

Notification No.24/2016-CE-(NT)-dated 01.04.2016

Proportionate reversal of CENVAT credit is not required if the input/ input services are not used for the activity that is not a 'Service'

As per the amendment in the union budget 2016, an Explanation 3 was inserted in rule 6(1) of the CENVAT credit rules explaining that the definition of the term 'exempted services' as defined in rule 2(e) of the said rules **shall also include an activity, which is not a 'service'**.

Earlier, shelter was taken by assesses on the grounds that CENVAT credit is required to be reversed only if the output activity is an exempted service. This amendment was brought to extend the proportionate reversal of the CENVAT credit even in cases where the output activity is not a 'service' at all. However, the amendment has led to a chaos wherein reversal was sought even though the inputs/ input services are not used for such activity which is not a 'service'. Therefore, the above explanation 3 was amended to provide that reversal of proportionate credit is not required in case the input/ input services are not at all used for such activity which is not a service. Therefore, if assessee can establish that input/ input services are not at all used for the non-service activity, then the proportionate reversal of the credit towards the same is not required.