

STUDY NOTE - 3

CENVAT CREDIT

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3.1 BACKGROUND

Excise and Service tax are central taxes, expected to be consumption based taxes to the extent practicable. Till the goods or service is finally consumed, the burden of excise duty and service tax is passed on to next buyer, who gets credit of the tax and excise duty paid by the supplier / service provider. Thus, effectively, tax is paid on value added at each stage, as illustrated in following example.

	Transaction without VAT		Transaction With VAT	
Details	A	B	A	B
Purchases	-	110	-	100
Value Added	100	40	100	40
Sub-Total	100	150	100	140
Add Tax 10%	10	15	10	14
Total	110	165	110	154

'B' is purchasing goods from 'A'. In second case i.e. under Vat, his purchase price is Rs 100/- as he is entitled to Cenvat credit of Rs 10/- i.e. tax paid on purchases. His invoice shows tax paid as Rs 14. However, since he has got credit of Rs 10/-, effectively he is paying only Rs 4/- as tax, which is 10% of Rs 40/-, i.e. 10% of 'value added' by him.

Cenvat (Central Value Added Tax) scheme is used to achieve the aim of levying tax only on 'value added' at each stage.

Goods and Service Tax – It is envisaged to have uniform all India 'Goods and Service Tax' (GST) by 1-4-2010. As an important step toward that, credit of service tax and central excise duty has been made inter-changeable. Finance Minister Shri P Chidambaram, in para 148 of his budget speech on 8-7-2004, stated as follows, 'I propose to take a major step towards integrating the tax on goods and services. Accordingly, I propose to extend credit of service tax and excise duty on goods and services. Accordingly, I propose to extend credit of service tax and excise duty across goods and services'.

To give effect to this proposal, Cenvat Credit Rules, 2004 were issued and made effective from 10-9-2004.

3.1.1 Highlights of Cenvat Credit scheme

General highlights of the scheme are as follows :

Credit of duty paid on input and input services - The Cenvat scheme is principally based on system of granting credit of duty paid on inputs and input services. A manufacturer or service provider has to pay excise duty and service tax as per normal procedure on the basis of 'Assessable Value' (which is mainly based on selling price). However, he gets credit of duty paid on inputs and service tax paid on input services. Thus, he actually pays amount equal to duty / service tax as shown in invoice less the Cenvat credit available to him.

Input goods eligible for Cenvat to manufacturer - Credit will be available of excise duty paid on (a) raw materials (*excluding few items*) (b) material used in or in relation to manufacture like consumables etc. (c) Paints, packing materials, fuel etc. used for any purpose. The input may be used directly or indirectly in or in relation to manufacture. The input need not be present in the final product. Inputs need not be used within the factory. However, duty paid on high speed diesel oil (HSD), Light Diesel Oil (LDO) and motor spirit (petrol) is not available as Cenvat credit, *even if these are used as raw materials or as fuel*. [rule 2(k)(i) of Cenvat Credit Rules]

Inputs goods eligible for Cenvat to service provider - In case of service providers, only inputs used directly for providing output service are eligible for Cenvat credit. However, high speed diesel oil (HSD), Light Diesel Oil (LDO) and motor spirit (petrol) are not eligible as 'inputs'. [rule 2(k)(ii) of Cenvat Credit Rules]

As per notification No. 12/2003-ST dated 20-6-2003, a service provider is not required to pay service tax on goods and materials used by him for providing output services. Normally, service tax is not payable on goods where property is transferred to buyer. Hence, Cenvat credit will be available mainly in respect of consumables.

Inputs can be sent to job worker – Inputs can be sent to job worker for processing. These should be returned within 180 days [rule 4(5)(a)]. Final product can be cleared directly from premises of job worker on obtaining permission of AC / DC [rule 4(6) of Cenvat Credit Rules]

Wide definition of 'input service' – A manufacturer / service provider will be entitled to credit of service tax paid by him which are used by him directly or indirectly in or in relation to manufacture of final product / provision of output services. This would include even services which are received prior to commencement of manufacture / provision of output services. Even input services relating to setting up a factory will be eligible.

