**[NEW ABATEMENT RATE OF SERVICES WEF 01.07.2012](http://www.simpletaxindia.net/2012/06/new-abatement-rate-of-services-wef.html)**

New system is placed in service tax wef 01.07.2012. In this system all services are taxable except [17 negative services](http://www.simpletaxindia.net/2012/03/negative-list-of-17-sweet.html) . Further [New reverse charge system on new services](http://www.simpletaxindia.net/2012/06/new-services-under-reverse-charge-in.html) has also be started .In old system in case of specific services abatement are allowed from gross receipt received from customer to get the taxable service value. This deduction is called abatement in service tax .This has been continued in [new system](http://www.simpletaxindia.net/2012/06/negative-list-service-tax-reverse.html) also but with revised rate of abatement.

Generally it is assumed that if abatement is availed then service provider can not claim Cenvat credit . But this is not correct in all cases . So one has to check all the conditions placed against the abatement rules.

[Cenvat credit](http://www.simpletaxindia.net/2012/04/cenvat-credit-wef-01042012-amendments.html) may be divided in three categories.

1. Cenavt credit on capital goods
2. Cenvat credit on Input Goods
3. Cenvat credit on Input services.

so while availing your abatement you should ensure that Cenvat credit as allowed under condition is availed .New rat of abatement applicable from 01.07.2012 has already been notified vide notification 13/2012 dated 17.03.2012 which is reproduced here under.

**Notification No. 13/2012- Service Tax**

**New Delhi, the 17th March, 2012**

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) (hereinafter referred to as the said Finance Act), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable service of the description specified in column (2) of the Table below, from so much of the service tax leviable thereon under section 66B of the said Finance Act, as is in excess of the service tax calculated on a value which is equivalent to a percentage specified in the corresponding entry in column (3) of the said Table, of the gross amount charged by such service provider for providing the said taxable service, subject to the relevant conditions specified in the corresponding entry in column (4) of the said Table, namely;-

Table

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl.No.** | **Description of taxable service** | **Percentage** | **Conditions** |
| **(1)** | **(2)** | **(3)** | **(4)** |
| 1 | Financial leasing services including equipment leasing and hire purchase | 10 | Nil. |
| 2 | Transport of goods by rail | 30 | Nil. |
| 3 | Transport of passengers, with or without accompanied belongings by rail | 30 | Nil. |
| 4 | Supply of food or any other article of human consumption or any drink, in a premises, including hotel, convention center, club, pandal, shamiana or any place specially arranged for organizing a function | 70 | CENVAT credit on any goods classifiable under chapter 1 to 22 of the Central Excise Tariff Act, 1985 (5 of 1986) used for providing the taxable service has not been taken under the provisions of the CENVAT Credit Rules, 2004. |
| 5 | Transport of passengers by air, with or without accompanied belongings | 40 | CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. |
| 6 | Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes. | 60 | Same as above. |
| 7 | Transport of goods by road by Goods Transport Agency | 25 | CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. |
| 8 | Services provided in relation to chit | 70 | Same as above. |
| 9 | Renting of any motor vehicle designed to carry passengers | 40 | Same as above. |
| 10 | Transport of goods in a vessel from one port in India to another | 50 | Same as above. |
| 11 | (i)Services provided or to be provided to any person, by a tour operator in relation to a package tour | 25 | (i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.  (ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour. |
| (ii)Services provided or to be provided to any person, by a tour operator in relation to a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour | 10 | (i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.  (ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation.  (iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation. |
| (iii) Services, other than services specified in (i) and (ii) above, provided or to be provided to any person, by a tour operator in relation to a tour | 40 | (i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.  (ii)The bill issued indicates that the amount charged in the bill is the gross amount charged for such a tour. |

Explanation. –

A. For the purposes of exemption at Serial number 1 –

(i) Consideration received for the purpose of computing the gross amount charged is an amount, forming or representing as interest, i.e. the difference between the installment paid towards repayment of the lease amount and the principal amount contained in such installment paid;

(ii) the exemption shall not apply to an amount, other than an amount forming or representing as interest, charged by the service provider such as lease management fee, processing fee, documentation charges and administrative fee.

B. For the purposes of exemption at Serial number 4 -

Consideration received for the purpose of computing the gross amount charged is the sum total of the gross amount and the value of all goods, excluding the value added tax, if any, levied on goods or services supplied free of cost for use in or in relation to the supply of food or any other article of human consumption or any drink, under the same contract or any other contract:

Provided that where the value of goods or services supplied free of cost is not ascertainable, the same shall be determined on the basis of the fair market value of the goods or services that have closely available resemblance.

2. For the purposes of this notification, unless the context otherwise requires,-

(a) “chit” means a transaction whether called chit, chit fund, chitty, kuri, or by whatever name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to a prize amount,

(b) "package tour" means a tour wherein transportation, accommodation for stay, food, tourist guide, entry to monuments and other similar services in relation to tour are provided by the tour operator as part of the package tour to the person undertaking the tour,

(c) “tour operator” means any person engaged in the business of planning, scheduling, organizing, arranging tours (which may include arrangements for accommodation, sightseeing or other similar services) by any mode of transport, and includes any person engaged in the business of operating tours,

(d) “financial leasing” means a lease transaction where—

(i) contract for lease is entered into between parties for leasing of a specific asset;

(ii) the contract is for use and occupation of the asset by the lessee;

(iii) the lease payment is calculated so as to cover the full cost of the asset together with the interest charges; and

(iv) the lessee is entitled to own, or has the option to own, the asset at the end of the lease period after making the lease payment;

3. This notification shall come into force from the date on which section 66B of the Finance Act, 1994 comes into effect.(**It is applicable from 01.07.2012**)

(Samar Nanda)

Under Secretary to the Government of India

[F. No. 334/1/2012 -TRU]

Read more: <http://www.simpletaxindia.net/2012/06/new-abatement-rate-of-services-wef.html#ixzz29igRFe7B>