

# LUXURY TAX, HRBT, CENTRAL EXCISE AND SERVICE TAX

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# LUXURY TAX

# Luxury Tax – Taxable event

- ▶ Levy of tax on luxuries provided by –
  - Hotels
  - Corporate Hospitals
  - Tobacconists
- ▶ Luxuries provided –
  - Commodities provided for enjoyment over and above necessities of life

# Luxury Tax

## ► Rates of tax -

Sl. No.	Description	Rate of tax
1.	Luxury provided in a Hotel - Rs.300 or more per day per person	5%
2.	Luxury provided in a Corporate Hospital - Rs.500 or more per day per person	10%
3.	Chewing Tobacco preparations such as khara, masala, kimam, dokta, zarda, sukha and surti (At the first point of supply of luxuries in the State)	50 paise in every rupee
4.	Cigarettes (At the first point of supply of luxuries in the State)	5 paise in every rupee

# Luxury Tax

- ▶ Returns & payment –
  - File monthly return in Form LA2, and annual return in Form LA1
  - Pay the full tax
  - Return shall contain the particulars –
    - Commodity description
    - Total, exempt and net turnovers of receipts
    - Rate of tax
    - Tax
    - Payment particulars – cheque / challan number, date , amount etc.

# Luxury Tax

- ▶ Assessing authority – CTO of the circle
- ▶ Grounds for Best Judgement assessment –
  - Return is not filed
  - Return is incorrect or incomplete
  - Under-declaration of Turnover
  - Turnover is assessed at lower rate
- ▶ Provisional assessment – for Tobacconists

# Luxury Tax – Other provisions

- ▶ Penalties –
  - Willful concealment – upto 3 times the tax due
  - Non-willful concealment – upto 1 time the tax due
- ▶ Payment of tax, penalty or any other amount in Installments – Deputy Commissioner (CT)
- ▶ Appeals, Revisions and Refunds –
  - Similar to the provisions of APGST / VAT Act

# **HORSE RACING & BETTING TAX**



# Horse Racing & Betting Tax

- ▶ Horse Racing in Telangana State –
  - Hyderabad Race Club
  - Malakpet – Hyderabad
- ▶ Stakeholders –
  - Race club – Totalisator
  - Book-makers
  - Jockeys
  - Owners of horses and
  - Backers / Punters

# Horse Racing & Betting Tax

- ▶ Taxable events –
  - Admission to a race
  - License fee of book-makers
  - Totalisator amount

# Activities in a Race Club

## ▶ Race club –

- Provide platform for conduct of horse races
- Facilitate betting for horse races conducted in the premises of the Race Club
- Facilitate IVB Betting for horse race conducted by other Race Clubs in the country
- Act as totalisator
- Provide space for bookmakers in the premises of the Race Club to perform their functions
- Provide space for cafeteria

## ▶ Bookmakers –

- Facilitate betting through the counters provided in the premises of the Race Club

# Horse Racing & Betting Tax

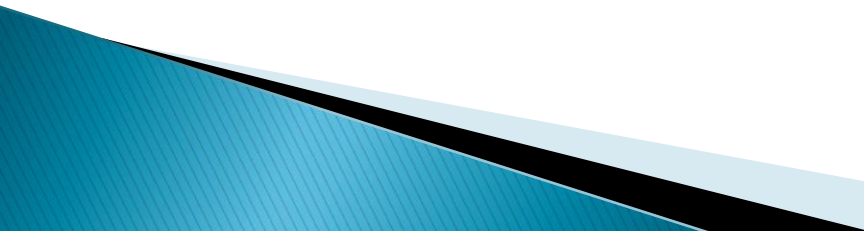
- ▶ Rates of taxes –
  - Admission to a race – 35%
  - Amount paid to totalisator – 15%
  - Win / Place pools – 15%
  - Other pools – 15%
  - Betting (local) through bookmaker – 20%
  - Betting (IVB) through bookmaker – 15%

# Horse Racing – Pre/Post GST

- ▶ HRBT Act – Tax was charged on – all the amount paid
  - Towards admission
  - Bet amount paid into totalisator
- ▶ GST scenario –
  - Notification, Dt.23-01-2018
  - Earlier – ‘ Services provided by the Race Club as a totalisator’
  - HRC started paying tax only on commission amount
  - Levied and collected about Rs.67 crore as on date