In addition to this, services like advertising, activities relating to business like accounting, auditing, storage, transport etc., which are not directly related to manufacture / provision of output services but are related to the sale of manufactured goods / provision of output services would also be permitted for credit. *In fact, all input services relating to all activities relating to business are eligible for Cenvat credit*. [rule 2(l) of Cenvat Credit Rules]



Services Billed/received at Head Office/Regional Offices - In some cases, the bill/invoice is raised in the name of head office / regional office etc., but services are actually received in the factory (or factories) or premises of service provider. In addition, the Head Office / Regional Offices receive services which are not specific for any factory / premises or service provider, such as advertising, market research, management consultancy etc. Bills in respect of such services would be received only in these offices. To enable the manufacturer / service provider to avail credit of such input services, a concept of “input service distributor” has been introduced [rule 2(m) of Cenvat Credit Rules]

The HO / Regional Office will have to register as ‘Input Service Distributor’ with Excise department. The HO / Regional Office will have to issue Invoice to the factory / office providing service. The factory / service provider can avail credit on basis of such invoice. It would be left to the assessee to decide as to how he distributes the credit among various factories or service providing units. He has to ensure that the total credit allowed does not exceed the eligible credit amount. Such offices which distribute the credit would have to obtain service tax registration [rule 7 of Cenvat Credit Rules].

Credit of duty paid on capital goods – Capital goods (machinery, plant, spare parts of machinery, tools, dies, etc.) as defined in rule 2(a), used for manufacture of final product and / or used for providing output taxable service will be available. Capital goods should be used in the factory. 50% credit is available in current year and balance in subsequent financial year or years [rule 4(2)(a) of Cenvat Credit Rules]. Assessee should not claim depreciation on duty portion on which he has availed Cenvat credit [rule 4(4) of Cenvat Credit Rules]. A service provider can take out capital goods from his premises, provided that he brings them back within 180 days. This period can be extended [[second proviso to Rule 3(5) of Cenvat Credit Rules].

Removal of used capital goods as scrap - If capital goods are cleared after use as scrap, an ‘amount’ equal to duty on scrap value of capital goods is payable [rule 4(5A)]. If capital goods are removed after use (not as scarp), an ‘amount’ equal to Cenvat credit taken on the capital goods, reduced by 2.5% for each quarter of a year or part thereof, from date of taking credit.

Credit on motor vehicles used to provide output service – Motor vehicles are not ‘capital goods’ for purpose of ‘manufacture’, but credit on motor vehicles would be allowed as ‘capital goods’ only to the service providers of courier, tour operator, rent-a-cab scheme operator, cargo handling agency, outdoor caterer, pandal and shamiana operator and goods transport agency [rule 2(a)(B) of Cenvat Credit Rules]. Motor vehicle will not be treated as ‘capital goods’ for manufacturers or other service providers.

Credit on basis of specified documents - Credit is to be availed only on the basis of specified documents as proof of payment of duty on inputs or tax on input services. These include Invoice of manufacturer or registered dealer, Bill of Entry, Supplementary Invoice etc. [rule 9(1) of Cenvat Credit Rules]. If there is any defect in duty paying document, specific permission of AC / DC is required [rule 9(2) of Cenvat Credit Rules]

Credit available instantly in case of inputs - Credit of duty on inputs can be taken up instantly, i.e. as soon as inputs reach the factory or premises of service provider [rule 4(1) of Cenvat Credit Rules].

Cenvat credit of capital goods in two stages - In case of capital goods, upto 50% credit is available in current year and balance in subsequent financial year [rule 4(2)(a) of Cenvat Credit Rules].

Cenvat credit of service tax only after bill amount plus service tax paid - In case of input services, credit is available only after the amount of Bill value with service tax is paid to the service provider [rule 4(7) of Cenvat Credit Rules].

Cenvat to manufacturer available only if there is 'manufacture' - Cenvat on inputs or input services is available only if the process is 'manufacture'. Otherwise, Cenvat is not available [rule 3(1) of Cenvat Credit Rules]. [In fact, in such cases, no duty is payable on the final product and question of Cenvat does not arise at all].

