SALIENT FEATURES

1 INTRODUCTION

CENVAT Credit Rules, 2004 [CCR] have been notified vide Notification No. 23/2004-Central Excise (NT) dt. 10/09/2004 [Rules 1 to 16]. The same is in supersession of CENVAT Credit Rules, 2002 (CCR 02) and Service Tax Credit Rules, 2002 (STCR). CCR applies to the whole of India. However, it would not apply to the extent it relates to availment and utilization of credit to the state of Jammu & Kashmir.

2 ELIGIBLE BENEFICIARIES

a) A Manufacturer or Producer of Final Products (i.e. excisable goods manufactured or produced from input or using input service)[MFP]

b) A Provider of Taxable Output Service [OSP]

3 ELIGIBLE CAPITAL GOODS ['CG']

a) The following specific goods:

i) All goods falling under Chapter 82, Chapter 84,Chapter 85, Chapter 90, heading No. 68.05, grinding wheels and the like and the parts thereof falling under heading 68.04 of the First Schedule to the Excise Tariff Act;(CETA).

ii) pollution control equipment.

iii) components, spares and accessories of the goods specified at (i) and (ii).

iv) moulds and dies, jigs and fixtures.

v) refractories and refractory materials.

vi) tubes and pipes and fittings thereof ; and

vii) storage tank.

USED

- in the factory of the MFP, but does not include any equipment or appliance used in an office ; or
- for providing OS ;

b)	**<u>Motor Vehicle registered in the name of 'OSP' for providing the following taxable services:</u>** ➢ Courier Agency ➢ Tour Operator ➢ Rent a Cab Scheme Operator ➢ Cargo Handling Agency ➢ Goods Transport Agency ➢ Outdoor Caterer ➢ Pandal or Shamiana contractor
c)	**<u>Dumpers & Tippers falling under Chapter 37 registered in the name of "OSP" for providing the following services :</u>** ➢ Site Formation, Excavation ➢ Mining

4 <u>ELIGIBLE INPUTS</u>

a)	All goods, *except light diesel oil, high speed diesel oil and motor spirit, commonly known as petrol,* used in or in relation to the manufacturer of FP whether directly or indirectly and whether contained in the FP or not and includes lubricating oil, greases, cutting oils, coolants, accessories of the FP cleared along with the FP, goods used as paint, or as packing material, or as fuel or for generation of electricity or steam used in or in relation to manufacture of FP or for any other purpose, within the factory of production;
b)	<u>All goods</u>, *except light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol* and motor vehicles, <u>used for providing any OS;</u>
c)	"Input" would include goods used in the manufacture of capital goods which are further used in the factory of the manufacturer. W.e.f. 7.7.2009, it has been specifically provided that "inputs" shall not include cement, channels, bars & other items used for construction of factory shed, building or laying of foundation or making structures ot support CG.

5 <u>ELIGIBLE "INPUT SERVICES"</u>

Means any Service –

➢ <u>*Used by a OSP for providing an output service;*</u>

➢ <u>*Used by MFP, whether whether directly or indirectly,in or in relation to the manufacture of FP and clearance of FP from the place of removal,*</u>

<u>*and includes services used in relation to*</u>:

➢ setting up, modernization, renovation or repairs of factory, premises of OSP or an office relating to such factory or premises

- advertisement or sales promotion
- market research
- storage up to the place of removal
- procurement of inputs
- activities relating to the business, such as

accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, and security, inward transportation of inputs or CG and outward transportation upto the place of removal.

6 SPECIFIED DUTIES & TAXES ELIGIBLE FOR CREDIT

A List of duties & taxes eligible for availment of Credit are specified in Rule 3(1) of CCR, which includes in particular, the following:

- Duty of Excise specified in the First Schedule to CETA leviable under the Central Excise Act, 1944 [CEA].
- The Duty of Excise specified in the Second Schedule to CETA leviable under CEA.
- Education Cess (EC) on excisable goods
- Secondary & Higher Education Cess (SHEC) on excisable goods
- Additional duty leviable under Section 3 of Customs Tariff Act equivalent to the specified duty of excise [CVD].
- Additional duty leviable under Section 3(5) of Customs Tariff Act [MFP is eligible to avail Credit of such duty. However OSP cannot avail credit of such Duty]
- Service Tax leviable under Section 66 of the Finance Act, 1994(“Act”)
- EC on Taxable Services
- SHEC on Taxable Services.

