

INDIRECT TAXES UPDATE – 115

CENVAT CREDIT RULES FOR INPUT SERVICE DISTRIBUTORS AMENDED

Cenvat Credit(Third Amendment) Rules, 2014 – w.e.f. April 1, 2014

The Central Government, vide **Notification No. 05/2014 – Central Excise (N.T.)** dated 24th February 2014 amends Rule 7 of Cenvat Credit Rules, 2004 which entails distribution of CENVAT credit by Input Service Distributor subject to certain conditions which are amended as follows:

<u>S. No.</u>	<u>Particulars</u>	<u>Before Amendment</u>	<u>Post Amendment</u>
1.	For the units that are exclusively engaged in manufacture of exempted goods or providing of exempted services	service tax paid on input services used in a unit was not allowed to be distributed as CENVAT Credit	Service Tax paid on input services used by one or more units will not be allowed to be distributed as Cenvat Credit
2.	Credit of service tax paid on input services	Was distributed only to the unit in which the service was wholly used.	Will be distributed only to the unit by which the service is wholly used
3.	Credit of service tax attributable to service used by more than one unit shall be distributed pro rata basis	Pro rata distribution of service tax credit was based on turnover of the concerned unit during the relevant period to the sum total of the turnover of units to which the service relates.	Pro Rata distribution of service tax credit shall be based on turnover of units using said input service during relevant period to total turnover of all its units operational in current year, during said relevant period.
4. (i)	Relevant Period – if assessee has turnover in the year preceding to the month/ quarter during which credit is to be distributed	relevant period was the month/ quarter preceding the month/ quarter of distribution	relevant period will be the preceding financial year if Input Service Distributors turnover is available for that year

(ii)	Relevant Period -if details of turnover are not available for some or all of the units	the credit could be distributed only after the end of relevant period when the total turnover of its units was available	the last quarter, previous to the month/ quarter for which credit is distributed, for which turnover details of all units is available will be the relevant period
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[Notification No. 5/2014 - ST., Dated: February 24, 2014]

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