

CENVAT CREDIT RULES '2004

RULE - 2(4K) INPUT



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

INCLUSION

① CARTAGE

- cleared along with Product
- value included in F.P.
- for providing free warranty
original warranty
⇓
not charged separately

② NAPHA

- 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 structures

- Laying of foundation



for support of C.G.

Exception

Available to

work contract

construction services

sec- 66E of I.T.

i.e, Input to builder.

③ CAPITAL GOODS

EXCEPTION

→ Used as INPUT

→ C.G. ≤ 10000 Deemed Input

④ Motor vehicle

⑤ Personal use

- consumption of employee

RULE - 2 (a) CAPITAL GOODS

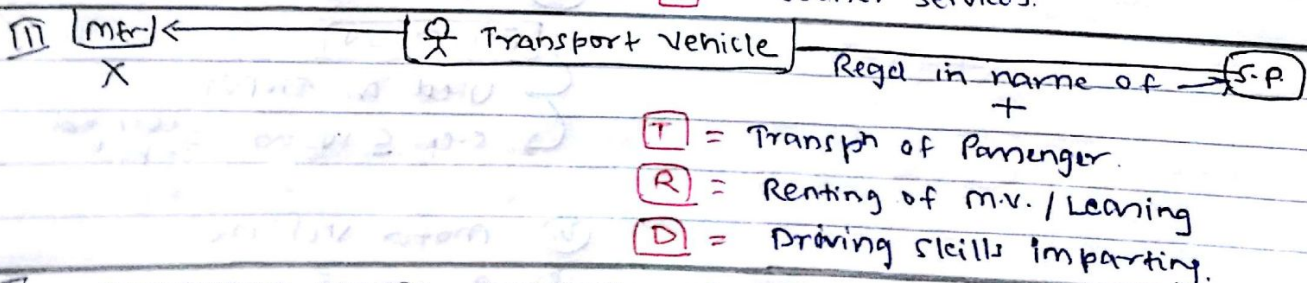
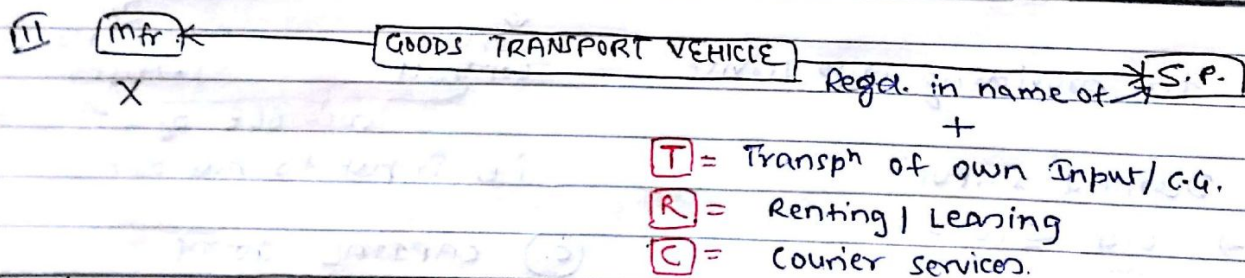
CH	P	C	M	T	R	S	SPV
↓	↓	↓	↓	↓	↓	↓	↓
Chapter	Pollution control equipment	Components Spares Accessories	Moulds Jigs	Tubes Pipes	Refractories	Storage tanks movable	excluding Hmv Lmv Truck m-cycle

Manufacturer Location Specific

S.P. Purpose Specific.

- Used within factory
- O/S factory for G.O.E & POW for captive use within factory
- for Any purpose

- Used ANYWHERE
- FOR PROVIDING O/P SERVICE



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

RULE - 2(I) INPUT SERVICE

GENERAL PART	ANY SERVICE S.P. $\Rightarrow$ for providing o/p service mfr. $\Rightarrow$ mfr. of P.F. and outward Transpⁿ upto POR
INCLUSION	Various business services. incl. $\therefore$ SALES PROMOTION services by way of sale of goods on comm. basis
EXCLUSION	① Construction & w.c. services $\rightarrow$ for building & civil structure $\rightarrow$ Laying foundation for support of C.G. <u>Exception</u> B to B i.e. builders to builders. ② Renting of M.V. $\xrightarrow{\text{IS X}}$ Person: m.v. $\neq$ C.G. ③ G. Insurance Servicing RIM of m.v. $\xrightarrow{\text{IS X}}$ Person: m.v. $\neq$ C.G. <u>Exception</u> ① mfr. of m.v. ② Insurance co. ④ Personal use or consumption of an employee.

