CENVAT CREDIT RULES '2004

RULE - 2(K) INPUT

⇓

Used in factory for mfr. of F.P.
excluding goods having NO RELATIONSHIP

INCLUSION

1. CARTAGE
   - cleared along with product
   - value included in FP.
   - for providing free warranty

   orginial warranty
   ⇓
   Not charged separately

2. NAPTHA
   - Generation of electricity
   - Pumping of water
   - for captive use

3. for providing O/P service

4. Deemed INPUT
   - C.G. ≤ 10000

EXCLUSION

1. PETROL

2. BUILDING MATERIAL
   - used for construction of building / civil structure
   - Laying of foundation

   ⇓

   for support of C.G.

   Exception

   Available to works contract / construction services

   sec- 66E of S.T.

   i.e, Input to builder.

C. CAPITAL GOODS

Exception
- Used as INPUT
- C.G. ≤ 10000 Deemed Input

D. Motor vehicle

E. - Personal use
   - consumption of employee

I

RULE - 2(a) CAPITAL GOODS

CH	P	C	M	T	R	S	SPV
⇓	⇓	⇓	⇓	⇓	⇓	⇓	⇓
Chapter	Pollution control equipment	Components Spares Accessories	Moulds Jigs	Tubes Pipes	Refractories	Storage tank movable	excluding HMV LMV Truck M.cycle

Manufacturer
Location Specific

→ used within factory
→ O/S factory for GOE & POW for Captive use within factory
→ for Any PURPOSE

S.P.
Purpose Specific.

→ used ANYWHERE
→ FOR PROVIDING O/P SERVICE

II Mfr ← C.G. If used within FACTORY. — OFFICE APPLIANCES — C.G. → S.P.

III Mfr ← GOODS TRANSPORT VEHICLE → Regd. in name of S.P.
X

\+

T = Transpn of own Input/ C.G.
R = Renting / Leasing
C = Courier services.

III Mfr ← Transport Vehicle → Regd in name of S.P.
X

\+

T = Transpn of Passenger.
R = Renting of M.V. / Leasing
D = Driving skills imparting.

IV COMPONENT, SPARES, ACCESSORIES of M.V. are CAPITAL GOODS
⇓
for whom M.V. are Capital Goods.

RULE - 2(l) INPUT SERVICE

GENERAL PART	ANY SERVICE S.P. ⇒ for providing O/P service Mfr. ⇒ mfr. of F.P. and outward Transp^n upto POR
INCLUSION	Various business services incl. :- SALES PROMOTION ⇓ services by way of sale of goods on comm. basis
EXCLUSION	① Construction & W.C. services → for building & civil structure → Laying foundation for support of C.G. Exception B to B i.e, builder to builder. ② Renting of M.V. $\xrightarrow{\text{I/S} \times}$ Person : M.V. ≠ C.G. ③ G. Insurance / Servicing / R/M of M.V. $\xrightarrow{\text{I/S} \times}$ Person : M.V. ≠ C.G. Exception ① Mfr. of M.V. ② Insurance co. ④ Personal use or consumption of an employee.

R=2(d) EXEMPTED GOODS → 100% EIN

→ NIL RATED

→ NN: 1/2011 @ 2% or 12/2012 @ 1% ⇒ Return ER-8 U/R=12 of CER 02 qtrly by 10th

CRUX! CCR से रिश्ता खत्म

NOTE-!

→ Non excisable goods treated as Exempted goods.

RULE 2(e) EXEMPTED SERVICES

INCLUSION

→ 100% exempt Gate-5

→ No S.T. Levy U/S 66B Gate 1-4

→ Abated service [category D]

except-! B to B

→ Renting of M.V.

→ Tour & Travelling operator.

EXCLUSION

→ Export of Service (R=6A of STR 1994)

→ Transp^n of goods by Vessel. from Port to O/S India.

FSD

Purchase Goods directly under Invoice U/R=11

mfr

→ factory

→ Depot

→ Consignment Agent Premise

Footnote-! E.D. Incl. in invoice

Importer

→ Premise

→ Depot

→ Consign^n Agent Premise.

Foot note-! CVD incl. in Invoice

POR

FACTORY	WAREHOUSE	DEPOT
where Goods are mfd./Produced	Excisable goods deposited without Payment of Duty	from where goods sold after Removal from factory.

Rule 3(1) जितनी Pay करोगे उतनी मिलेगा

Inclusion :- BED / CVD 3(1) / CVD 3(5) / NCCD / S.F / Health cess.