Utilisation of Cenvat Credit - All taxes and duties specified in rule 3(1) of Cenvat Credit Rules form a 'pool'. This credit can be utilised by manufacturer of excisable goods or provider of taxable service, for payment of any tax or duty as specified in rule 3(4) of Cenvat Credit Rules.

One-to-one correlation not required - Cenvat Credit Rules do not require input-output correlation to be established.

No input credit if final product/output service exempt from duty/ service tax - No credit is available if final product is exempt from duty or final service is exempt from service tax [rule 6(1) of Cenvat Credit Rules].

If a manufacturer manufactures more than one product, it may happen that some of the products are exempt from duty. Similarly, in case of service provider, some services may be taxable while some services may not be covered. In such cases, duty paid on inputs and service tax paid on input services used for manufacture of exempted products / services cannot be used for payment of duty or tax on other final products / services which are not exempt from duty / tax.

If the manufacturer / service provider uses common inputs and input services both for exempted as well as un-exempted goods / services, he should maintain separate records for inputs / input services used for manufacture of exempted final products and should not avail Cenvat on such inputs / input services [rule 6(2) of Cenvat Credit Rules].

Partial manufacture/provision of exempted products/services – Cenvat credit of inputs and input services is not available if final product / output service is exempt from excise duty / service tax. In case of manufacturer manufacturing both exempt and dutiable goods (or service provider providing taxable as well as exempt services), it may happen that same inputs / input services are used partly for manufacture of dutiable goods / taxable services and partly for exempted goods / services.

In such cases, the manufacturer / service provider has following three options (w.e.f. 1-4-2008)

- (a) Maintain separate inventory and accounts of receipt and use of inputs and input services used for exempted goods / exempted output services – Rule 6(2) of Cenvat Credit Rules.



- (b) Pay amount equal to 10% of value of exempted goods (if he is 'manufacturer) and / or 8% of value of exempted services (if he is service provider) if he does not maintain separate inventory and records, if he is a manufacturer – Rule 6(3)(i) w.e.f. 1-4-2008.
- (c) Pay an 'amount' equal to proportionate Cenvat credit attributable to exempted final product/ exempted output services – Rule 6(3)(ii) w.e.f. 1-4-2008.

Full credit in case of specified input services - In case of specified services such as construction, erection/ commissioning/ installation etc. credit would be disallowed only when they are used *exclusively* in relation to manufacture of exempted goods/ services. Otherwise full credit would be allowed [rule 6(5) of Cenvat Credit Rules]

No cash Refund, except in case of export - In some cases, it may happen that duty paid on inputs and service tax paid on input services may be more than duty payable on final products. In such cases, though the Cenvat credit will be available to the manufacturer / service provider, he cannot use the same and the same will lapse. There is no provision for refund of the excess Cenvat credit. *However, the only exception is in case of exports where duty paid on input material or services used for exported goods is refundable.* [rule 5 of Cenvat Credit Rules].

Other exception is Tribunal can order refund when Cenvat credit could not be availed due to fault / wrong action of the department. Refund may also be granted if assessee could not utilise credit for some other reason.

Reversal of Cenvat if final product or output service subsequently exempt – Cenvat Credit is availed as soon as inputs are received. If subsequently the final product or output service is exempt, there might be some inputs lying in stock on date of exemption. Such inputs will then be used for manufacture of exempted final products. In such case, Cenvat credit on such inputs will have to be reversed or equivalent amount paid, if Cenvat credit was already utilised [rules 11(3) and 11(4) of Cenvat Credit Rules of Cenvat Credit Rules].

Cenvat credit is indefeasible - In *CCE v. Dai Ichi Karkaria Ltd.* 1999(112) ELT 353 = 1999 AIR SCW 3205 = (1999) 7 SCC 448 = AIR 1999 SC 3234 (SC 3 member bench), it was held that Cenvat credit validly taken is indefeasible. It was also observed that co-relation between final product and raw materials is not required in Cenvat scheme. - - However, Cenvat credit balance at the year end is not income of assessee – *CIT v. Indo Nippon Chemicals* (2003) 130 Taxman 179 = 155 ELT 452 = 261 ITR 275 (SC).