R=2(c) EXEMPTED GOODS → 100% E.I.N

→ NCL RATED

→

NN: 1/2011 or 12/2012
@ 2% @ 1%

 → Return ER-8 V/R=12 of CER 2 duly by 10th

CRUX! CCR से रिता 20मी

NOTE!

→ Non excisable goods treated as Exempted goods.

RULE 2 (c) EXEMPTED SERVICES

EXCLUSION

→ Export of Service
(R=6A of STRIGAY)

→ Transph of goods
↓
by Vessel.
↓
from Port to o/s India.

I
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→ 100% exempt Gate-5

→ No S.T. Levy V/R 66B Gate-4

→ Abated service
[category D]

except-! B to B

→ Renting of m.v.

→ Tour & Travelling.
operator

FSD

Purchase Goods directly
under Invoice V/R=11

mfr

→ Factory
→ Depot
→ Consignment Agent Premise

Footnote! E.D. Incl. in invoice

Importer

→ Premise
→ Depot
→ Consign Agent Premise.

Footnote! CVD incl. in Invoice

POR

FACTORY

Where goods are
mfd./Produced

WAREHOUSE

Excisable goods
deposited without
Payment of Duty

DEPOT

from where goods sold
after Removal from
factory.

RULE 3(1)

જિનાઈ પાય ઇન્ડોર્સ 3નાઈ ઇન્ડોર્સ

Inclusion :- BED / CVD 3(1) / CVD 3(5) / NCD / S.E. / Health cen.

Exclusion :-
→ Duty on medical & Toilet preparations
→ Adoln duty on mineral products
→ clean energy cen.

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 Gujarat

CER હોઈ ઇન્ડોર્સ BUYER નો હોઈ

NO PORTION OF DUTY ON INPUT / C-4. WAS EXEMPTED
i.e. Ignoring exemption.

RULE 13

DEEMED CREDIT in respect of Notified Input / I/s

~~Actual~~
~~CR~~

~~Deemed~~
~~CR~~

- No need of Creditable Invoice

RULE 4(1)

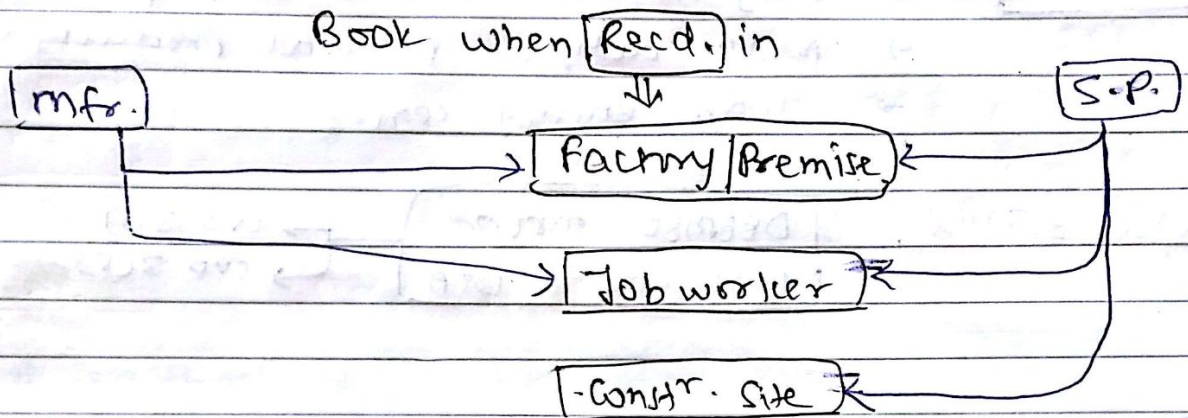
CREDIT ON INPUT

Book ADAP 1 Yr. from Invoice Date

4

RULE 4(2)

C.G. (First 50%)



C.G. Balance 50% CCR

Subsequent to year in which C.G. were Recd.
provided C.G. must be in Pension

Exception - Component, moulds, dies, Refractories

EXCEPTION to R=4(2) i.e. 150% CCR of C.G. in same F.Y.

