PS to Director/F&C, PSTCL, Patiala for kind information of Director, please.
3. Dy. Secy. to Director/Tech., PSTCL, Patiala for kind information of Director, please.
4. Sr. PS to Director/Admn., PSTCL, Patiala for kind information of Director, please.