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COMPUTATION OF CENVAT AVAILMENT IN CASE OF COMMON INPUT/INPUT SERVICE & CAPITAL GOODS

Highlights of Cenvat Credit Rule 6

Class of Input
1-Capital Goods
2-Other Than Capital Goods

There are two type of Input/Input Service
1- Identified Input/Input Service
2- Common Input/Input Service

1- Identified Input/Input Service

Identified input/input service will be of two types
Type-1 -This is the input/input service which is clearly identified that used in exempted goods/service
If Capital Goods : No Cenvat Credit available
If Other than Capital Goods : No Cenvat Credit available

Type-2 This is the input/input service which is clearly identified that used in taxable goods/service.
If Capital Goods : Cenvat Credit available
If Other than Capital Goods : Cenvat Credit available

2- Common Input/Input Service
This is the common input/input service which is used in exempted goods/service as well as used in taxable goods/service.
If Capital Goods : Cenvat Credit available
If Other than Capital Goods : As per Rule 6 (3)

As per Rule 6 (3)

Option I
Maintain Separate Account
Option II
Pay 5% on exempted goods
Pay 8% on exempted service
Option III
Proportanate Basis

Computation of Option III in Running Financial Year to avail cenvat credit

Running FY 2009-10

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Identified Input/Input Service	Value	Cenvat
RM 1	2000000	320000
Service 1	600000	72000
Capital Goods 1	500000	50000

Common Input/Input Service	Value	Cenvat
RM 2	1000000	160000
Service 2	500000	60000
Capital Goods 2	500000	50000

FY- 2008-09 Detail

Value of Taxable Production	10000000
Value of Taxable Service	1000000
Value of Exempted Production	2500000
Value of Exempted Service	300000

Availment of Cenvat Credit on Identified Input/Input Service

In case of RM 1 : Full Cenvat Credit available	320000
In case of Service 1 : Full Cenvat Credit available	72000
In case of Capital Goods 1 : Full Cenvat Credit available	50000

Availment of Cenvat Credit on common Input/Input Service

In case of RM 2 : As per below	
In case of Service 2	
In case of Capital Goods 2 : Full Cenvat Credit available	50000

Computaion of RM 2 Cenvat Input on monthly basis because it is input & not input service

1)Used in Exempted Production	
Value of Exempted Production	2500000
Total Output	13800000
Ratio	18.12%
RM 1 Input to be reversed	28985.51
2) Used in Exempted Service	
Value of Exempted Service	300000
Total Output	11300000
Ratio	2.65%
Cenvat Avaliable for Reversal	131014
RM 1 Input to be reversed	3478
Total Reversal	32464

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<u>Computaion of Service 2 Cenvat on Input service on monthly basis because it is input service & not input</u>

1)

Value of Exempted Production & service	2800000
Total Output	13800000
Ratio	20.29%
Cenvat on Input service to be reversed	12174

Note-1 In my opinion Total Cenvat Credit referred in rule 6 (3)(i) or 6 (3)(ii) is Cenvat on Common input/Input service only & not on identifiable input/Input service

Note-2 Cenvat Credit is not available to the party whom goods/services supplied if option III opted

Note-3 Export sale or sale to STP,EHTP,EOU,SEZ,UN, IO shall not be treated as exempted goods