

Modvat scheme — Instructions — Consolidation of

<For subsequent modifications/developments, see Circular No. 60/60/94-CX., dated 19-9-1994, 153/64/95-CX., dated 12-10-1995, 232/66/96-CX., dated 25-7-1996 and 265/99/96-CX., dated 12-11-1996.>Circular No. 33/33/94/CX.8, dated 4-5-1994

[From F.No. 267/19/94-CX.8]

Government of India
Ministry of Finance (Department of Revenue)
Central Board of Excise and Customs, New Delhi

Subject : Instruction regarding Modvat Scheme.

Rules 57A to 57P of the Central Excise Rules, 1944, were incorporated in the Central Excise Rules, in the year 1986, while introducing the Modvat Scheme to certain excisable commodities. Over the years some of the Rules have undergone change. Consequently, the instructions issued on or before 31st December, 1993, are not wholly relevant in a number of cases.

2. With a view to consolidate the instructions and streamline of procedures, the following instructions are issued in supersession of all the instructions issued on or before 31st December, 1993, in relation to Modvat -

- (i) Modvat credit is available for all excisable goods used as inputs in or in relation to the manufacture of finished goods. It is, therefore, clarified that the input credit is admissible whether such input is physically present in the finished excisable goods or not so long such inputs are used in or in relation to the manufacture of finished excisable goods. In this connection definition of the term "manufacture" as propounded by the Supreme Court in the *Empire Industry's* case [1985 (20) E.L.T. 179] and *C.C.E. v. Rajasthan State Chemical* case [1991 (55) E.L.T. 444, 448 (S.C.)] are quite relevant.
- (ii) The declaration under Rule 56 is required to be filed before the Assistant Collector. Proforma is given vide Annexure - 'A'.
- (iii) The goods should be received in the factory under the cover of the documents as referred to in Rule 57G and 52A of the Central Excise Rules, 1944 and notifications issued thereunder. The present notifications are 15/94-N.T. and 16/94-N.T., dated 30th March, 1994.
- (iv) A manufacturer of the final product shall maintain the accounts of raw materials and component parts in Annexure B-1 and submit monthly return to the Superintendent of Central Excise, indicating the particulars of inputs received during the month and the amount taken as credit, along with extracts of Part-I and II of Form RG 23A. He shall also make available the aforesaid documents evidencing the payment of duty on the inputs, on demand by the proper officer.
- (v) A consolidated maintenance of RG 23A is permitted where inputs are used in the manufacture of **exempted** and dutiable final products. In such cases, at the end of the month, a statement has to be submitted by the assessee in proforma annexed (Annexure 'B'-2).
- (vi) Where classification of the input declared by the assessee in his declaration filed under Rule 57G does not tally with the declaration because the same has been incorrectly classified by originating factory or the description of inputs declared by the assessee under Rule 57G is not in accordance with tariff description because of different trade names/brand names of the inputs, then the Modvat credit can be taken in RG 23A but should not be utilised for the payment of duty till the correct classification of the inputs is finalised by the Central Excise Officers of the originating factory. In case of minor variations in nomenclature or tariff description, Modvat should not be denied, provided Modvat on such input is eligible.
- (vii) In cases where the dispute is regarding eligibility of certain raw materials as input against Modvat credit may be taken on such disputed inputs by the manufacturer in RG 23 A Part-I but will not be utilised till the dispute is finally settled.
- (viii) There is No 1 : 1 correlation of the input and final product under the Modvat Scheme for utilisation of credit. The excess credit accumulated, if any, can be utilised towards payment of duty on final products produced in the same factory using the same inputs.
- (ix) Modvat credit is not admissible on the indigenous raw materials used for manufacturing final products under Rule 191BB, in cases where raw materials are imported later on as replenishment and used for manufacturing goods for domestic market. It should be ensured, while granting refund of Modvat credit in cash on account of goods exported, that no unintended double benefit accrues to such manufacturers by way of drawback in respect of the same goods.
- (x) In case of variation arising out of grant of refund in respect of inputs on which credit has been availed of under Rule 57A, procedure prescribed in Annexure 'C' should be followed.
- (xi) In case of movement of goods under Notification No. 214/86 or under Rule 57F, the procedure

mentioned in Annexure 'D' should be followed.

