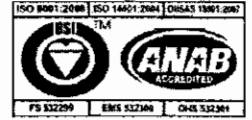




CENTRAL WAREHOUSING CORPORATION
(A GOVT. OF INDIA UNDERTAKING)



By Speed Post / Email

No. CWC/FD-Taxation/ST (Gen)/13-14

14th October, 2014

Service Tax Circular # 83

Subject = Availment of CENVAT Credit (Rule 6 of CENVAT Credit Rules, 2004)

Reference is invited to Guidelines issued by CO-ST Circular# 29 dated 05.05.2009 and CO-ST-Circular 52 dated 18.04.2012 dealing with the Procedure to be followed for availing and utilizing CENVAT Credit by such assessee who opts not to maintain the separate Books of accounts for taxable and exempted Services. In this regard, revised procedure is explained hereunder for guidance of all concerned.

1. **Rule 6(1)** prescribes that the CENVAT Credit shall not be allowed on such quantity of inputs or input services used for provision of exempted services. *For e.g. if at any warehouse only Agricultural commodity, which is exempted from levy of Service Tax, is stored, then the credit of Service Tax paid on inputs or input services like H&T, security, Telephone etc., used at that warehouse cannot be availed.*
2. In the same manner full CENVAT Credit shall be allowed on such quantity of inputs or input services used for provision of exclusively taxable services. *For e.g. if at any warehouse only Industrial commodity like fertilizer which is chargeable to levy of Service Tax is stored or in CFS/ICD where only taxable services are provided then the full credit of Service Tax paid on inputs or input services like H&T, security, Telephone etc., used at that warehouse is to be availed.*
3. **Rule 6(2)** provides that where a provider of output service avails of CENVAT Credit in respect of inputs or input services, and provides such output services which are chargeable to tax as well as exempted services, then the provider of output services shall maintain separate books of accounts for the receipt, consumption and inventory of inputs used and use of input services in or in relation to provision of exempted services and taxable services.
4. **Rule 6(3)** prescribes that the assessee who provides such output services which are chargeable to tax as well as exempted services and opts not to maintain the separate books of accounts has to opt one of the following options:-
 - i) Pay an amount equal to six percent of value of exempted services; or
 - ii) Pay an amount as determined under sub rule 3A; or
 - iii) Maintain separate accounts for inputs and proportionate reversal for input services

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However if the output services provider avails any of the option under this sub-rule, he shall exercise such option for all exempted services provided by him, and such option shall not be withdrawn during the remaining part of the financial year.

5. **Rule 6(3A)** dealing with the determination and payment of amount payable under clause(ii) of sub rule (3), prescribes that the manufacturer of Goods or the provider of Output service shall follow the following Procedure and conditions, namely:-

- a) manufacturer of goods or the provider of output service shall intimate in writing to the Superintendent of Central Excise giving the following particulars, namely :
 - (i) name, address and registration No. of the manufacturer of goods or provider of output service;
 - (ii) date from which the option under this clause is exercised or proposed to be exercised;
 - (iii) description of dutiable goods or output services;
 - (iv) description of exempted goods or exempted services;
 - (v) CENVAT credit of inputs and input services lying in balance as on the date of exercising the option under this condition;

- b) The provider of output service shall, **determine and pay**(reverse the credit availed on common input/input services) the amount equivalent to CENVAT credit attributable to inputs or input services used in or in relation to providing the exempted services, **provisionally, for every month**, in the following manner:

CENVAT credit attributable to inputs or input services used in or in relation to providing the exempted services	=	Cenvat Credit taken on Common inputs or Common input services in the relevant month	X	$\frac{\text{Total Value of exempted services provided during the preceding financial year}}{\text{Total value of Taxable services provided plus exempted services provided, during the preceding financial year}}$
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c) The provider of output service, shall determine finally after the end of the financial year, the amount of CENVAT credit attributable to exempted services **for the whole financial year in the following manner**,