- Assesee is eligible to Avail SSE Exemption
- SSE 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

Asset Acquire

CCR Available i.e. ownership Not Relevant

RULE 4(4)

Dep. vis CCR

E.D. Paid

CCR ✓

OR

Dep. claim.

RULE-4(7)

CREDIT OF INPUT SERVICE

↓
NCM

↓
RCM

→ Book CCR the day Invoice
VIR=9 is received

↓

→ Provided payment is ~~not~~
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.

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

RULE-9 I.R.R

↓
INVOICE

↓
RECORDS

↓
RETURN

R-9(1) CENVATABLE
DOC/INVOICE

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

R-9(7) mfr. cenvat Return

R-9(8) FSD/SSD RETURN

R-9(2) INCOMPLETE
INVOICE
→ 21121 : NOCCR
→ 21121 : CCR

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

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

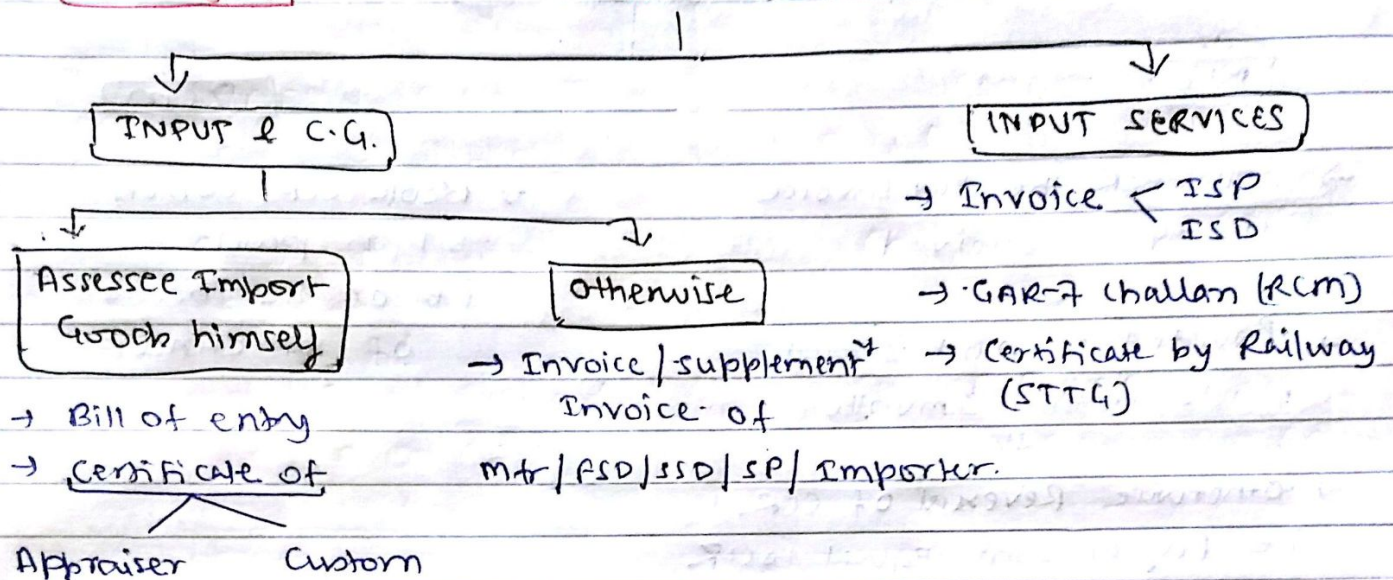
R-9(10) ISD RETURN

R-9(11) REVISE RETURN

R-9(3) OMMITTED

RULE - 9(1)

CENVARIABLE DOCUMENT



RULE - 9(2)

