



CENVAT Credit Rules, 2017
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Introduction

The Goods and Service Tax (GST) having been implemented with effect from 1st July 2017, CBEC has notified the CENVAT Credit Rules, 2017 in supersession of CENVAT Credit Rules, 2004, which has come into force with effect from 1st July, 2017. Many provisions related to eligibility of credits, credits on stock, utilisation and conditions of availment, including documentation norms have been prescribed.

This article provides a brief on certain terms, including key amendments prescribed as per the new Rules.

Input

Rule 2(g) defines the term 'input' as excisable goods used in the factory by the manufacturer of final product but excludes high speed diesel oil or motor spirit, commonly known as petrol. This definition is different from the definition prescribed in the erstwhile Rules.

Eligible Credits

Rule 3(1) provides that a manufacturer or producer of final products shall be allowed to take credit of:

- a) the duty of excise specified in the Fourth Schedule to the Excise Act;
- b) the National Calamity Contingent duty leviable under section 136 of the Finance Act, 2001;
- c) the additional duty leviable under section 3 of the Customs Tariff Act, equivalent to the duty of excise as specified under clauses (a) and (b);
- d) the additional duty leviable under section 3(5) of the Customs Tariff Act;
- e) the additional duty of excise leviable under Section 85 of Finance Act, 2005

- paid on any input received in the factory of manufacture of final product on or after 1st July, 2017 including the said duties paid on any inputs used in the manufacture of intermediate products, by a job worker availing the benefit of exemption specified in the Notification No.214/86, dated 25th March, 1986 and received by the manufacturer for use in, or in relation to, the manufacture of final product, on or after 1st July, 2017.

Credit on Stocks

Rule 3(2) provides that the manufacturer or producer of final products shall be allowed to take CENVAT credit of the duty paid on inputs lying in stock or in process or inputs contained in the final products lying in stock on the date on which any goods manufactured by the said manufacturer or producer cease to be exempted goods or any goods becomes excisable.

Utilisation of Credit

Rule 3(3) provides that the CENVAT credit may be utilized for payment of:

- any duty of excise on any final product; or
- an amount equal to CENVAT credit taken on inputs if such inputs are removed as such or after being partially processed; or
- an amount under Rule 15(2) of Central Excise Rules, 2017.

Restrictions of Credit Utilisations

The credit shall be utilized only to the extent such credit is available on the last day of the month or quarter, as the case may be, for payment of duty relating to that month or the quarter, as the case may be. The credit of any duty specified in Rule 3(1), except the National Calamity Contingent duty shall not be utilized for payment of National Calamity duty leviable under section 136 of Finance Act, 2001. Likewise, the credit of any duty mentioned in Rule 3(1), other than the credit of additional duty of excise leviable under section 85 of Finance Act, 2005 shall not be utilized for payment of said additional duty of excise on final products.

Rule 3(4) provides that the credit in respect of:

- the National Calamity Contingent duty leviable under section 136 of Finance Act, 2001;
- the additional duty leviable under section 3 of the Customs Tariff Act, equivalent to the duty of excise specified above;
- the additional duty of excise leviable under section 85 of Finance Act, 2005

shall be utilized towards payment of:

- excise duty under the said National Calamity Contingent duty leviable under section 136 of Finance Act, 2001; or
 - the additional duty of excise leviable under section 85 of Finance Act, 2005
- respectively on any final products manufactured by the manufacturer or for payment of such duty on inputs themselves, if such inputs are removed as such or after being partially processed.

Conditions for Availment of Credit

Conditions for availment of credit are specified in Rule 6.

- Credit may be taken immediately on receipt of inputs in the factory of the manufacturer or in the premises of the job works, in case of goods are sent directly to the job worker on the direction of the manufacturer.

- Manufacturer shall not take credit after one year of the date of issue of any of the documents specified in Rule 11(1).
- Credit on inputs shall be allowed even if any inputs as such or after being partially processed are sent to job worker and from there subsequently, sent to another job worker and likewise, for further process, necessary for the manufacture of final products and such inputs or the products produced therefrom are received back within 180 days of being sent from the factory.
- Credit shall be allowed even if any inputs are directly sent to job worker without being first brought to the premises of the manufacturer and in such a case the period of 180 days shall be counted from the date of receipt of the inputs by the job worker.
- If the inputs or products are not received within 180 days then credit shall be reversed. However, the manufacturer may take credit again when the inputs are received back in the factory.
- If the inputs are sent to a job worker by an order of the Dy. Commissioner/Assistant Commissioner of Central Excise, the period shall be valid for 3 financial years in respect of removal of such input or partially processed input and subject to such conditions as he may imposed in the interest of revenue.

Reversal of Credit

- Rule 4 provides that when inputs on which credit has been taken are removed as such from the factory, the manufacturer of the final products shall pay an amount equivalent to the credit availed in respect of such inputs.
- If any value is written off fully or partially or where any provision to write off fully or partially has been made in the books of account then the manufacturer shall pay an amount equivalent to the credit availed in respect of such inputs. If the said input is subsequently used in the manufacture of final products, then the credit may be taken.
- Where on any goods manufactured or produced by an assessee, the payment of duty is ordered to be remitted then the credit taken shall be reversed.

Credit on Exempted Case

Rule 5 specifies that where the provisions of any other rule or notification provides for grant of whole or part exemption of non availability of credit of duty paid on any input, if the credit of duty paid on input is availed, the reversal of such credit after clearance of the goods shall render the manufacturer eligible for the exemption.

Refund of Credit

Rule 7 provides that a manufacturer who clears a final product or an intermediate product for export without payment of duty under bond or letter of undertaking, shall be allowed refund of credit as determined by the following formula, subject to procedure, safeguards, conditions and limitations, as may be specified by the Board by notification in the Official Gazette-

$$\text{Refund amount} = \frac{\text{Export turnover of goods} \times \text{Net CENVAT credit}}{\text{Total Turnover}}$$

Conclusion

There are other crucial provisions that are dealt with in the CENVAT Credit Rules, 2017, in respect of obligation of manufacturer, documentation and accounts, credit distribution, returns and transitional provisions. These Rules are to be read in addition to the GST Act, which specifies provisions relating to availment and adjustment of credit.

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