3.2 Overview of Cenvat Credit Rules, 2004

Rule No.	Brief Contents
<i>Proviso to rule 1(2)</i>	Provisions relating to availment and utilisation of credit of service tax shall not apply to State of J&K.
2(a)	‘Capital goods’ means – (A) The following goods, namely:- (i) all goods falling under chapter 82, chapter 84, chapter 85, chapter 90, heading No. 6805, grinding wheels and the like, and parts thereof falling under heading 6804 of the First Schedule to Excise Tariff Act (ii) Pollution control equipment.(iii) Components, spares and accessories of the goods specified at (i) and (ii) above (iv) Moulds and dies, jigs and fixtures. (v) Refractories and refractory material. (vi) Tubes, pipes and fittings thereof and (vii) Storage Tank. Used – (1) in the factory of the manufacturer of the final products, but does not include any equipment or appliance used in an office; or (2) for providing output service (B) motor vehicle registered in the name of provider of output service for providing taxable service as specified in sub-clauses (f), (n), (o), (zr), (zzp), (zzt) and (zzw) of clause (105) of section 65 of the Finance Act, 1994
2(d)	‘Exempted goods’ means goods which are exempt from whole of duty of excise leviable thereon and includes goods which are chargeable to ‘Nil’ rate of duty.
2(e)	“Exempted services” means taxable services which are exempt from the whole of the service tax leviable thereon, and includes services on which no service tax is leviable under section 66 of Finance Act.
2(h)	‘Final Product’ means excisable goods manufactured or produced from inputs, or using input service.
2(k)	“Input” means – (i) all goods, except light diesel oil, high speed diesel oil and motor spirit, commonly known as petrol, used in or in relation to the manufacture of final products whether directly or indirectly and whether contained in the final product or not and includes lubricating oils, greases, cutting oils, coolants, accessories of the final products cleared along with the final product, 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 final products or for any other purpose, within the factory of production; (ii) all goods, except light diesel oil, high speed diesel oil, motor spirit, commonly known as petrol and motor vehicles, used for providing any output service. <i>Explanation 1.-</i> The light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol, shall not be treated as an input for any purpose whatsoever. <i>Explanation 2.-</i> Input include goods used in the manufacture of capital goods which are further used in the factory of the manufacturer

2(l)	“Input service” means any service – (i) used by a provider of taxable service for providing an output service; or (ii) used by the manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products <i>upto</i> the place of removal (The words were ‘from the place of removal’ upto 31-3-2008) and includes services used in relation to setting up, modernization, renovation or repairs of a factory, premises of provider of output service or an office relating to such factory or premises, advertisement or sales promotion, market research, storage upto the place of removal, procurement of inputs, activities relating to 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 capital goods and outward transportation upto the place of removal
2(n)	Job Work means processing or working upon of raw materials or semi-finished goods supplied to job worker, so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for the aforesaid process.
2(p)	“Output service” means any taxable service provided by the provider of taxable service, to a customer, client, subscriber, policy holder or any other person, as the case may be, and the expressions ‘provider’ and ‘provided’ shall be construed accordingly.
3(1)	Cenvat Credit is a ‘pool’ consisting of following duties and taxes, paid on input or capital goods or input service – • Basic excise duty on indigenous inputs [Paid on goods specified in First Schedule to CETA]. Corresponding CVD on imported goods is allowable. • Education cess on manufactured excisable goods and CVD equal to education cess on imported goods. This credit can be utilised only for payment of education cess on final product or output services • SAH (Secondary and Higher Education) Cess manufactured excisable goods and CVD equal to SAH education cess on imported goods. This credit can be utilised only for payment of SAH education cess on final product or output services. • Service tax on input services paid u/s 66 of Finance Act. • Education cess paid on service tax. This credit can be utilised only for payment of education cess on final product or output services. • SAH Education cess paid on service tax. This credit can be utilised only for payment of SAH education cess on final product or output services. • Additional Customs Duty paid u/s 3(5) of Customs Tariff Act w.e.f. 1-3-2005 (SAD or Special CVD). This credit will not be available to service providers [This duty is perceived as in lieu of sales tax. It is payable @ 4% on most of the products, with few exceptions.] • National Calamity Contingent Duty (NCCD) leviable under section 136 of Finance Act, 2001 and corresponding CVD paid on imported goods. This credit can be used for payment of NCCD on outputs only and not for any other duty. • Additional Excise Duty paid under section 85 of Finance Act, 2005. This duty is payable w.e.f. 1-3-2005 on pan masala and certain tobacco products, as specified in Seventh Schedule to Finance Act, 2005 [Credit of Additional Excise Duty paid under section 85 of Finance Act can be used for payment of this duty. Any other credit cannot be utilised and balance amount is required to be paid in cash only].

