

3) Notification No.23/2016-CE-(NT)-dated 01.04.2016

Anomaly in reversal under rule 6(3) of the CENVAT credit rules is fixed

Rule 6 of the CENVAT Credit Rules, 2004 provides the mechanism for reversal of CENVAT credit rules. This rule was substantially amended during Budget 2016. Plain reading of the amended rule indicated that the reversal of CENVAT credit @ 6% or 7% is subject to the maximum balance of CENVAT credit available in the account of the assessee **at the end of the period**. This basically created an upper threshold over the reversal of CENVAT credit beyond which no credit is required to be reversed even if it is proportionately used for the provision of the exempted goods/ services.

However, the intention of the legislature was never to restrict the reversal of the credit only to that extent. Therefore, the corrective measure has been immediately taken by the CBEC vide *Notification No.23/2016-CE-(NT)-dated 01.04.2016* which stated that the reversal will be **subject to a maximum of the sum total of opening balance of the credit of input and input services available at the beginning of the period to which the payment relates and the credit of input and input services taken during that period**. Therefore, by this amendment the upper threshold of the reversal of credit is expanded to the extent of the opening balance of credit + the credit of input and input services availed during that period.