- (xii) For clearance of goods under Notification No. 217/86-C.E., dated 2-4-1986, as amended by Notification No. 97/89-C.E., dated 1-3-1989 (which provides for clearance of goods from one plant of the same manufacturer to another plant of the same manufacturer without payment of duty) no credit on inputs can be granted as such inputs are used in exempted intermediate products cleared under Chapter X procedure. In such a situation, duty on the intermediate goods can be paid, foregoing the exemption, and Modvat credit taken on inputs can be availed for payment of duty on such intermediates without following the Chapter X procedure.
- (xiii) In situations where more than one intermediate product arises during the course of manufacture of a final product in a factory and such intermediate products are exempted under Notification No. 217/86, dated 2-4-1986, credit taken on inputs is permitted, provided that such intermediate products are those as contained in the table of Notification No. 217/86, dated 2-4-1986.
- (xiv) <<16178\$Circular No. 12/93-CX.8, dated 2-11-1993 >> remains valid. Verification of the inputs received, where duty involved in each document exceeds Rs. 10,000, is required to be done in the manner laid down in the said instruction. Similarly, circular and instruction issued on or from 1st January, 1994, shall be strictly adhered to.

3. It is hereby clarified that Modvat in relation to capital goods introduced in the Budget of 1994-95 is not covered, as also the procedure governing proforma credit under Rule 56A *ibid*.

4. The field formations may please be informed accordingly.

(Annexure -"A")

Modvat - Proforma For Declaration

Modvat - Proforma for declaration to be filed under Rule 57G for availing credit of duty paid on inputs under Rule 57A.

1. Name of the Manufacturer.
2. Range
3. Division
4. Collectorate
5. Particulars of Inputs and Final Products.

Description of final product and its tariff classification	Description of input and its tariff classification	Nature of the input i.e., whether raw material component packaging material catalyst, solvent, etc.	Description of tariff classification of products if any.
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(1)	(2)	(3)	(4)
(a)	(b)	(a)	(b)
Name of final product	Classification sub-heading No.	Name of Input	Classification sub-heading No.

6. Any other particulars.

Declaration

We hereby declare that particulars furnished herein above are true and correct to the best of our knowledge.

Place :

Date :

Signature of the applicant

Annexure B-1

Account for Raw Materials and Components

Name and address of the Factory : _____

Description of raw material : _____

Date	Opening balance	Quantity received	Total	Quantity used in the manufacture of	Quantity disposed of	Quantity otherwise
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				Excisable goods	Other goods	Nature of disposal	Quantity the
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Quantity wasted or destroyed	Closing balance	Quantity excisable goods manufactured	Quantity of other goods manufactured	Quantity of goods Remarks	Signature of the authorised agent	assessee	or his
(9)	(10)	(11)	(12)	(13)	(14)		

Notes : 1. Separate opening should be provided in respect of each type of raw material.

2. If any raw material is used for more than one excisable goods (falling under different tariff items) or other goods manufactured, quantity used for each of such goods should be shown separately along with description of such goods by suitably sub-dividing columns 5 and 6.

3. Columns 11 and 12 need not be filled in daily, only the monthly figures may be shown against "Totals for the month".

Annexure B-2

Statement to be submitted by the assessee who maintain consolidated RG

23A Part II register for inputs used in the manufacture of exempted and dutiable final products

Name of the (Common) input	Quantity used in manufac- ture of final product	Credit involved	Name of the final product	Amount of utilised of duty product [manufactured of inputs in Col. (1)]	Excess/ credit less on final credit utilised out (Col. 3 - Col. 5)	Entry No. of PLA / RG 23A Part II under which excess credit debited
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Note : The above statement has to be prepared only in respect of those inputs which have been used for manufacture of final products where consolidated RG 23A Part II is being maintained or are utilised in the manufacture of exempted as well as dutiable final products.