$$\begin{array}{l}
 \text{CENVAT credit} \\
 \text{attributable to inputs} \\
 \text{or input services used} \\
 \text{in or in relation to} \\
 \text{providing the} \\
 \text{exempted services} \\
 \text{during the financial} \\
 \text{year}
 \end{array}
 =
 \begin{array}{l}
 \text{Cenvat Credit} \\
 \text{taken on} \\
 \text{Common inputs} \\
 \text{or Common} \\
 \text{input services} \\
 \text{during the} \\
 \text{financial year}
 \end{array}
 \times
 \frac{\begin{array}{l}
 \text{Total Value of} \\
 \text{exempted services} \\
 \text{provided during the} \\
 \text{financial year}
 \end{array}}{\begin{array}{l}
 \text{Total value of} \\
 \text{Taxable services} \\
 \text{provided plus} \\
 \text{exempted services} \\
 \text{provided, during the} \\
 \text{financial year}
 \end{array}}$$

- d) The provider of output service, shall pay an amount equal to the difference between the aggregate amount determined as per condition (c) and the aggregate amount determined and paid as per condition (b), on or before the 30th June of the succeeding financial year, where the amount determined as per condition (c) is more than the amount paid;
- e) The provider of output service, shall, in addition to the amount short-paid, 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;
- f) where the amount determined as per condition (c) is less than the amount determined and paid as per condition (b), the said manufacturer of goods or the provider of output service may adjust the excess amount on his own, by taking credit of such amount;
- 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, as per condition (d) and (f) respectively, the following particulars, namely :
- (i) details of CENVAT credit attributable to exempted goods and exempted services, month wise, for the whole financial year, determined provisionally as per condition (b),
 - (ii) CENVAT credit attributable to exempted goods and exempted services for the whole financial year, determined as per condition (c),
 - (iii) amount short paid determined as per condition (d), along with the date of payment of the amount short-paid,
 - (iv) interest payable and paid, if any, on the amount short-paid, determined as per condition (e), and
 - (v) credit taken on account of excess payment, if any, determined as per condition f);
- h) where the amount equivalent to CENVAT credit attributable to exempted goods or exempted services cannot be determined provisionally, as prescribed in condition (b), due to reasons that no dutiable goods were manufactured and no output service was provided in the preceding financial year, then the manufacturer of goods or the

provider of output service is not required to determine and pay such amount provisionally for each month, but shall determine the CENVAT credit attributable to exempted goods or exempted services for the whole year as prescribed in condition(c) and pay the amount so calculated on or before 30th June of the succeeding financial year.

- i) where the amount determined under condition (h) is not paid within the said due date, i.e., the 30th June, the manufacturer of goods or the provider of output service shall, in addition to the said amount, be liable to pay interest at the rate of twenty four per cent per annum from the due date till the date of payment.

Illustration demonstrating as to how the CENVAT as to how the CENVAT Credit is to be provisionally availed on month to month basis and how the same has to regularized after the end of the year enclosed for guidance of all concerned as Appendix A.

6. On the basis of the above said provisions of the CENVAT Credit rules, it is advised to follow the following procedure w.e.f 01.10.2014:

- a) CENVAT Credit of service tax paid on inputs or input services used exclusively for provision of exempted services is not to be availed and will be charged in the same head of expense. For e.g. Service Tax paid on security charges of the warehouse where only exempted commodity is stored is to be debited to security expense itself.
- b) The Present Account P580 CENVAT Credit Availment Account is to be converted in to group and two Accounts(Ledger) under that group may be created in the following manner:

Group: P580 CENVAT Credit Availment Account.

Accounts (Ledger): P580(TI): CENVAT Credit Availment Account (Taxable inputs).

P580(CI): CENVAT Credit Availment Account (Common inputs).

- c) **P580(TI) CENVAT Credit Availment Account (Taxable Inputs):** CENVAT Credit of the Service Tax paid on eligible inputs and input services used exclusively for providing the taxable output services is to be availed and debited under this Account. CENVAT Credit available under this Account is to be utilized completely and no reversal prescribed under para 5 above is to be applied on Credit available under this Account.
- d) **P580(CI): CENVAT Credit Availment Account (Common inputs):** CENVAT Credit of the Service Tax paid on eligible inputs and input services used for providing the taxable as well as Exempted output services (or in case where it cannot be determined whether the input or input services are used for providing exclusive taxable output service) is to be availed and debited under this Account. Thereafter proportionate reversal of CENVAT Credit is to be done in the manner prescribed under para 5 above. CENVAT Credit of the Service Tax paid Inputs or Input Services used in Regional Office is also be debited under this Account.