INCOMPLETE INVOICE

If Incomplete Invoice

AC/DC satisfy

contain

⇓

Detail of Payt of Duty

Goods & Service

CREDIT

+

⇓

ALLOWED

Name & Add. of factory

Recd. & documented

⇓

with, FSD, SSD

in the books of
RECEIVER

+

Assessable value

+

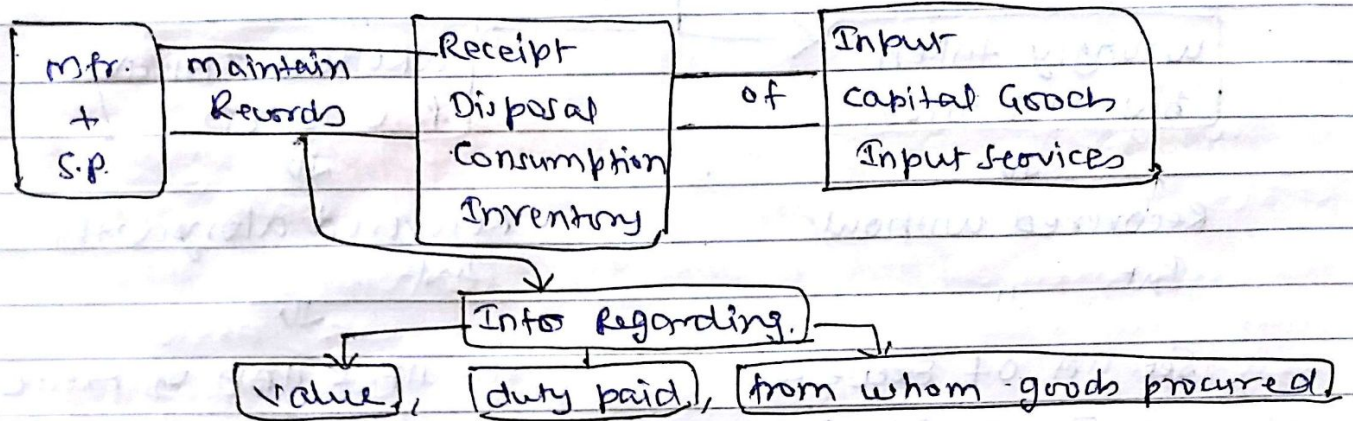
Description of Goods/Service

RULE 9(4)

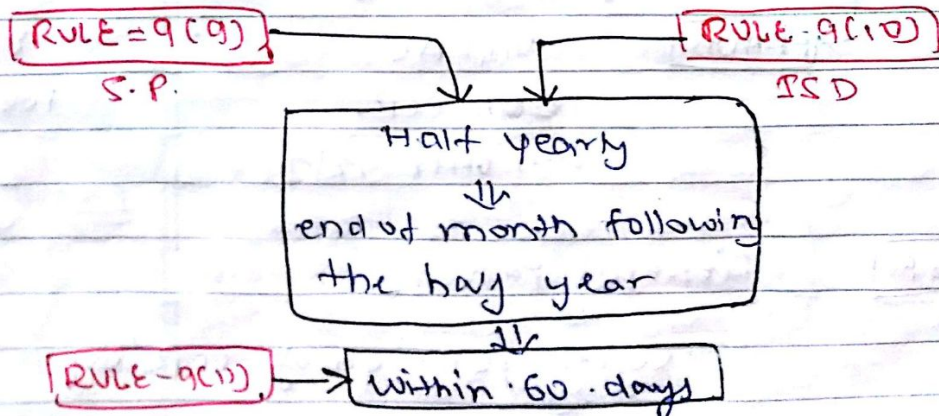
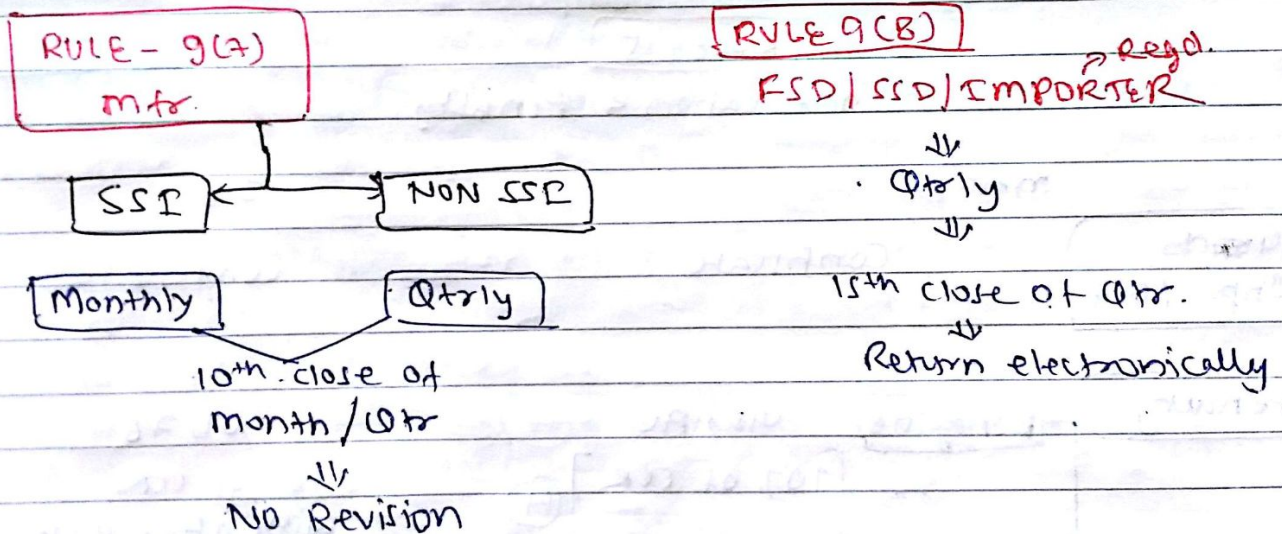
Input / C.G. Purchased from FSD / SSD / Importer.