Annexure - "C"

Subject : Central Excise — Procedure for adjustment of credit under rule 57E consequent upon grant of refunds.

- The Assistant Collector of Central Excise incharge of factory of origin of the input should first sanction the refund claim but not make payment. He should intimate to the officer incharge of the consignee factory about the amount of refund sanctioned in respect of inputs sent to the consignee;
- The officer incharge of the consignee factory should on receipt of such intimation debit the appropriate amount from RG 23(A) Part II or PLA and send the information in the form of certificate "A" to the Assistant Collector incharge of the factory of origin of having done so.
- On receipt of the intimations from all concerned Central Excise Officers regarding date of the refund amount, the Assistant Collector should make the payment of refund sanctioned by him.

Certificate "A"

(Rule 57E of C. Ex. Rules, 1944)

Original Range

Duplicate Division.....

Triplicate Collectorate.....

Customs House.....

S.No. (to be given by Range. C.H.)

This is to certify that we have debited/deposited an amount of Rs. (Rupees.....) in our PLA No..... /RG 23A Pt. II/vide entry No..... dated Challan No. dated being the differential duty/countervailing duty payable on the..... (description of goods) falling under S.H. No. cleared by us/imported by us under our invoice No./B.E. No..... dated to/and sent to M/s. (in case invoices /B.E. are more than one, worksheet should be attached to indicate invoice/B.E. wise differential duty) in view of the demand order No..... dated passed by

The reason for payment of differential duty in brief is that

.....

 Place and Date Signature of assessee/importer
 Seal Name and Address of the Assessee/
 Importer

Certified that the above particulars have been verified and they are correct. Worksheet attached to the certificate is also signed.

Place and Date Superintendent/Appraiser Central Excise / Customs House
 Range :
 Division :
 Collectorates :
 Seal

Annexure - "D"

Procedure for Movement of Goods / Job Work

An assessee availing the procedure of Rule 57F(2), of the Central Excise Rules, 1944 and/or Notification No. 214/86-C.E., dated 25-3-1986 should submit a declaration in triplicate in the form (enclosed as Annexure I) to the Jurisdictional Assistant Collector, complete in all respects. Where the removal of the goods is in terms of Notification No. 214 /86-C.E., dated 25-3-1986 the application has to be made to the Assistant Collector having jurisdiction over the job-worker and the assessee has also to give an undertaking as stipulated in para 2 of the said notification.

2. After submitting the declaration the assessee will take clearance of the goods.

3. The removal of such goods should take place under specific challan in the proforma enclosed as Annexure-II. Each challan should be in triplicate and each copy of the challan should be in a different colour (as indicated). All the sets of pages should be serially machine-numbered. Each page of the Challan Book should be got authenticated by the proper Central Excise Officer having jurisdiction over the applicant/manufacturer before the Book is brought into use. The original and duplicate copies of the challan should accompany each consignment to the outside factory where processing is to be done, or operations are to be undertaken. Where the raw materials / semi-finished goods are sent directly from the supplier without first coming into the factory of the applicant-manufacturer then the name of such supplier should also be indicated with the challan, Delivery documents presently being used by assessees may continue to be used provided the information as required in the challan are available in such documents.

4. A simple account of the goods removed for further processing or manufacture etc. in terms of Rule 57F(3) or Notification No. 214/86-C.E., dated 25-3-1986, to a place outside the factory should be maintained by the parent factory in the enclosed proforma (Annexure-IV). Similarly, a simple account of the goods received from the parent factory and returned to them after processing/manufacture should be maintained by the factory receiving such goods in the proforma as soon as the consignment is removed from / received at the particular factory.