This can be understood in the table below:

Unit	Commodity Stored	Service Tax paid on Input Services will be debited to	Whether Proportionate reversal as per rule 3A will apply
General Warehouse	Agricultural Produce(only Exempted commodity is stored)	Concerned Expense as per 6(a) above.	Not Applicable
General Warehouse	Non Agricultural Produce(Only Taxable Commodity is stored)	P580(TI): CENVAT Credit Availment Account (Taxable inputs)	NO (As full CENVAT Credit can be utilized for payment of output service tax)
General Warehouse	Both Taxable or Non-Taxable Commodity is stored	P580(CI): CENVAT Credit Availment Account (Common inputs)	YES (Cenvat Credit to be reversed proportionately and balance credit can be utilized for payment of output service tax.)
CFS/ICS/ICP	Fully Taxable(presently all services provided at CFS/ICD are subject to Service Tax)	P580(TI): CENVAT Credit Availment Account (Taxable inputs)	NO (As full CENVAT Credit can be utilized for payment of output service tax)
Regional Office	Office of Service Provider	P580(CI): CENVAT Credit Availment Account (Common inputs)	YES (Cenvat Credit to be reversed proportionately and balance credit can be utilized for payment of output service tax.)

The contents of this Circular may please be implemented and also brought to the Notice of all concerned for scrupulous compliance.

This issues with the approval of GM(F&A).


(AS Gopalan)

Dy. General Manager (F&A)

Distribution to:

1. All Regional Managers of CWC.
2. All Executive Engineers in-charge of all the Construction Cells of CWC.
3. All AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, Accounts & Internal Audit Wings of all ROs & CCs of CWC.

Copies for information to:

1. PS to Managing Director, CWC, CO, New Delhi.
2. PS to Director (Pers.)/Director (MCP)/Director (Fin), CWC, CO, New Delhi.
3. PS to CVO/GM (F&A), CWC, Corp. Office, New Delhi.
4. All HODs at CWC, Corporate Office, New Delhi.
5. All DGM/AGMs/Managers/ (Sr.) Asstt. Managers/Accountants in Finance, Accounts & Internal Audit Cadre at CWC, Corporate Office, New Delhi.
6. PS to GM (Systems), CWC, CO, New Delhi with a request to place this Circular on CWC's Website.
7. Manager (Rajbhasha), CWC, CO, New Delhi with a request to arrange Hindi Version of this Circular.

APPENDIX-A

Illustration demonstrating as to how CENVAT Credit of COMMON INPUT SERVICES is to be provisionally availed on month to month basis and how the same has to be thereafter regularized after the year end based on audited accounts

EXAMPLE-1		F.Y 2013-14 (AUDITED)	F.Y 2014-15 (AUDITED)
TURNOVER			
Warehousing charges (ST)	A	1,00,000	1,50,000
Warehousing charges (SNT)	B	1,50,000	1,85,000
Cargo Handling Charges (ST)	C	1,75,000	2,40,000
Cargo Handling Charges (SNT)	D	1,10,000	1,35,000
Dess Charges (ST)	E	55,000	80,000
Dess Charges (SNT)	F	25,000	28,000
Weighment Charges (ST)	G	50,000	50,000
Interest Income	Not a Service	15,000	22,000
Sale of Tender Form	Not a Service	12,000	15,000
Total Turnover		6,92,000	9,05,000
Exempted Turnover (B+D+F)	H	2,85,000	3,48,000
Total Turnover (Excluding Incomes not in nature of Service) (A+B+C+D+E+F+G)	I	6,65,000	8,68,000
Provisional Reversal ratio for F/Y 2014-15	H/I	42.86%	40.09%
FINAL Reversal ratio for F/Y 2014-15			