# CENTRAL EXCISE DUTY

# Central Excise Duty – Basic concepts

- ▶ Before 1944 – 16 enactments for taxing of different commodities
  - ▶ Central Excise Act, 1944 – consolidated act
  - ▶ New item ‘Not Elsewhere Specified’ introduced w.e.f. 01-03-1975
  - ▶ International Standards developed for classification of goods
  - ▶ Central Excise Tariff Act, 1985 brought into effect from 01-03-1986.
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# Central Excise Tariff Act

- ▶ Taxable event –
  - **Manufacture** or production of goods
  - Though taxable event is ‘manufacture / production’, duty payable is as applicable on the date of removal of goods
- ▶ Basic conditions for levy of central excise duty
  - The duty is on goods
  - The goods must be excisable (mentioned in CETA)
  - The goods must be manufactured or produced
  - Such manufacture or production must be in India
- ▶ Goods manufactured in SEZ are ‘excluded excisable goods’



# Central Excise Tariff Act, 1985 – Features

- ▶ Classified all goods under 96 chapters and four schedules
  - First Schedule – CENVAT leviable on various products
  - Second Schedule – Special excise duty is payable
  - Third Schedule – Items covered under MRP valuation provisions, which are covered under ‘deemed manufacture’ provisions
  - Fourth Schedule – Tobacco and petroleum products
- ▶ Specific code is assigned to each item
- ▶ Harmonised System of Nomenclature (HSN)
- ▶ Classified goods into particular Sections, Chapters, Headings and Sub-headings
- ▶ It formed basis to prescribe duty to be charged on that particular product

# Central Excise – Basic rates

- ▶ Basic CE duty (also called CENVAT) – at rates specified in First Schedule, subject to exemption notification, if any
- ▶ General rate is 12.5% w.e.f. 01-03-2015 to 30-06-2017
- ▶ Duty on large cars, Multi Utility Vehicles – 22% 27-02-2010
- ▶ Fourth Schedule – chapter 24 (Tobacco products) and chapter 27 (petroleum products) – CENVAT is levied w.e.f. 01-07-2017 also
- ▶ Education cess – payable @ 2% on CE duty

# Central Excise – Procedures

- ▶ Registration – Excise Registration Number – 15 characters
  - PAN – First 10 characters
  - 11 & 12 characters – XM (Manufacturer) or XD (Registered Dealer)
  - 13, 14 & 15 characters – numeric code – 001, 002 etc.
- ▶ Payment (by cash or CENVAT credit) – on monthly basis – by 5<sup>th</sup> of succeeding month
- ▶ Various returns (ER-1, ER-2 etc.)
- ▶ ACES – Automation of Central Excise and Service Tax

# Concessions / incentives for exports

- ▶ Exemption from duty or refund of duty, if paid
- ▶ Exemption / refund of Excise and Customs duties paid on inputs
- ▶ SEZs (imports without payment of duty and finished goods are exported)
- ▶ Export Oriented Undertakings (EOUs)
- ▶ CENVAT on inputs can be availed for other similar products
- ▶ Refund of CENVAT credit, if not used
- ▶ Duty Drawback Scheme
- ▶ Schemes of Advance License, DEPB and DFRC

# SERVICE TAX

# Service Tax – Basics

- ▶ Finance Act, 1994 – introduced concept of Service Tax in India
- ▶ What is a service?
  - An activity
  - For consideration
  - Between at least two persons
  - Activity carried out by a person for another
- ▶ 116 types of services – taxable till amendment in 2012

# Service Tax – Levy

- ▶ Taxability of services (before Amendment 2012) –
  - Service should be provided or agreed to be provided by one person to another
  - In the taxable territory
  - Should not be specified in the negative list
- ▶ Rate of tax (upto 31-03-2012) –
  - Service Tax – 10%
  - Education Cess – 2%
  - Secondary and Higher Edn Cess – 1%
- ▶ Rate of tax (from 01-04-2012) –
  - Service Tax – increased from 10% to 12%

# Amendment to the Finance Act in 2012

- ▶ Amendment Act, 2012 introduced –
  - Reverse charge mechanism w.e.f. 01-07-2012
  - Negative list based Service Tax (17 negative services and 39 activities)
  - Declared services (Deemed services)
  - Bundled services



# Service Tax – Procedures

- ▶ Registration – PAN is mandatory
- ▶ Half-yearly returns in ST-3
- ▶ Centralised filing of returns
- ▶ Concept of Input service distributor
- ▶ GST scenario –
  - SAC (Service Accounting Code) introduced
  - Chapter 99

# QUESTIONS & ANSWERS

**THANK YOU**