5. The quantities covered by a single challan should normally be processed, stored, despatched separately. However where this is not possible and goods despatched in batches separate accounts for such batch-wise despatches should also be maintained.

6. After the processing is complete, the processing factory should make a suitable endorsement on both copies of the challan and return the goods along with the waste, if any, to the parent factory with the duplicate challan.

7. In case the goods processed by a processor/job worker are to be sent to another (manufacturer) processor/job worker then the first job worker may remove the goods under the specific challan (with the original and the duplicate accompanying the goods) in the proforma enclosed as Annexure III. The first processor/job worker should make a suitable endorsement to the effect that the goods have been sent to the second processor/job worker and return the challan (Annexure II) under which he received the material to the parent factory. After completion of the manufacturing operation at the premises of such other processor/job worker, a suitable endorsement be made on both copies of the challan (Annexure III) and the goods may be returned to the parent factory with the duplicate challan. The processor/job worker will also maintain accounts as specified in Annexure V.

8. Any consignment received by the parent factory to other place for processing/testing etc, should be received back by the parent factory within 60 days from the date of removal, or such extended period as the jurisdictional Superintendent of Central Excise may allow.

9. A certificate is to be obtained from the Range Superintendent by the processor adding the gate pass particulars of the goods cleared for export under bond or for export on payment of duty or on payment of duty for home consumption. This certificate may be a consolidated certificate for the clearance made within a month. The duplicate of this certificate is to be made available to the Range Superintendent of the jurisdiction where the parent factory exists so that he can cross-check these with the particulars supplied on the challans in Annexure II & III.

10. Any consignment sent by the parent factory to another place for processing/testing etc. should be received back by the parent factory within 60 days from the date of removal or such extended period as the jurisdictional Superintendent of Central Excise may allow.

Annexure-I

Intimation Letter to Remove Inputs of Partially Processed Goods Under Rule 57F(3)

Collectorate :

Division :

Range :

1. Date of Intimation :
2. Name and address of the Assessee with Reg. No. (Details of C. Ex. Registration held for manufacture of excisable commodities to be given).
3. Details of inputs or raw materials or semi-finished goods (Chapter Heading / sub-heading of the material) supplied to the job worker for the further manufacture of processing or any other operation.
4. Nature of manufacture/process/operation to be done. (A separate sheet may be added if necessary).
5. Whether the raw materials or semi-finished goods are supplied directly to the job worker without first bringing the materials to the factory of the applicant manufacturer.
6. Whether there is any possibility of transit loss (if so quote the percentage).
7. The name, address and Reg. No. if any, of the person/undertaking the above manufacture/process/operation.
8. Description with Chapter Heading Nos. of the resultant goods after process.
9. Whether the goods after process are liable to duty?
10. Whether the waste or scrap if any arising during the above manufacture/process/operation should be returned to the factory or not.
11. Whether the finished product arising during the above manufacture/process/operation would be returned to the factory or not.

Place : Signature of the applicant and status

Date :

Annexure-II

Challan

(For movement of inputs or partially processed goods under Rule 57F (3) and/or Notification No. 214/86, dated 25-3-1986 from one factory to another factory for further processing/operation).

Name & Address of the
Supplier/Manufacturer

Sl. No.....
(Original - Pink)
(Duplicate - Green)
(Triplicate - White)

1. Description of goods.
2. Identification marks & numbers, if any :
3. Quantity (Nos./Weight/Litre/Metre).
4. Value :
5. Tariff Classification :
6. Date and Time of issue :
7. Nature of processing/manufacturing required to be done :

8. Factory/Place of processing/manufacturing :
9. Expected duration of processing/manufacturing :

Place : _____ Signature of manufacturer/
Date : _____ authorised signatory

To be filled by the processing factory in original and duplicate challans.