3(2)	Manufacturer can take Cenvat credit of goods in stock on day when the final product ceases to be exempted goods or becomes excisable.
3(4)	Pool of 'Cenvat Credit' [as defined in rule 3(1)] can be utilised for any of the following – • Any duty on <i>any</i> final product manufactured by manufacturer [Rule 3(4)(a)] • Payment of 'amount' if inputs are removed as such or after partial processing [Rule 3(4)(b)] • Payment of 'amount' on capital goods if they are removed as such [Rule 3(4)(c)] • Payment of 'amount', if goods are cleared after repairs under rule 16(2) of Central Excise Rules [Rule 3(4)(d)] • Service tax on output service [Rule 3(4)(e)] • Payment under Cenvat Credit Rule 6 of 10% 'amount' on exempted goods or reversal of credit on inputs when common inputs or common input services are used for exempted as well as dutiable final products – <i>Explanation I</i> to Cenvat Credit Rule 6(3) • Reversal of Cenvat credit, if assessee opts out of Cenvat – Rule 11(2) • Payment of 'amount' if goods sent for job work are not returned within 180 days – Rule 4(5)(a).
First proviso to rule 3(4)	Even if duty / tax is payable by 5 th / 6 th / 15 th / 16 th of following month, credit can be taken only as available on last day of the current month
Second proviso to rule 3(4)	Restrictions on some credits [summarised above under rule 3(1)]
3(5)	'Amount' equal to Cenvat credit availed to be paid if capital goods or inputs removed 'as such' from the factory.
First proviso to Rule 3(5)].	A service provider cannot avail Cenvat credit of special CVD of 4% paid u/s 3(5) of Customs tariff Act.
Second proviso to Rule 3(5)].	If capital goods are removed after use (but not as waste and scrap), an 'amount' equal to Cenvat credit taken on the capital goods, reduced by 2.5% for each quarter of a year or part thereof, from date of taking credit.
3(5A)	'Amount' equal to duty on scrap value payable if capital goods are cleared as waste and scrap. This 'amount' is eligible as Cenvat Credit, as per rule 3(6)
3(5B)	If (i) inputs or (ii) capital goods before being put to use, are written off in books or provision made in books, 'amount' to be paid equal to Cenvat availed
3(5C)	If duty on final products is remitted under rule 21 of Central Excise, Cenvat credit of duty paid on inputs used in manufacture or such goods shall be reversed.
3(6)	'Amount' paid under rule 3(5) and 3(5A) is eligible as Cenvat credit to the buyer
3(7)(a)	Cenvat credit of duty paid by EOU as per formula
3(7)(b)	NCCD, Education cess, SAH cess and additional duty under section 157 of FA 2003 or 85 of FA 2005 can be used for respective duties only. Education cess of excise and service tax inter-changeable. Similarly, SAH Education cess of excise

