

**PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA**

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**CLARIFICATIONS ON SWACHH BHARAT CESS**

**New Delhi, November 12, 2015**  
**Kartika 21, 1937**

Swachh Bharat Cess will come into effect from 15<sup>th</sup> November 2015, at the rate of 0.5% on all services, which are presently liable to service tax. This will translate into a tax of 50 paise only on every one hundred rupees worth of taxable services. The proceeds from this cess will be used for financing and promoting Swachh Bharat initiatives.

Some doubts are being raised with respect to the levy of Swachh Bharat Cess, such as,-

- (i) what would be Swachh Bharat Cess on services where service tax is being paid under the alternative rates of service tax?
- (ii) what would be the value of taxable services for computation of Swachh Bharat Cess?
- (iii) whether reverse charge mechanism would apply for the levy of Swachh Bharat Cess?
- (iv) what would be the point of taxation for Swachh Bharat Cess ?

In this regard, it is clarified that answers to the above queries are in the provisions of sub-section (5) of Section 119 of the Finance Act, 2015 by which all the provisions of service tax as contained in Chapter V of the Finance Act, 1994 have been made applicable to Swachh Bharat Cess. It is, thus, very clear that all the provisions including those related to computation of taxable value, assessment, exemption, payment, penalty applicable to service tax would also apply in respect of Swachh Bharat Cess.

Service tax is presently levied at alternative rates in respect of service provided by air travel agents, life insurance service, service in relation to sale/purchase of foreign exchange including money changing and service by lottery distributors/selling agents, subject to fulfilment of conditions prescribed under the Service Tax Rules. Option has been provided for levy of

Swachh Bharat Cess also at alternative rates in respect of the above mentioned services. The alternate rate of Swachh Bharat Cess would be:

Service Tax Liability (at the alternate rate) X 0.5/14.

As regards the taxable value for the levy of Swachh Bharat Cess, it would be the same on which service tax is levied. Swachh Bharat Cess would be calculated on abated value or value arrived at under the Service Tax (Determination of Value) Rules, 2006, as the case may be. For example, the effective Swachh Bharat Cess in respect of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, having the facility of air-conditioning or central air-heating in any part of the establishment, would be 0.5% of 40% i.e. 0.2%. The cumulative service tax and Swachh Bharat Cess liability would be 5.8% (14.5% of 40%) of the total amount charged.

Similarly, a person liable to pay service tax on reverse charge basis would be liable to pay Swachh Bharat Cess also on reverse charge basis. As regards Point of Taxation, since this levy has come for the first time and all services (except those services which are in the Negative List or are wholly exempt from service tax) are being taxed, it is a new levy, which was not in existence earlier. Rule 5 of Point of Taxation Rules would be applicable in this case. Therefore, in case where payment has been received and invoice is raised before the service becomes taxable, i.e., prior to 15<sup>th</sup> November, 2015, there is no liability of Swachh Bharat Cess. In case payment has been received before the service became taxable and invoice is raised within 14 days, i.e. upto 29<sup>th</sup> November, 2015, even then the service tax liability does not arise. Swachh Bharat Cess will be payable on services which are provided on or after 15<sup>th</sup> Nov, 2015, invoice in respect of which is issued on or after that date and payment is also received on or after that date. Swachh Bharat Cess will also be payable where service is provided on or after 15<sup>th</sup> Nov, 2015 but payment is received prior to that date and invoice in respect of such service is not issued by 29<sup>th</sup> Nov, 2015.

Thus, it may be seen that all issues relating to Swachh Bharat Cess are addressed in the Service Tax provisions itself by virtue of the applicability of Chapter V of the Finance Act, 1994 and the rules made thereunder.

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