Exclusion :-
→ Duty on Medical & Toilet Preparations
→ Addln duty on Mineral Products
→ Clean energy cess.

RULE 3(7)(a)

DEEMED IMPORT
100% EOU TO DTA
- → CVD 3(1)
- → CVD 3(5)

RULE 12 Purchased from

→ NER
→ Sikkim
→ J & K
→ Kutch District of Gujrat

CCR ऐसे मिलेगा BUYER को जैसे
NO PORTION OF DUTY ON INPUT / C.G. WAS EXEMPTED
i.e Ignoring exemption.

RULE 13 DEEMED CREDIT in respect of Notified Input / I/S

~~Actual Tax~~ Deemed CCR

→ No need of Cenvatable Invoice

RULE 4(1) · CREDIT ON INPUT → Book AD AP 1 Yr. from Invoice Date

RULE 4(2) C.G. (first 50%)

Book when Recd. in

Mfr. → Factory / Premise ← S.P.

Mfr. → Job worker ← S.P.

Constr. Site ← S.P.

C.G. Balance 50% CCR

Subsequent to year in which C.G. were Recd.

Provided C.G. must be in Possession

Exception · Component, Moulds, dies, Refractories

EXCEPTION to R=4(2) i.e. 100% CCR of C.G. in same F.Y.

→ Assessee is eligible to Avail SSI Exemption

→ SSI Jeweller.

→ CVD 3(5) — C.G. — Recd. by Mfr.

→ Removal of C.G. AS SUCH in same F.Y.

RULE 4(3) Lease / Hire Purchase of Asset Acquire

CCR Available i.e. ownership Not Relevant

RULE 4(4) Dep. v/s CCR

E.D. Paid → CCR ✓ OR → Depr claim.

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RULE - 4 (7)   CREDIT of INPUT SERVICE

NCM

→ Book CCR the day Invoice u/R = 9 is received

⇓

→ Provided payment is ~~recd.~~ made within 3 months

⇓

→ Otherwise Reversal of CCR । i.e. Pay an amt. equal to CCR

⇓

→ Re-avail CCR if payment is made after 3 month.

RCM

→ Book CCR when S.T. is paid i.e. on the basis of S.T. CHALLAN

RULE - 9   I.R.R

INVOICE

R - 9(1) CEVATABLE DOC/INVOICE

R = 9(2) INCOMPLETE INVOICE
- ज्यादा : NO CCR
- कम : CCR ✓

R = 9(3) OMMITTED

RECORDS

R = 9(4) = FSD/SSD - ED Pam on

R = 9(5) + **R = 9(6)**
mfr.   S.P.
Records of INPUT/C.G./ R/S

RETURN

R - 9(7) mfr. cenvat Return

R - 9(8) FSD/SSD RETURN

R - 9(9) S.P. CENVAT RETURN

R - 9(10) ISD RETURN

R - 9(11) REVISE RETURN

RULE - 9(1) CENVATABLE DOCUMENT

INPUT & C.G.

- Assessee Import Goods himself
  - → Bill of entry
  - → Certificate of
    - Appraiser
    - Custom
- Otherwise
  - → Invoice / supplement Invoice of Mfr / FSD / SSD / SP / Importer.

INPUT SERVICES

- → Invoice — ISP / ISD
- → GAR-7 Challan (RCM)
- → Certificate by Railway (STTG)

RULE - 9(2) INCOMPLETE INVOICE

If Incomplete Invoice contain
⇓
Detail of Payt of Duty
+
Name & Add. of factory W/H, FSD, SSD
+
Assessable value
+
Description of Goods / service

AC/DC satisfy
⇓
Goods & service
⇓
Recd. & documented
⇓
in the books of RECEIVER

CREDIT ALLOWED

RULE-9(4) Input / C.G. Purchased from FSD / SSD / Importer.

→ credit Allowed if Dealer Maintain Proper Records that Input / C.G. supplied from stock on which Duty paid by PRODUCER of Input / C.G. indicated in Invoice.

→ Duty on Pro Rata basis

Rule 9(5) + Rule 9(6) · CENVAT RECORDS for Input / C.G. / I.S.

Mfr. + S.P. — maintain Records — Receipt / Disposal / Consumption / Inventory — of — Input / Capital Goods / Input Services

↓

Info Regarding

- Value,
- duty paid,
- from whom goods procured

BURDEN of PROOF = Mfr. + S.P.

RULE - 9(7)

Mfr.

- SSI → Monthly
- NON SSI → Qtrly

10th close of month / Qtr

⇓

No Revision

RULE 9(8)

FSD / SSD / IMPORTER (Regd.)

