

**F.No. 267 /47/2002-CX-8**

Government of India

Ministry of Finance & Company Affairs

Department of Revenue

Central Board of Excise & Customs

**Subject: - Cenvat credit on Capital goods used in intermediate products exempt from duty under the new set of rules.**

I am directed to refer to the subject cited above and to say that in the absence of a corresponding provision to rule 57R(2) of Central Excise Rules, 1944 in new rules effective from 1.7.2001, a doubt has arisen whether cenvat credit shall be available on the capital goods used in manufacturing of intermediate goods exempt from payment of duty e.g. capital goods used in the preparatory stages of Cotton in a textile mill which are exempt from duty but are produced in the course of manufacturing of finished products chargeable to duty.

2. The matter has been examined by the Board. It is observed that although there is no provision in the existing Cenvat Credit Rules, 2002 corresponding to erstwhile rule 57R(2), the new rules have no provisions barring the credit on capital goods used in the manufacture of exempt intermediate product. Simultaneously, the use of these capital goods in the overall manufacturing process of finished dutiable goods is not in dispute.

3. It is, therefore, clarified that cenvat credit should not be denied on the capital goods used in manufacturing of intermediate goods exempt from payment of duty which are used captively in the manufacture of finished goods chargeable to duty.

4. Trade & field formations may please be informed suitably.

5. Receipt of the same may be acknowledged.

6. Hindi version will follow.