

Cenvat Credit Changes – Budget 2015

-By CA Mahadev R

Many of the practical issues have been addressed in this year's budget by the Central Government. One of the good news for the tax payer is extension of time limit for availing the Cenvat credit to 1 year from earlier limit of 6 months. The important changes and the impact have been highlighted in this article. All Cenvat credit related changes otherwise provided would be effective from 01.03.2015.

1. Cenvat credit on goods directly dispatched to job worker

Rule 4 of CCR 2004 has been amended to provide for Cenvat credit in respect of receipt of inputs/ capital goods directly by job worker when such goods are sent directly on direction of manufacturer or the provider of output service. As a result, the manufacturers would be able to dispatch the goods directly to job worker's premises saving on cost of transportation.

2. Time limit of one year for availing the Cenvat credit

Rule 4 has been amended to provide for time limit of one year as against 6 months for availing the Cenvat credit on inputs and input services from the date of invoice. However, it is not clear if this time limit is applicable for the invoices dated prior to 01st March 2015 as this change is effective from 01st March 2015.

3. Cenvat immediately on payment of tax in partial reverse charge

Rule 4(7) is being amended to allow Cenvat Credit of Service Tax paid under partial reverse charge by the service receiver without linking it to the payment to the service provider. This change will come into effect from 1.4.2015. Therefore, the tax payer can pay service tax under reverse charge and claim the Cenvat credit immediately.

4. Cenvat credit in case of goods sent for job work

Rule 4(5) (a) has been amended to provide for Cenvat credit on inputs even if inputs are directly sent to job worker. The goods sent to job worker can be moved to another job worker as well. However, it shall be ensure that the goods are received back by the manufacturer within 180 days from the date of sending such goods. In case the goods are sent to job worker premises without first receiving into factory by manufacturer, then 180 days shall be counted from date of receipt of goods by job worker.

5. Increase in time limit for receipt of Capital goods sent for job work

The time limit for receipt of capital goods sent for job work has been increased from 180 days to two years which would reduce on cost of documentation for the tax payer. It shall be noted that for tools / dies / jigs, the time limit of 180 days or two years would not applicable.

6. Export goods defined

Rule 5 has been amended to provide that the ‘Export goods’ means any goods which are to be taken out of India to a place outside India for the purpose of claiming the refund. The amendment could have impact on claim of refund in case of deemed exports such as clearances to EOUs and SEZ units wherein the goods are not actually taken out of India to a place outside India.

7. Exempted goods include non-excisable goods

Rule 6 has been amended to provide that the exempted goods shall include even non-excisable goods and the value of invoice shall be considered for ascertaining the eligible / ineligible Cenvat credit.

8. Penal provisions would attract even if credit availed but not utilized

Rule 14 has been amended to provide for penal provisions even if Cenvat credit has been taken but not utilized. As a result of this change, the tax payer shall be very cautious while claiming the credit as even no utilization would attract penal provisions now. There could be few credits wherein the tax payer would not be sure of eligibility of credits. In such cases, best option would be to claim the Cenvat credit and intimate the department about such availment.

9. Manner of utilization of credit provided

In Rule 14 it has been provided that all credits taken during a month shall be deemed to have been taken on the last day of the month and the utilisation thereof shall be deemed to have occurred in the following manner, namely: - (i) the opening balance of the month has been utilised first; (ii) credit admissible in terms of these rules taken during the month has been utilised next; (iii) credit inadmissible in terms of these rules taken during the month has been utilised thereafter.

10. Education Cess and SHE Cess abolished

Education Cess and SHE Cess has been abolished in Central Excise provisions from 01.03.2015. However, the important issue has not been addressed with respect to Cenvat credit of such Cess amounts lying in balance in the credit account. A clarification is required with regard to such balance Cess credit. It shall be further noted that there is no provision to utilise such Cess credit towards basic excise duty.