⇓

Qtrly

⇓

15th close of Qtr.

⇓

Return electronically

RULE - 9(9) — S.P.

RULE - 9(10) — ISD

→ Half yearly

⇓

end of month following the half year

⇓

RULE - 9(11) → within 60 days

RULE 14 Recovery of credit wrongly taken.

Wrongly taken but NOT UTILISED	WRONGLY TAKEN & UTILISED
⇓	⇓
Recovered without Int.	Recovered alongwith Int.
⇓	⇓
Sec. 11A of Excise & Sec. 73 of FA 1994	Sec. 11A & 11AA of Excise, Sec-73 & Sec-75 of FA 1994

RULE-15

Confiscation & Penalty

		Mfr.	S.P.
→ Goods Input / C.G.		Confiscate	Confiscate
→ Penalty	→ Bonafide	U/s 11AC [10% of CCR or 5000] (H)	U/s 76 10% of CCR with offer 1/2/3
	→ FRAUD	U/s 11AC 100% CCR with offer 1/2/3	U/s 78 100% of CCR

RULE: 15A General Penalty

⇓

Contravention of CCR'04

⇓

Upto ₹5000

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INITIALLY EXEMPTED Subsequently Dutiable

⇓

Rule 3(2) mfr. F.P. i.e Goods → Duty Paid on ← Rule 3(3) Service S.P.

⇓

✓ Input lying in Stock ✓

\+

✓ In Process ✗

\+

✓ Contained in F.P. lying in Stock ✗

⇓

ALLOWED ON DATE WHEN "CEASE TO EXEMPTED"

INITIALLY DUTIABLE Subsequently Exempted.

⇓

Rule 11(3) mfr. → Pay. on Amt or Reverse CCR taken on ← Rule 11(iv) S.P.

⇓

✓ Input lying in stock ✓

\+

✓ In Process ✗

\+

✓ Contained in F.P. lying in Stock ✗

⇓

On Date when cease to be Dutiable

RULE 3(5C)

Remission R=21

⇓

on any goods

⇓

Payᵗ of Duty ordered to be Remitted u/R=21 of CER '02

⇓

CCR taken on Input & WIP

⇓

Reversed.

Removal of

Input / C.G. AS SUCH

R = 3(5)

→ then CCR taken on above needs to be Reversed

→ Removal under the cover of Invoice

Exception

- SR
  → Removed for Providing O/P Service
- Mfr
  → Input Removed for providing free warranty for F.P.

C.G. After being USED or WASTE SCRAP

Rule-3(5A)

COMPUTATION

CCR TAKEN (AMT. CALCULATED)

AMT. Needs to Reversed

Computer & Peripherals			Others
each Qtr	1 yr.	10%	2.5% for each Qtr.
" "	2 yr	8%	
" "	3 yr	5%	
" "	4 & 5 yr	1%	

Computer & Peripherals: or E.D. on T.V. (H)

Others: or E.D. on T.V. (H)

R = 3(5), R = 3(5A), R = 3(5A) → AMT. PAID ABOVE

⇓

RULE-3(6) ⇒ eligible as CCR to Buyer

Input / C.G. on which CCR taken ⟹ write off its value before being PUT to USE ⟹ CCR Reversed i.e. Pay amt = CCR ⟹ Re-avail when amt subsequently used.

RULE = 3(5B)

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EXCEPTION TO RULE = 3(5)

RULE = 8 TRANSFER OF INPUT

- Due to Nature of goods & Shortage of space
- AC/DC Permits to store INPUT o/s the factory
- In respect of which CCR has been taken
- without payment of amt. U/R = 3(5)

Provided
If INPUT Not USED
⇓
for any reason
⇓
Pay amt = CCR Availed on such Input.

RULE - 10 TRANSFER OF CCR

Mfr. & S.P. Shift factory to other site
- change in ownership
- sale, merger, amalgⁿ, lease to J.V with specific prov. for t/r of Liab.

then Mfr./S.P. allowed to transfer
⇓
unutilized CCR to another site.

Provided input/c.G.
- also transferred
- Duly accounted to the satisfaction of AC/DC

NOTE :- Unutilized CCR must be transfer Not the credit corresponding to quantum of Input transferred.

NOTE :- Even if there is no input in stock
⇓
credit still be allowed to transfer.

RULE 12A   L.T.U

→ No need to pay amt. U/R = 3(5)

→ If L.T.U. remove Input / C.G. except Petrol

Should not be used in Non Dutiable Goods

- Should not be used exclusively in mfg. of Non Dutiable Goods.