- credit allowed if Dealer Maintain Proper Records that Input / C.G. supplied from stock on which Duty paid by PRODUCER of Input / C.G.
- Duty on pro Rata basis indicated in Invoice.

Rule 9(5) + Rule 9(6) - CENVAT RECORDS for Input/C.G./IS.



BURDEN OF PROOF = mfr. + S.P.



RULE 14 Recovery of credit wrongly taken.

Wrongly taken
but NOT UTILISED

↓

Recovered without
Int.

↓

Sec-11A of Excise &
Sec-73 of RA 1994

WRONGLY TAKEN
& UTILISED

↓

Recovered along with
Int.

↓

Sec-11A & 11AA of Excise
Sec-73 & Sec-75 of RA 1994

RULE-15

Confiscation & Penalty

mfr.

S.P.

→ Goods
Input / C.G.

Confiscate

Confiscate

→ Penalty

→ Bonafide

VIS 11AC

[10% of CCR
or
5000] (H)

VIS 76

10% of CCR
with offer 1/2/3

→ FRAUD

VIS 11AC

100% CCR

with offer 1/2/3

VIS 78

100% of CCR

RULE: 15A

General Penalty

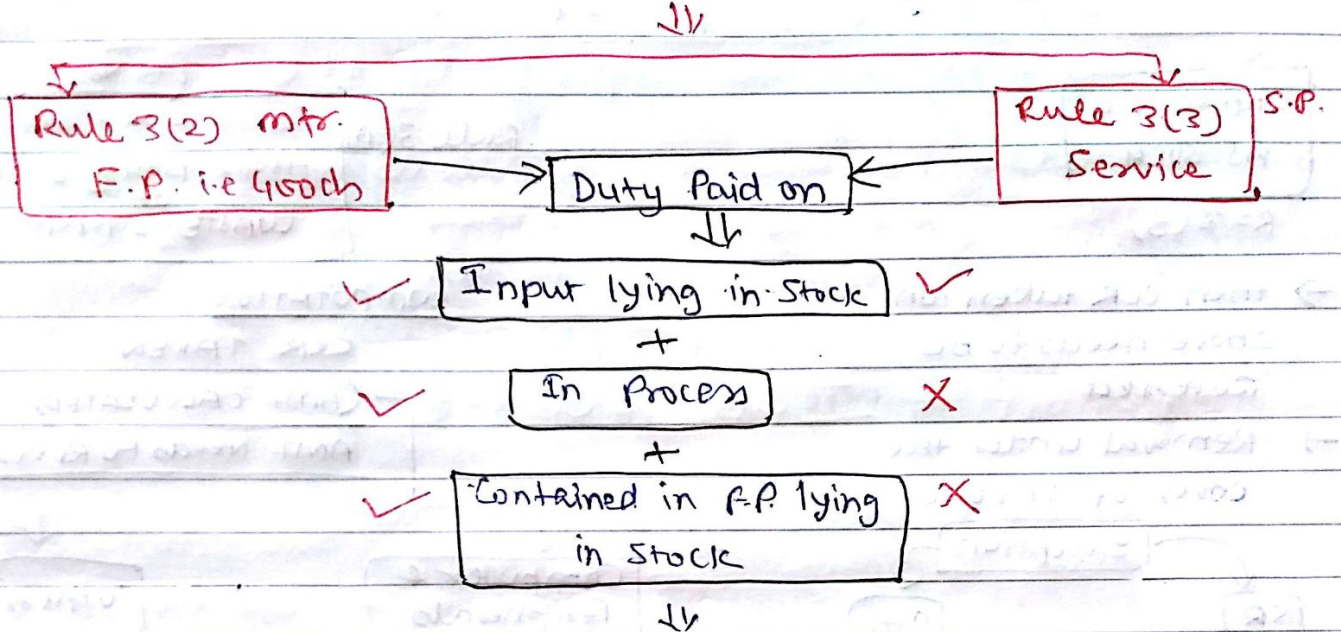
↓

Contravention of CCR '04

