

HIGHLIGHTS

- ***CENVAT credit now admissible of duty/ tax paid on inputs/ input services used in the goods manufactured and cleared to SEZ developers***

EVENTS

UPCOMING EVENTS

- *USIBC's conference on US and India: Doing Business in Today's Economy in New Delhi*

RECENT EVENTS

- *Workshop on "Successful EPC Contracting - Fiscal Challenges" in Hyderabad*
- *Executive briefing on transfer pricing in Bangalore and Chennai*
- *International Taxation Conference – 2008 in Mumbai*

AWARDS

- *BMR wins ITR's India Transfer Pricing Firm of the Year award*
- *European CEO Legal award for best TP Firm*
- *BMR is Tier 1 Firm in ITR's World Tax Guide 2009*

CENVAT credit facility allowed in respect of supply of goods to SEZ developers

The Central Government has made an amendment to the CENVAT Credit Rules 2004 (CENVAT Rules), as a result of which, wef December 31, 2008, CENVAT credit of duty / tax paid on inputs / input services used in the goods manufactured and cleared to a SEZ developer, would now be admissible to the manufacturer suppliers.

It may be recalled that as per Rule 6(1) of CENVAT Rules, credit is not admissible on inputs or input services, used in the manufacture of exempted goods or providing of exempted services. However, Rule 6(6) of the CENVAT Rules, which carves out an exception to the above Rule 6(1), has now been amended to include clearances of goods made to a SEZ developer.

Accordingly, CENVAT credit would now be admissible for duty / tax paid on inputs / input services used in the goods manufactured and cleared to a SEZ developer. This amendment seeks to bring supplies to SEZ developers at par with the supplies made to SEZ units.

While this is a welcome amendment, to be effective prospectively, the issue however remains for goods manufactured and cleared to SEZ developers for the period till December 31, 2008.

Another issue that remains to be addressed is that the amendment applies only to goods (manufactured and cleared to SEZ developers without payment of duty) and not to services provided to SEZ developers / units. Hence, the CENVAT credit restriction issue remains for service providers providing services to SEZ developers / units.

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