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Input Service – Ready Reckoner

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As the definition of “input service” is being amended substantially from 01.04.2011, the eligibility to Cenvat credit for various input service would have to be re-visited. In the below compilation an attempt has been made to identify whether certain commonly used taxable service would be entitled for Cenvat credit for manufacturers and service providers or not. Though the entitlement for credit for each service has to be decided individually on a case to case basis depending on the facts and circumstances of each case, the following compilation can be considered as a broad guideline. Even where it is indicated that Cenvat credit is not entitled for any service, still it can be argued that credit is entitled, on the basis of the remarks given thereagainst.

For ready reference, the definition of the term “input service” as per Rule 2 (I) of the Cenvat Credit Rules, 2004 as it would be effective from 01.04.2011 is given below:

“input service” means any service, -

(i) used by a provider of taxable service for providing an output service; or

(ii) used by a manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products upto the place of removal,

and includes services used in relation to modernisation, renovation or repairs of a factory, premises of provider of output service or an office relating to such factory or premises, advertisement or sales promotion, market research, storage upto the place of removal, procurement of inputs, accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, security, business exhibition, legal services, inward transportation of inputs or capital goods and outward transportation upto the place of removal;

but excludes services,-

(A) specified in sub-clauses (p), (zn), (zzl), (zzm), (zzq), (zzzh) and (zzzza) of clause (105) of section 65 of the Finance Act (hereinafter referred as specified services), in so far as they are used for-

(a) construction of a building or a civil structure or a part thereof; or

(b) laying of foundation or making of structures for support of capital goods, except for the provision of one or more of the specified services; or

(B) specified in sub-clauses (d), (o), (zo) and (zzzzj) of clause (105) of section 65 of the Finance Act, in so far as they relate to a motor vehicle except when used for the provision of taxable services for which the credit on motor vehicle is available as capital goods; or

(C) such as those provided in relation to outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness centre, life insurance, health insurance and travel benefits extended to employees on vacation such as Leave or Home Travel Concession, when such services are used primarily for personal use or consumption of any employee;.

This exercise has been made only in respect of certain services which are commonly used by the manufacturers and service providers and not in respect of all taxable services. It is again reiterated that the conclusion contained in the table can only be a guiding factor and the entitlement has to be decided on a case to case basis on the basis of the facts and circumstances of each case.

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