PAID ON.

- *any input or CG received in the factory of MFP or premises of OSP on or after the 10.09.04; and*
- *any OS received by the MFP or by OSP on or after the 10.09.04.*

7 RESTRICTIONS ON CREDIT AVAILMENT

a) CENVAT credit shall not be allowed on such quantity of inputs or input services which is used in the manufacture of exempted goods or exempted services except in the manner specified.[Refer **para 10** hereafter].

b) No CENVAT credit shall be allowed on CG which are used exclusively in the manufacture of exempted goods or in providing exempted services, other than the FP which are exempt under SSI Exemption Scheme.

c) Credit of whole of Service Tax paid on the following Taxable Services:

➢ Consulting Engineers ➢ Architects ➢ Interior Decorator ➢ Management Consultant ➢ Real Estate Agent ➢ Security Agency ➢ Scientific or Technical Consultant ➢ Banking & other financial(inc forex broking) ➢ Insurance Auxiliary	➢ Erection, Commissioning or Installation ➢ Technical Testing and Analysis ➢ Technical Inspection and Certification ➢ Maintenance or Repair ➢ Construction ➢ Intellectual Property ➢ Commercial or Industrial Construction

Shall be allowed unless such service is used exclusively in or in relation to Manufacture of exempted goods or providing exempted service.

d) CENVAT Credit on CG shall not be allowed in respect of that part of value of CG which represents the amount of Duties / Taxes on such CG which the manufacturer or OSP claims as Depreciation U/s 32 of Income Tax Act, 1961.

e) *In cases where, under Notification 1/06 – ST dt.1.3.06 abatements have been claimed by specified OSP,* (viz Mandap Keepers, Tour Operators, Rent a Cab Scheme Operator, Convention, Outdoor Catering, Pandal & Shamiana Contractors, Erection, Comissioning & Installation, Transportation of goods by Road, Commercial / Industrial Construction and Construction of Complex] *no input credit of duties paid on inputs / capital goods or Service Tax paid on Input Services shall be availed*.

f) *In cases where, Service providers have opted for 2% (increased to 4%) Composition Scheme (Works Contract levy) notified wef 1.6.07, no CENVAT Credit can be availed in respect on Duties paid on Inputs.*

8 AVAILMENT OF CREDIT

a) CENVAT credit in respect of inputs may be taken immediately on receipt of the inputs in the factory of the manufacturer or in the premises of OSP:

b) i) The CENVAT credit in respect of CG received in a factory or in the premises of the OSP at any point of time in a given financial year shall be taken only for an amount not exceeding fifty percent of the duty paid on such CG in the same financial year. [However, CENVAT credit in respect of CG shall be allowed for the whole amount of the duty paid on such CG in the same financial year if such CG are cleared as such in the same financial year.]

ii) The balance of CENVAT credit may be taken in any financial year subsequent to the financial year in which the CG were received in the factory of the manufacturer, or in the premises of OSP, if the CG [other than components, spares, accessories, refractories & refractory materials, woulds & dies & goods fallowing under Chapter 6.8.02 [6801.04 of CETA] are in the possession of the MFP or OSP in such subsequent year.

c) The CENVAT credit in respect of the CG shall be allowed to a manufacturer / OSP even if such CG are acquired by him on lease, hire purchase or loan agreement, from a financial company.

d) CENVAT credit in respect of input service shall be allowed on or after the day on which payment is made of the value of input service and the Service Tax paid or payable as is indicated in the Invoice / Bill / Challan.

e) An amendment has been made wef 1.4.10 to provide that SSI units can avail 100% CENVAT Credit on Capital goods in the year of receipt. [SSI unit shall be eligible if aggregate value of clearances of all excisable goods for home consumption in the preceeding financial year computed in a prescribed manner does not exceed Rs. 400 lakhs.]

