

**F.No.334/198/2002-TRU**  
Government of India  
Ministry of Finance and Company Affairs  
Department of Revenue  
Tax Research Unit

**Subject: Diversion of credit taken on inputs for exempted products under the North-East notifications for payment of central excise duty on other products -reg.**

Notification Nos. 61/2002-CE and 42/2002-CE(NT) both dated 23.12.2002 have been issued to provide that:

(i)	the CENVAT credit of the duty paid on the inputs used in the manufacture of final products cleared after availing of the exemption under the notification numbers 32/99-CE and 33/99-CE, both dated the 8.7.1999 [referred to as 'North East notifications'] shall be utilized only for payment of duty on final products cleared after availing of the exemption under the said notifications; and
(ii)	the refund allowable under the North East notifications shall not exceed the amount of duty paid less the amount of the CENVAT credit availed of, in respect of the duty paid on the inputs used in or in relation to the manufacture of goods cleared under the corresponding exemption notification.

2. Notification No. 42/2002-CE(NT) seeks to disallow diversion of the credit taken on inputs used for manufacture of products exempted under the said North East notifications for payment of central excise duty on other products. Such diversion would imply payment of a greater amount of duty through account-current on the products exempted under the said North East notifications and thereby resulting in unintended benefit of higher amount of refund. Notification No. 61/2002-CE seeks to disallow such excess refund.

3. Trade may be suitably informed.

4. Receipt of this circular may be acknowledged.

5. Hindi version follows.