1. Date & time of despatch of finished goods to parent factory / another manufacturer and entry No. and date of receipt in the account in the processing factory, or
Date and time of despatch of finished goods without payment of duty for export under bond or on payment of duty for export or on payment of duty for home consumption G.P. No. and date.
Quantum of duty paid (both figures & words)
2. Quantity despatch (No./Weight/Litre/Metre) and entered in Account :
3. Nature of processing/manufacturing done :
4. Quantity of waste material returned to the parent factory or cleared for home consumption. Invoice No. and date.

Quantum of duty paid (both figure & words)

Place : _____ Signature of processor
Date : _____ Name of the Factory
Address.

Annexure-III

Challan

[For movement of goods from one processor/job worker to another processor/job worker under Rule 57F(3) and/or Notification No. 214/86-C.E., dated 25-3-1986]

Name & Address of the _____ Sl. No. _____ processor/job worker
(Original - Pink)
(Duplicate - Green)
(Triplicate - White)

1. Name, Address and Central Excise Registration of the manufacturer/supplier of raw materials.
2. Challan No. and date under which goods received from the manufacturer/supplier of raw materials.
3. Name, Address and Central Excise Registration No. if any, of the processor/job worker to whom goods are being sent.
4. Date and time of despatch of goods by the job worker.
5. Goods despatched-
 - (a) Description of goods.
 - (b) Nature of Processing required to be done.

Signature of the
Processor/Job worker.

Part -I

Certified that I/We have received the goods removed with the above Challan No..... of
(Processor/Job-worker on this day of..... 199.)

Signature of the Processor/Job worker

Part - II

To be filled by the processing factory in original and duplicate _____ challans.

1. Date & time of despatch of finished goods to parent factory / another manufacturer and entry No. and date of receipt in the account in the processing factory,
OR
Date and time of despatch of finished goods without Payment of duty for export under bond or on payment of duty for export or on payment of duty for home consumption Invoice No. and date.
Quantum of duty paid.
2. Quantity despatch (No./Weight/Litre/Metre) and entered in account.
3. Nature of processing/manufacturing done.
4. Quantity of waste material returned to the parent factory or cleared for home consumption Invoice No. & date. Quantum of duty paid.

Place : _____ Signature of Processor /

Date : Job worker.
Name of the factory
Address.

Annexure IV

Stock Register of Goods Sent for Processing / Job Working

Removal of inputs or partially processed goods under Rule 57F(2) and/ or Notification No. 214/86-C.E., dated 25-3-1986 (to be maintained by assessee who sends raw materials/semi-finished goods).

Date of issue	Description of goods (inputs)	Tariff classification	Quantity removed	Weight/Numbers/Pieces/Units	Identification marks, if any
1	2	3	4	5	
Premises/factory to which removed	Challan No. & Date	Nature of processing required	of Initials of supplier / manufacturer	Date of receipt of processed inputs	Date of clearance of processed inputs from factory of job worker
6	7	8	9	10	11
Quantity of processed/ finished goods received/ cleared by job worker	Difference between Col. 4 and 11. Wt./ Length/Pieces/ Units	Quantum of waste material received back/cleared by job worker.	G.P. No. & date of payments of duty	Particulars & of payment of duty on shortage waste if any or their mode of disposal	Initials of manufacturer
12	13	14	15	16	17

Annexure - V

Stock Register for Job Worker / Processor

Account of Receipt of inputs or partially processed goods under Rule 57F(3) and/or Notification No. 214 / 86-C.E., dated 25-3-1986

(To be maintained by Job-Worker/Processor)

Date of receipt	Challan No. & Date	Description of goods	Tariff Heading/sub-heading	Total quantity received with weight/length/pieces/units	Identification marks, if any
1	2	3	4	5	6
Nature of processing	Qty. of inputs obtained after processing	Waste obtained, if any.	Loss or gain in processing	Qty. of processed goods returned to original manufacturer/ another job worker/ cleared on payment of duty	
7	8	9	10	11	
G.P. No. & date and particulars of payment of duty		Waste returned, if any		Initials of processor	
12		13		14	