9 UTILIZATION OF CREDIT & RELATED

a) The CENVAT credit may be utilized for payment of :

i) Any duty of excise on any FP; or
ii) An amount equal to CENVAT credit taken on inputs if such inputs are removed as such or after being partially processed or
iii) An amount equal to the CENVAT credit taken on CG if such CG are removed as such; or
iv) An amount under sub rule (2) of rule 16 of Central Excise Rules, 2002 (CER) or
v) Service Tax on any OS.

b) **i)** when inputs or CG on which CENVAT credit has been taken, are removed as such from the factory, or premises of OSP, the MFP or OSP, shall pay an amount equal to the credit availed in respect of such inputs or CG and such removal shall be made under the cover of an invoice.

ii) However, such payments shall not be required to be made where any inputs are removed outside the premises of the OSP for providing the OS.

iii) Such payment shall also not be required to be made when any CG are removed outside the premises of the OSP for providing the OS and the CG are brought back to the premises within 180 days, or such extended period not exceeding 180 days, as may be permitted the Central Excise Authorities, of the date of removal**.**

c) Wef 16.5.05, If CG are cleared as Waste and Scrap, the MFP shall pay an amount equal to the duty leviable on Transaction Value.

d) Wef 13.11.07, it has been provided that, if CG on which CENVAT Credit has been availed by a MFP or OSP are removed after use such MFP or OSP shall pay an amount equal to CENVAT Credit taken on said CG reduced by 2.5% for each Quarter of a year or part thereof from the date of taking the CENVAT Credit. W.e.f 27.2.10, higher rate of depreciation has been specified in case of removal of computer & computer peripherals.

e) If the Value of inputs or CG (before put to use) on which CENVAT Credit has been taken is fully written off (or such provision is made) in the books of account, the MFP or OSP shall pay an amount equal to CENVAT Credit in respect of said inputs / CG.

f) Credit of EC/ SHEC on excisable goods and the EC / SHEC on taxable services can be utilized either for payment of the EC / SHEC on excisable goods or for the payment of the EC / SHEC on taxable services**.**

10 REFUND OF CENVAT CREDIT

a) CENVAT Credit in respect of Input or input services which is used in the intermediate product FP / providing OS which is exported, shall be allowed to be utilized by MFP or OSP towards payment of:

i) Duty of excise on any FP cleared for home consumption or for export on payment of duty ;or

ii) service tax on output service,

b) Where for any reason such adjustment is not possible, the MFP shall be allowed to claim refund of such amount, subject to compliances,

c)	*No refund of credit shall be allowed if the MFP or OSP avails of drawback, or claims a rebate of duty under CER in respect of such duty.*
d)	*“Output Service which are exported” means any OS exported in accordance with the Export of Services Rules, 2005.*

11 MANUFACTURER OF DUTIABLE AND EXEMPTED GOODS AND PROVIDER OF TAXABLE AND EXEMPTED SERVICES

a) Where a MFP or OSP avails of CENVAT credit in respect of any inputs or OSP avails of CENVAT credit in respect of any inputs or input services, except inputs intended to be used as fuel, and manufactures such FP or provides such OS which are chargeable to duty or tax as well as exempted goods or services, then, the MFP or OSP shall maintain separate accounts for receipt, consumption and inventory of input and input service meant for used in the manufacture of dutiable FP or in providing OS and the quantity of input meant for used in the manufacture of exempted goods or services and take CENVAT Credit only on that quantity of input or input service which is intended for use in the manufacture of dutiable goods or in providing OS on which service tax is payable.

b) Rule 6(3) of CCR has been amended w.e.f. 1-4-2008 to provide the following options as applicable to a MFP or OSP using common inputs / input service for providing taxable as well as exempted goods / taxable as well as exempted services but not maintaining separate account of receipt, consumption and inventory of inputs or input services :

i) MFP shall pay an amount equal to 5% of the value of exempted goods and the OSP shall pay an amount equal to 6% of the value of exempted services.

ii) MFP or OSP shall pay an amount equivalent to the CENVAT Credit attributable to inputs and input services used in or in relation to manufacture of exempted goods / provision of exempted services subject compliance of detailed procedure prescribed in Rule 6(3A).

The options stated above are required to be exercised for all exempted goods manufactured by a MFP or all exempted services provided by an OSP. An option once exercised cannot be withdrawn during any financial year.

c) The procedure prescribed under Rule 6(3) of CCR requires the MFP / OSP to comply with following :

i) Intimate in writing to the Superintendent of Central Excise, giving the specified particulars;

ii) Determine and pay provisionally every month, an amount equivalent to CENVAT Credit attributable to manufacture or exempted goods /

provision of exempted services in accordance with the formula prescribed in Rule 6(3A) (b) of CCR;

iii) Determine finally, the amount of CENVAT Credit attributable to exempted goods / exempted services for the whole financial year, in accordance with the formula prescribed in Rule 6(3A)(c) of CCR;

iv) Determine shortfall / surplus in payment of CENVAT Credit;

v) Pay the shortfall by 30th June. In case of delay, interest would be payable at the rate of 24% per annum;

vi) Intimate in either case to the jurisdictional the date of payment / date of adjustment giving the specified particulars.

d) The aforesaid provisions shall not be applicable in case excisable goods removed without payment of duty are cleared to units in SEZ (or to a developer of a SEZ), 100% EOU, EHTP STP, specified international projects, for Export under Bond , mega power projects under Specified Circumstances.