↓

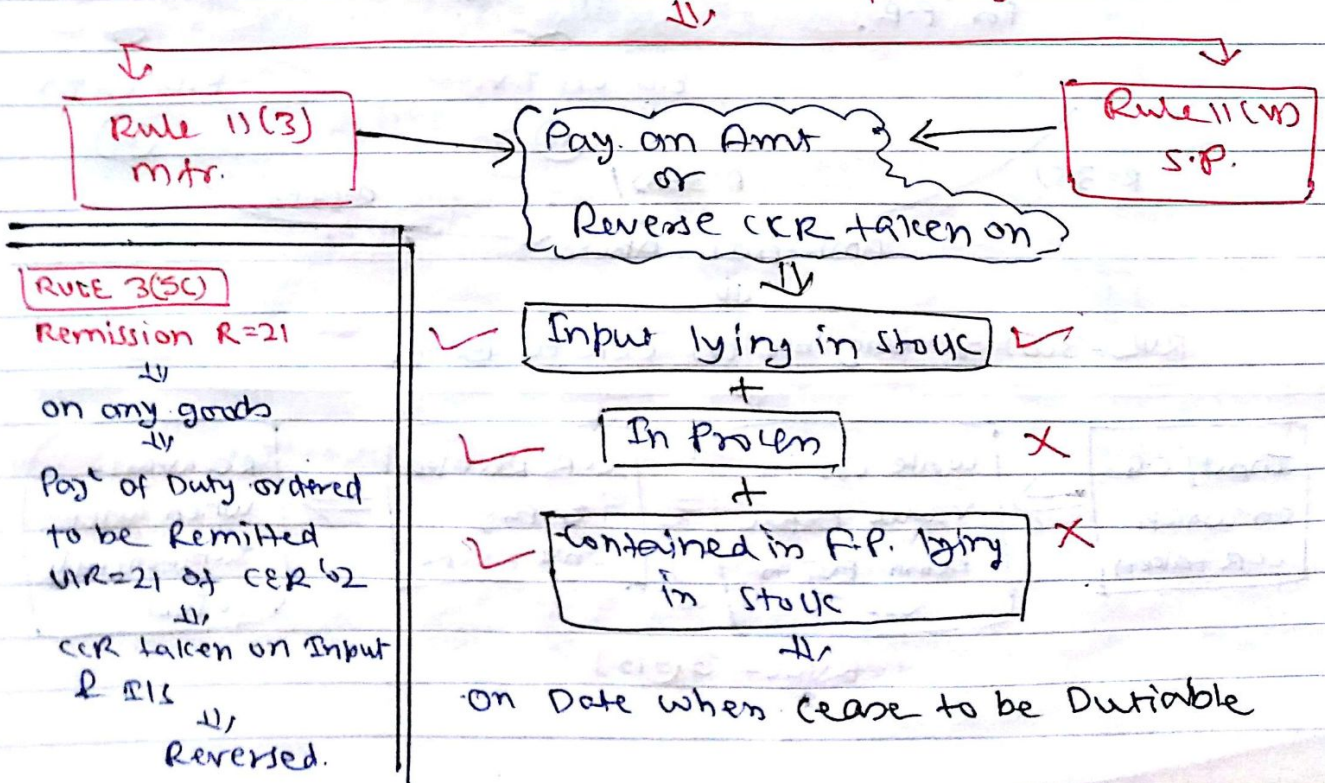
Upto ₹ 5000

INITIALLY EXEMPTED Subsequently Dutiable



ALLOWED ON DATE WHEN CEASE TO EXEMPTED

INITIALLY DUTIABLE Subsequently Exempted.



RULE 3(5C)

Remission R=21

on any goods

Pay^t of Duty ordered to be Remitted

UR=21 of CER 62

C.R. taken on Input

& RLS

Reversed.

Removal of

1



→ then CCR taken on above needs to be reversed

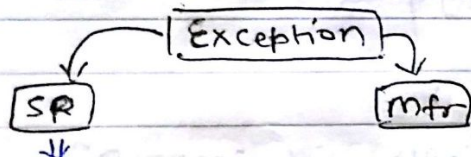
→ Removal under the cover of Invoice

COMPUTATION

CCR TAKEN

(AMT. CALCULATED)

AMT. Needs to be Reversed



→ Removed for Providing O/P Service

→ Input Removed for providing free warranty for F.P.

Computer & Peripherals

each ctr	1 yr.	10%.
"	" 2 yr	8%.
"	" 3 yr	5%.
"	" 4 & 5 yr	1%.

Others

2.5% for each ctr.

or E.D. on T.V.

(H)

or E.D. on T.V.

(H)

$R=3(5)$

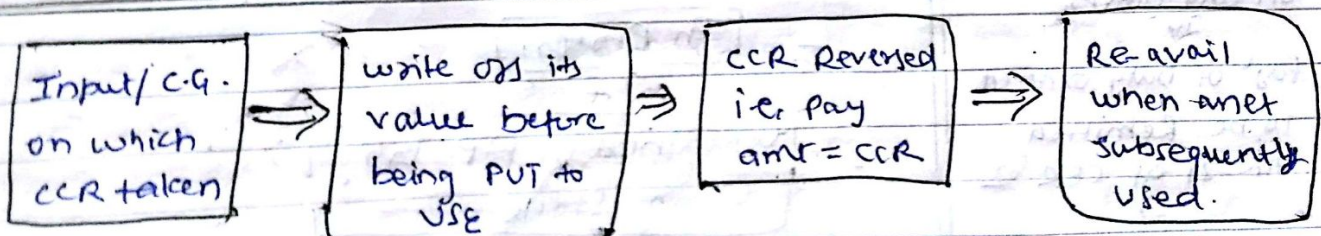
$R=3(5A)$

$R=3(5A)$

AMT. PAID ABOVE

↓

RULE-3(6) ⇒ eligible as CCR to Buyer



RULE-3(5B)

EXCEPTION TO RULE - 3(S)

RULE - 8 TRANSFER OF INPUT

→ Due to Nature of goods & Shortage of space

→ AC/DC Permits to store INPUT of the factory

→ In respect of which CCR has been taken

→ without payment of amt. U/R = 3(S)

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, amalgam, lease to J.V.
with specific prov. for tjr. of Liab.

then Mfr./S.P. allowed to transfer

⇓

unutilized CCR to another site.

Provided

input/c.c.

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 Durable Goods

Should not be used
exclusively in mfg. of Non
Durable 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. = CR availed

→ Time limit for Capital Goods

Moulds, Dies, Jigs

No time limit

Others

2 years.

RULE - 4(6)

Direct Dispatch of F.P. from J/w premise

→ If input fwd. to J/w

→ J/w process the input into F.P.