4(1)	Cenvat credit can be taken immediately on receipt of goods in factory or premises of service provider
4(2)	Capital goods – Cenvat Credit Upto 50% in first financial year and balance in subsequent years, if they are in possession of manufacturer.
4(3)	Cenvat credit available if capital goods taken on lease, hire or loan agreement
4(4)	Depreciation on capital goods should not be availed on the excise duty portion of value of capital goods
4(5)(a)	Inputs and capital goods can be sent to job worker and should be brought back in 180 days
4(5)(b)	Restriction of 180 days does not apply to tools, dies, jigs and fixtures can be sent to job worker
4(6)	Final product can be cleared directly from place of job worker on obtaining permission from AC/DC, valid for a financial year
4(7)	Credit of input services can be availed only after the output service provider makes payment of value of input services and the service tax payable on it, as shown in invoice of input service provider.
5	Refund if final product is exported.
5A	Refund in case of Exports by exempted units in North-East Region and Sikkim
6(1)	Cenvat credit is not admissible on such quantity of input or input service which is used in manufacture of exempted goods or exempted services, except as provided in rule 6(2)
6(2)	Manufacturer manufacturing both exempt and dutiable goods (or service provider providing taxable as well as exempt services), may maintain separate inventory and accounts of receipt and use of inputs and input services used for exempted goods / exempted output services. In such cases, he should not avail Cenvat credit of the inputs and input services which are used in exempted final services at all.
6(3)(i)	If the manufacturer / service provider opts not to maintain such separate accounts, he has to pay an amount equal to 10% of the value of such exempted goods / 8% of value of exempted services. Such payment can be made by debit to Cenvat credit account or PLA [<i>explanation II</i> to rule 6(3A) [amendment w.e.f. 1-4-2008. Earlier, in few cases as specified in rule 6(3)(a), the manufacturer had to reverse Cenvat credit. Earlier, a service provider of exempted and non-exempted services not maintaining separate accounts was eligible to utilise Cenvat credit only to the extent of 20% of service tax payable on output services, under erstwhile rule 6(3)(c) existing upto 31-3-2008]..
6(3)(ii)	Alternatively, the manufacturer / service provider can opt to pay an 'amount' which is proportional to Cenvat credit availed on exempted final product / exempted output services [amendment w.e.f. 1-4-2008]

<i>Explanation I to Rule 6(3)</i>	Such option [rule 6(3)(i) or rule 6(3)(ii)] has to be exercised in respect of all exempted goods manufactured and all exempted output services provided. The option once exercised shall not be changed in remaining part of financial year
6(3A)(a)	The assessee exercising option under rule 6(3)(ii) should inform prescribed details to Superintendent, while exercising the option.
6(3A)(b)	The manufacturer of goods or the provider of output service shall determine and pay, provisionally, for every month amount of Cenvat credit attributable to input services used in relation to manufacture of exempted product or provision of exempt services, on the basis of ratios of previous year
6(3A)(c)	At the year end, the manufacturer of goods or the provider of output service shall determine finally amount of Cenvat attributable to input services used in relation to manufacture of exempted product or provision of exempt services, on basis of finalised accounts.
6(3A)(d)	If amount is found to be short paid, the difference should be paid by 30 th June of succeeding year.
6(3A)(e)	In addition to the amount short-paid, the assessee will be liable to pay interest at the rate of twenty-four per cent per annum from the due date, i.e., 30th June till the date of payment, where the amount short-paid is not paid within the said due date.
6(3A)(f)	If at the year end, it is found that the amount provisionally paid was more than the amount finally determined, the manufacturer of goods or the provider of output service may adjust the excess amount on his own, by taking credit of such amount.
6(3A)(g)	The manufacturer of goods or the provider of output service shall intimate to the jurisdictional Superintendent of Central Excise, within a period of fifteen days from the date of payment or adjustment, the prescribed particulars.
6(3A)(h)	If assessee does not manufacture dutiable final products or taxable output service, he can take credit but is not required to pay proportionate amount on provisional basis as provided in rule 6(3A)(b). However, at year end, he should pay amount on proportionate before 30th June.
<i>Explanation I to rule 6(3A)</i>	“Value” for the purpose of rules 6(3) and 6(3A) shall have the same meaning assigned to it under section 67 of the Finance Act, 1994 read with rules made thereunder or, as the case may be, the value determined under section 4 or 4A of the Central Excise Act, 1944 read with rules made thereunder
<i>Explanation II to rule 6(3A)</i>	The amount under rule 6(3) or 6(3A) shall be paid by 5th of following month (except in March, where it is payable by 31st March).