12 DISTRIBUTION OF CREDIT BY INPUT SERVICE DISTRIBUTOR (ISD) / OSP

a) ISD has been defined to mean an office of MFP or OSP which receives invoice issued under Rule 4A of Service Tax Rules, 1994 (STR) towards purchase of input services and issues invoice, bill or challan for distributing the credit of service tax paid on said services to such MFP or OSP.

b) ISD may distribute the CENVAT credit in respect of the service tax paid on the input service to its manufacturing units or units providing OS, subject to the following conditions:

i) The credit distributed against a document should not exceed the amount of service tax paid thereon; or

ii) Credit of service tax attributable to service used in a unit exclusively engaged in manufacture of exempted goods or providing of exempted services shall not be distributed.

c) Wef 16.6.05, ISD is required to be registered, with Service Tax Dept. & file appropriate returns.

d) W.e.f. 1.4.2008 a new Rule 7A is inserted under CCR, to prescribe a procedure to enable OSP to take credit on inputs and CG on the basis of invoice, bill or challan issued by its other offices or premises. Rules relating to Registered Dealer Mechanism under Central Excise shall apply mutatis mutandis to such offices or premises of the OSP.

13 DOCUMENTS & ACCOUNTS

a) **The CENVAT credit shall be taken by MFP/OSP/ISD be on the basis of specified duty / tax paid documents.** [refer ANNEXURE - A]

b) The MFP or OSP taking CENVAT credit on input or CG or input service, or the ISD distributing CENVAT credit on input service is required to take all reasonable steps to ensure that the input or CG or input service in respect of which he has taken the CENVAT credit are goods or services on which the appropriate duty of excise or service tax as indicated in the documents accompanying the goods or relating to input service, has been paid.

c) The CENVAT Credit in respect of input or CG purchased from a first stage dealer or second stage dealer shall be allowed only if such first stage dealer or second stage dealer, as the case may be, maintains records indicating the fact that the input or CG was supplied from the stock on which duty was paid by the producer of such input or CG and only an amount of such duty on pro rata basis has been indicated in the invoice issued by his.

d) **The MFP /OSP shall maintain proper records for the receipts, disposal, consumption and inventory of the input and CG** in which the relevant information regarding the value, duty paid, CENVAT credit taken and utilized, the person from whom the input or CG have been procured is recorded and the burden of proof regarding the admissibility of the CENVAT credit shall lie upon the MFP / OSP taking such credit.

e) **The MFP / OSP shall maintain proper records for the receipt and consumption of the input services in which the relevant** information regarding the value, tax paid, CENVAT credit taken and utilized, the person from whom the input service has been procured is recorded and the burden of proof regarding the admissibility of the CENVAT Credit shall be upon the MFP / OSP taking such credit.

f) Returns required to be filed in the Prescribed form are as under:

PERSON	**PERIODICITY**	**DUE DATE**
Manufacturer of FP	➢ Monthly	➢ 10 days from the close of Month
	➢ Quarterly (SSI)	➢ 20 days from the close of Quarter
First stage or second stage Dealer	Quarterly	15 days from the close of Quarter
OSP availing CENVAT Credit	Half Yearly	End of the month following the Quarter/ Half year
ISD	Half Yearly	End of the month following the Half year.

g) OSP availing CENVAT credit or ISD, as the case may be, may submit a revised return to correct a mistake or omission within a period of sixty days from the date of submission of the return under sub-rule (9) or sub-rule (10), of CCR as applicable.

h) W.e.f 1.3.2007 Rule 9 has been amended to allow an assessee to rectify mistakes and file revised return within 60 days from the due date from filing of original return.

