

Highlights of Krishi Kalyan Cess (KKC) 2016

Octagona India is pleased to share with you some of the key highlights of the Krishi Kalyan Cess 2016 of India which is applicable from 1st June 2016.

Applicability

Finance Act, 2016 has introduced Krishi Kalyan Cess with effect from 1st June, 2016. Krishi Kalyan Cess (KKC) is leviable on all or any of the 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%**.

The purpose of Levy of KKC on all taxable services is to finance and promote initiative to improve agriculture or for any other purpose relating thereto.

Illustration for Levy of KKC

Particulars	Amount (INR)
Value of Taxable Service (a)	1000
Add: Service Tax @ 14 % on (a)	140
Add: Swach Bharat Cess @ 0.5 % on (a)	5
Add: Krishi Kalyan Cess @ 0.5% on (a)	5
Total	1150

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Accounting Code for Payment of KKC

The Central Government vide Circular No. 194/4/2016-ST dated May 26, 2016 has notified accounting codes for payment of KKC in the following manner:

KKC Minor Head	Tax Collection	Other Receipts (Interest)	Deduct Refunds	Penalties
004400507	0041509	00441510	0041511	00441512

CENVAT credit of KKC

The Central Government vide Notification No. 28/2016-CE (N.T.) dated May 26, 2016, has amended Rule 3 of the CENVAT Credit Rules, 2004 to provide that:

- ✓ A provider of output service shall be allowed to take CENVAT credit of the KKC on taxable services leviable under Section 161 of the Finance Act, 2016;
- ✓ CENVAT credit of any duty specified in Rule 3(1) of the CENVAT Credit Rules, 2004 shall not be utilized for payment of Krishi Kalyan Cess leviable under section 161 of the Finance Act, 2016;
- ✓ CENVAT credit in respect of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 shall be utilized only towards payment of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016.

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