6(4)	Capital goods used exclusively for manufacture of exempted goods or providing exempt service are not eligible for Cenvat credit.
6(5)	In case of 16 specified services, full Cenvat credit available even if service partly used for exempted goods or exempted service.
6(6)	If excisable goods are removed to SEZ, EOU, EHTP, STP, UN agencies or for exports or removal of gold or silver arising in manufacture of copper or zinc by smelting, rules 6(1) to 6(4) do not apply i.e. payment of 10% 'amount' or proportionate reversal is not required.
7	The 'Input Service Distributor' [as defined in rule 2(m)] may distribute Cenvat Credit in respect of service tax, among its manufacturing units or providing output service. The credit distributed should not be more than the service tax paid.
7A	The office of service provider where inputs were received can distribute the credit of duty paid on such inputs and capital goods to the service provider by issuing an invoice. Such office will have to be registered with Central Excise and submit returns etc. similar to first stage dealer and second stage dealer.
8	Inputs can be stored outside the factory, with permission of AC / DC
9(1)	Cenvat Credit can be taken on the basis of - • Invoice of manufacturer from factory • Invoice of manufacturer from his depot or premises of consignment agent • Invoice issued by registered importer • Invoice issued by importer from his premises or consignment registered with Central Excise • Invoice issued by registered first stage or second stage dealer • Supplementary Invoice by manufacturer • Bill of Entry • Certificate issued by an appraiser of customs in respect of goods imported through foreign post office • TR-6 or GAR-7 Challan of payment of tax where service tax is payable by other than input service provider • Invoice, bill or challan issued by provider of input service on or after 10-9-2004 • Invoice, Bill or Challan issued by input service provider under rule 4A of Service Tax Rules.

<i>Proviso to rule 9(1)</i>	If a first stage or second stage dealer mentions in his invoice that Cenvat credit of the special CVD paid u/s 3(5) of Customs Tariff Act is not admissible, buyer cannot avail the Cenvat credit.
9(2)	Cenvat credit can be taken only if <i>all</i> the particulars as prescribed in Central Excise Rules, 2002 or Service Tax Rules, 1994 are contained in the eligible duty paying document. Otherwise, permission of AC/DC is required.
9(4)	First stage dealer and second stage dealer to maintain proper records and pass on duty on 'pro rata' basis.
9(5)	Manufacturer and provider of output service to maintain proper records. Burden of proof of admissibility of Cenvat credit is on him.
9(8)	First stage dealer and second stage dealer to submit quarterly return within 15 days from end of quarter.
9(10)	Input service distributor to submit half yearly return within one month
9(11)	Revised return of Cenvat credit by provider of output service within 60 days.
9A(1)	Information relating to Principal Inputs to be submitted annually by 30th April of each Financial Year by specified manufacturers other than SSI, in form ER-5. Change also to be informed within 15 days
9A(3)	Monthly return of receipts and consumption of Principal Inputs by specified manufacturers of excisable goods in form ER-6
10	Transfer of unutilised Cenvat credit, if a manufacturer shifts his factory or provider of output services shifts his business or a manufacturer / service provider transfers his factory / business on account of change in ownership or on account of sale, merger, amalgamation, lease or transfer of factory to a joint venture.
11(2)	Reversal of credit at the time of opting out by SSI unit by paying an 'amount' equivalent to Cenvat credit on such inputs lying in stock or inputs contained in final products. Balance Cenvat credit, if any, will lapse.
11(3)	If final product is exempt subsequent to receipt of inputs, Cenvat credit on inputs lying in stock as on date of such exemption to be reversed by payment of 'amount'.
12	Full credit available in case of goods obtained from North Eastern States, J&K, Sikkim and Kutch district, even if the manufacturer is exempt from duty
12A	Procedures applicable to LTU
14	Recovery of Cenvat wrongly availed with interest
15	Confiscation and penalty for contravention of provisions
15A	General penalty of Rs 5,000 for contravention of rules when no penalty is provided in rules.