14 TRANSFER OF CENVAT CREDIT

a) If a MFP shifts his factory to another site or the factory or if a OSP shifts or transfer his business is transferred on account of change in ownership or on account of sale, merger, amalgamation, lease or transfer of the factory to joint venture with the specific provision for transfer of liabilities of such factory, then MFP / OSP shall be allowed to transfer the CENVAT credit lying unutilized in his accounts to such transferred, sold, Merged, leased or amalgamated factory.

b) The transfer of the CENVAT credit shall be allowed only if the stock of inputs as such or in process, or the CG is also transferred along with the factory or business premises to the new site or ownership and the inputs, or CG on which credit has been availed of are duly accounted for to the satisfaction of the Central Excise Authorities.

15 TRANSITIONAL PROVISIONS

Any amount of credit earned by a MFP under CCR 02 as they existed prior to the 10/09/2004 or by a OSP under the STCR, as they existed prior to the 10/09/2004, and remaining unutilized on that day shall be allowed as CENVAT credit to such MFP / OSP under these Rules, and shall be allowed to be utilized in accordance with CCR.

16 RECOVERY OF CENVAT CREDIT WRONGLY TAKEN OR ERRONEOUSLY REFUNDED

In cases where the CENVAT credit has been taken or utilized wrongly or has been erroneously refunded, the same along with interest shall be recovered from the MFP or OSP and the provisions of section 11 A and 11 AB of CEA or sections 73 and 75 of the Act, shall apply for effecting such recoveries.

17 PENAL PROVISIONS

a) If any person, takes CENVAT credit in respect of input or CG / in respect of Input Services wrongly or without taking reasonable steps to ensure that appropriate duty on the said input or CG has been paid as indicated in the document accompanying the input or CG, or contravenes any of the provisions of these rules in respect of any input or CG then:

- all goods shall be liable to confiscation and
- such person, shall be liable to a penalty not exceeding the duty on the excisable goods in respect of which any contravention has been committed, or Rs.10,000/-, which ever is greater.

b) In cases where the CENVAT credit in respect of input or CG / in respect of input services has been taken or utilized wrongly on account of fraud, willful mis-statement, collusion or suppression of facts, or contravention of any of the provisions of CEA / CER with an intention to evade payment of duty, then, the MFP / OSP shall also be liable to pay penalty in terms of the provisions of Section 11 AC of CEA/ Section 78 of the Act.

c) W.e.f. 1.3. 2008, Rule 15A is inserted under CCR, provide for a general penalty up to Rs. 5,000 in case of contravention of any of the provisiosn of the Rules for which no specific penalty is provided.

ANNEXURE A

LIST OF ELIGIBLE DUTY PAID DOCUMENTS

[Rule 9(1) of CCR]

a) an invoice issued by –

i) a manufacturer for clearance of -

- inputs or capital goods from his factory or depot or from the premises of the consignment agent of the said manufacturer or from any other premises from where the goods are sold by or on behalf of the said manufacturer;
- inputs or capital goods as such;

ii) an importer;

iii) an importer from his depot or from the premises of the consignment agent of the said importer if the said depot or the premises, as the case may be, is registered in terms of the provisions of Central Excise Rules, 2002; [CER]

iv) a first stage dealer or a second stage dealer, as the case may be, in terms of the provisions of CER or

b) a supplementary invoice, issued by a manufacturer or importer of inputs or capital goods in terms of the provisions of CER from his factory or depot or from the premises of the consignment agent of the said manufacturer or importer or from any other premises from where the goods are sold by, or on behalf of, the said manufacturer or importer, in case additional amount of excise duties or additional duty leviable under section 3 of the Customs Tariff Act, has been paid, except where the additional amount of duty became recoverable from the manufacturer or importer of inputs or capital goods on account of any non-levy or short – levy by reason of fraud, collusion or any willful mis-statement or suppression of facts or contravention of any provisions of the CEA, or of the Customs Act, 1962 or the Rules made thereunder with intent to evade payment of duty.

c) A bill of entry; or

d) a certificate issued by an appraiser of customs in respect of goods imported through a Foreign Post Office; or

e) a challan evidencing payment of service tax by the person liable to pay service tax under sub-clauses (iii), (iv), (v) and (vii) of clause (d) of sub rule (1) of rule 2 of the STR or

f) an invoice, a bill or challan issued by a provider of input service on or after the 10^{th} day of September, 2004 or

g) an invoice, bill or challan issued by ISD under Rule 4A of STR.