**Calculation of CENVAT to be reversed Provisionally every month
from Account Code P580(CI) to R897 in F/Y 2014-15**

Cenvat Availed on Common Inputs (as per account code# P580B) during the Month	Amount	Provisional Ratio	Amount to be Provisional Reversed
April,2014	50,000	42.86%	21,430
May,2014	60,000	42.86%	25,716
June,2014	70,000	42.86%	30,002
July,2014	80,000	42.86%	34,288
August,2014	75,000	42.86%	32,145
September,2014	40,000	42.86%	17,144
October,2014	35,000	42.86%	15,001
November,2014	25,000	42.86%	10,715
December,2014	70,000	42.86%	30,002
January,2015	60,000	42.86%	25,716
February,2015	55,000	42.86%	23,573
March,2015	60,000	42.86%	25,716
Total	6,80,000		2,91,448

**Calculation of CENVAT to be Reversed/Availed as per final ratio determined
at the end of the 2014-15**

Total CENVAT Availed on Common Inputs during the F/Y 2014-15		6,80,000
Total Credit to be reversed as per Final Exempted Ratio	(680000*40.09%)	2,72,612
Credit already reversed during the year		2,91,448
Excess Credit may be Availed as per final Adjustment	(291448-272612)	18,836

Illustration demonstrating as to how CENVAT Credit of COMMON INPUT SERVICES is to be provisionally availed on month to month basis and how the same has to be thereafter regularized after the year end based on audited accounts

EXAMPLE-2 TURNOVER		F.Y 2013-14 (AUDITED)	F.Y 2014-15 (AUDITED)
Warehousing charges (ST)	A	1,00,000	80,000
Warehousing charges (SNT)	B	1,50,000	1,85,000
Cargo Handling Charges (ST)	C	1,75,000	1,50,000
Cargo Handling Charges (SNT)	D	1,10,000	1,35,000
Dess Charges (ST)	E	55,000	65,000
Dess Charges (SNT)	F	25,000	28,000
Weighment Charges (ST)	G	50,000	50,000
Interest Income	Not a Service	15,000	22,000
Sale of Tender Form	Not a Service	12,000	15,000
Total Turnover		6,92,000	7,30,000
Exempted Turnover (B+D+F)	H	2,85,000	3,48,000
Total Turnover (Excluding Incomes not in nature of Service) (A+B+C+D+E+F+G)	I	6,65,000	6,93,000
Provisional Reversal ratio for F/Y 2014-15	H/I	42.86%	
FINAL Reversal ratio for F/Y 2014-15	H/I		50.22%

Calculation of CENVAT to be reversed Provisionally every month from Account Code P580(CI) to R897 in F/Y 2014-15

Cenvat Availed on Common Inputs (as per account code# P580B) during the Month	Amount	Provisional Ratio	Amount to be Provisional Reversed
April,2014	50,000	42.86%	21,430
May,2014	60,000	42.86%	25,716
June,2014	70,000	42.86%	30,002
July,2014	80,000	42.86%	34,288
August,2014	75,000	42.86%	32,145
September,2014	40,000	42.86%	17,144
October,2014	35,000	42.86%	15,001
November,2014	25,000	42.86%	10,715
December,2014	70,000	42.86%	30,002
January,2015	60,000	42.86%	25,716
February,2015	55,000	42.86%	23,573
March,2015	60,000	42.86%	25,716
Total	6,80,000		2,91,448

Calculation of CENVAT to be Reversed/Availed as per final ratio determined at the end of the 2014-15

Total CENVAT Availed on Common Inputs during the F/Y 2014-15	6,80,000
Total Credit to be reversed as per Final Exempted Ratio	(680000*50.22%) 3,41,496
Credit already reversed during the year	2,91,448
Balance Credit to be reversed by 30.06.2015 as per final Adjustment (341496-291448)	50,048
(It is advised to reverse such Credit or pay equivalent amount by 30th June of the following year in order to avoid interest @24% P.A from 1st July)	