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

→ within 3 years

→ ~~no need to~~ 1

RULE=5

Refund of CCR on Input / IIS / C.G.

NOTE! Not applicable on Refund of C.G.

Note! Applicable for zero rated export U/R-1A of CER'02

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

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

$$\text{Refund Amt.} = \text{Net CCR} \times \frac{\text{Export Turnover of Goods} + \text{Export Turnover of Services}}{\text{Total Turnover}}$$

*₁ E.T. of Goods = Total goods cleared for Export U/R-1A

*₂ E.T. of Service = Pay^t Recd. during the Rel. period
(+) Earlier period Payment bt. service completed in Rel. period.

(-) Advance pay^t recd. in Rel. period by 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 to unit

Availing Area based Exemption

↓

Unable to utilize its CCR

↓

C.G. may allow Refund.

↓

Available to mfr. only

on Input/IS.

RULE 5B

↓

Refund of CCR to S.P.

providing service liable to Partial RCM

↓

Refund may allow

↓

Available to S.P. only.

NOTE: If full RCM then No
OLP tax liab. for S.P. and
then No CCR Allowed.

INPUT SERVICE DISTRIBUTOR

(R=7) → ISD transfer CCR on the basis of Turnover of PAY.

→ IF New business

Ctrl. 3 in ratio of Turnover of itself.

Ctrl. 4 in ratio of Preceding Ctrl.

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. v/R=9
- issuing transfer challan containing
 - ↳ Regn No
 - ↳ Name & Address of both Premise
 - ↳ Amt. of credit
 - ↳ particulars of entry.

→ Receiver 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.

Edu. con & SHEC

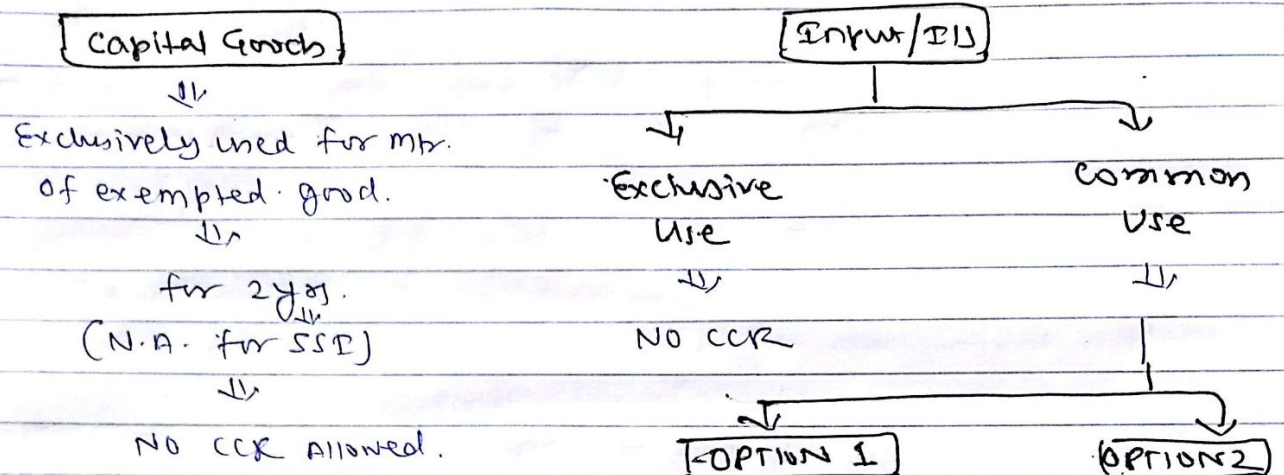
- ① Book on or after 1-3-15

↓
Utilized against payment of BED.

- ② Book on or after 1-6-15

↓
Utilized against payment of S.T.

RULE-6



OPTION 1

Computation

Full CCR

→ $\frac{67.77.27}{\text{NET CCR}}$ of value of Exempted Goods

NET CCR

67. = mfr

77. = S.P.

27. = 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 rfy data is not available then 50-50
50% for exempted & 50% for payable
NOTE:- For Banking Sector/NBFC Common CCR = 50-50.