ANNEXURE B

CENVAT CREDIT THROUGH DEALER MECHANISM

1 Dealer Registration

Dealer / Depot / Consignment agent / Importer intending to register has to submit an Application in the prescribed Form A-1. Application for Registration in the prescribed form is required be submitted in the office of Assistant / Deputy Commissioner by the dealer / depot. Detailed Instructions for filling the Form Application for Registration are contained in the Form itself.

2 Dealer's Invoice for CENVAT

In a normal commercial Invoice raised by wholesaler, distributor or dealer, excise duty will not be charged separately. In fact the dealer cannot charge excise duty in his invoice separately inasmuch as he is not a manufacturer who is liable to pay excise duty.

Rule 11(7) of Central Excise Rules, 2002 (CER) states that provisions of Rule 11 (which is applicable to manufacturers) shall apply mutatis mutandis to goods supplied by a first stage dealer or a second stage dealer. In addition, as per Rule 9(4) of CCR, Amount of Duty actually paid on goods should be indicated in the invoice of dealer on a pro rata basis.

As per Rule 11(2) of CER, Invoice shall contain, the following details :

- Registration Number
- Name of consignee
- Description and classification of goods
- Time and date of removal
- Mode of transport and vehicle registration number
- Rate of duty
- Quantity and Value of goods
- Duty payable on the goods.

The above would indicate that, details of manufacturer/Overseas Supplier or first stage dealer (from whom goods were purchased) are strictly not required to be indicated in the Dealer Invoice. However, these were required under earlier provisions, and dealers are using the earlier prescribed forms and the Authorities are insisting for the same though strictly these details are now not required in terms of CER.

A dealer is required to indicate in his invoice the excise duty paid on goods by the buyer or CVD paid by an Importer. However, this should not be separately charged to buyer. Details of excise duty paid by the manufacturer / CVD paid by an Importer should only be shown separately in the invoice.

It needs to be expressly noted that, separate indication of Excise Duty / CVD in the Invoice, is provided only to facilitate availment of CENVAT Credit to the buyer / user of goods.

3 Specific Provisions for Imported Goods

An importer can sell the goods purchased by him.

As per Rule 9(1)(a)(ii) of CCR, Invoice of an Importer, is an eligible document for availment of Cenvat Credit. As per Rule 9(1)(a)(iii) of CCR, invoice issued by importer from his depot or from the premises of consignment of the said importer is also specified as an eligible document for Cenvat, if the said depot or premises of consignment agent is registered with Central Excise Dept.

4 Records

As per Rule 9(4) of CCR, Cenvat Credit at respect of inputs and capital goods purchased from a first stage dealer or second dealer shall be allowed only if the dealer maintains records indicating the fact that the inputs or capital goods were supplied from the stock on which duty was paid by the manufacturer / producer of such goods.

Thus, the dealer issuing the invoice should maintain record of goods received and sold in the prescribed Format.

The records of dealer can be inspected by Excise authorities on obtaining permission from Assistant / Deputy Commissioner, Central Excise. All records must be preserved for a period of five years.

According to Rule 22(2) of CER, First Stage dealer or Second Stage Dealer is required to furnish the following:

a) all records prepared and maintained for accounting transaction in regard to receipt, purchase, manufacture, storage, sale or delivery of goods including inputs and capital goods.

b) All the records prepared and maintained for accounting of transaction in regard to payment of input services and their receipt and procurement and

c) All the financial records and statements including trial balance or its equivalent.

5 Returns

The First Stage Dealers and Second Stage Dealers are required to file a quarterly return to Superintendent of Central Excise, in prescribed form, within 15 days from close of each quarter. [Rule 9(8) of CCR]. The form is prescribed vide CBE&C notification No. 73/2003-CE(NT) dated 15.9.2003.

6 Submission of Records & Scrutiny

A First Stage Dealer and Second Stage Dealer is required to submit to his range officer duly empowered by Commissioner or audit party or audit persons of C&AG the following, for scrutiny:

a) Records maintained or prepared in terms of rule 22(2), as described above

b) Cost Audit Report u/s 233B of Companies Act and

c) Income Tax Audit Report u/s 44AB of Income Tax Act.

After submission of return by the first stage dealer and second stage dealer, the ‘proper officer’ will scrutinize the return on the basis of information contained in the return and further enquiry as considered necessary. The manner of scrutiny will be prescribed by CBE&C

Every assessee shall make available to ‘proper officer’ all documents and records for verification as and when required by such officer.