RULE = 4(5)   JOB WORKER.

→ If Intermediate Goods recd. within 180 days from the job worker

→ from the date being sent to job-worker.

→ from the date of receipt of input in case of direct supply to jobworker.

then no need to pay an amt. = CCR availed

→ Time limit for Capital Goods

Moulds, Dies, jigs ⇓ No time limit

Others ⇓ 2 years.

RULE - 4(6)   Direct Dispatch of FP from J/w premise

→ If input tfd. to J/w

→ J/w process the input into F.P.

→ R/m/s Directly sold the F.P. from J/w premise

→ within 3 years

→ ~~no need to~~ !

RULE-5

Refund of CCR on Input / I/S / ~~C.G.~~

NOTE:- Not applicable on Refund of C.G.

Note:- Applicable for zero rated export U/R=19 of CER'02

HOW :- (1) Try to utilize against payment of S.T. / E.D.

(2) then apply for Refund. U/R=5

$$\text{Refund Amt.} = \text{Net CCR} \times \frac{\underset{☆1}{\text{Export Turnover of Goods}} + \underset{☆2}{\text{Export Turnover of services}}}{☆3\ \text{Total Turnover}}$$

☆1 E.T. of Goods = Total goods cleared for Export U/R=19

☆2 E.T. of Service = Payt Recd. during the Rel. period

(+) Earlier period Payment but service completed in Rel. period.

(−) Advance payt recd. in Rel. period but service yet to be completed.

☆3 Total Turnover = E.T. of Goods

\+ E.T. of services

\+ Removal of input as such (Trading)

\+ All other removals of goods whether exempted or Dutiable

RULE 5A

⇓

Refund of CCR (on INPUT ONLY) to units Availing Area based Exemption

⇓

unable to utilize its CCR

⇓

C.G. may allow Refund.

⇓

Available to mfr. only

RULE 5B

⇓

Refund of CCR (on Input/ I/S.) to S.P. providing service liable to Partial RCM

⇓

Refund may allow

⇓

Available to S.P. only.

NOTE:- If full RCM then No o/p tax liab. for S.P. and then No CCR Allowed.

INPUT SERVICE DISTRIBUTOR

R-7 → ISD transfer CCR on the basis of Turnover of PFY.

→ If New business

- Qtr 1 ⇒ in ratio of Turnover of itself.
- Qtr 2-4 ⇒ in ratio of Preceding Qtr.

RULE 10A — Transfer of credit CVD 3(5)

→ Mfr.
- having more than one Regd. premise.
- obtained on the basis of common PAN

→ transfer unutilised credit of CVD 3(5) to another premise By
- making entry for such transfer in doc. maint. u/R-9
- issuing transfer challan containing
  - ↳ Regn No
  - ↳ Name & Address of both Premise
  - ↳ Amt. of credit
  - ↳ particulars of Entry.

→ Receipient premise may take such credit on the basis of Transfer challan.

NOTE-:

CVD 3(5)

S.P. cannot book CCR or claim of Refund of CVD 3(5)	Mfr. Book 100% CCR of CVD 3(5) on Imported Capital Goods	CVD 3(5) cannot be utilised for payment of S.T.

RULE - 3(4) UTILISATION — see table at Pg NO 51.

Special Points

1. Last day balance shall be used to pay duty.

2. NO CCR shall be used to pay duty NN: 1/2011

3. CVD 3(5) Not utilised for payment of S.T. even for the payment of CVD 3(5) itself.

E.du. Cess & SHEC

1. Book on or after 1-3-15
⇓
Utilized against payment of BED.

2. Book on or after 1-6-15
⇓
Utilized against payment of S.T.

RULE-6

Capital Goods

⇓

Exclusively used for Mfr. of exempted good.

⇓

for 2 yrs.

(N.A. for SSI)

⇓

NO CCR Allowed.

Input/IS

Exclusive Use

⇓

NO CCR

Common Use

⇓

OPTION 1

OPTION 2

OPTION 1

Computation

Full CCR

(–) 6%/7%/2% of value of Exempted Goods

NET CCR

6% = Mfr   7% = S.P.

2% = Transpⁿ of Goods/Passenger by Rail.

OPTION 2

→ Pay provisionally on last year T/o Ratio

→ At C.Y. end, finalise on current year T/o.

→ Determine Demand and Refund.

NOTE:- If PFY data is not available then 50-50
50% for exempted & 50% for dutiable

NOTE:- For Banking Sector/NBFC Common CCR = 50-50.

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